ALABAMA NATIONAL BANCORPORATION
Form 10-K
March 22, 2001

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

[X]ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000, OR

[_]TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED] FOR THE TRANSITION PERIOD FROM TO .

Commission File Number: 0-25160

ALABAMA NATIONAL BANCORPORATION
(Exact name of registrant as specified in its charter)

Delaware (State of incorporation or organization)	63-1114426 (I.R.S. Employer Identification No.)

1927 First Avenue North, Birmingham, AL 35203-4009
(Address of principal executive offices) (Zip Code)

(205) 583-3600
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

None

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, $1.00 par value

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 if disclosure of delinquent filers pursuant to Item

405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [_]

The aggregate market value of voting stock held by non-affiliates of the registrant at March 12, 2001 was $237,022,296.

As of March 12, 2001 the registrant had outstanding 11,793,160 shares of its common stock.

DOCUMENTS INCORPORATED BY REFERENCE IN THIS FORM 10-K:

(i) The definitive Proxy Statement for the 2001 Annual Meeting of Alabama National BanCorporation's Stockholders is incorporated by reference into Part III of this report.

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* Portions of the Proxy Statement for the Registrant's Annual Meeting of Stockholders to be held on May 3, 2001 are incorporated by reference in Part III of this Form 10-K.

SPECIAL NOTE REGARDING FORWARD LOOKING STATEMENTS

This Annual Report on Form 10-K, other periodic reports filed by Alabama National BanCorporation (the "Company" or "Alabama National") under the Securities Exchange Act of 1934, as amended, and any other written or oral statements made by or on behalf of Alabama National may include "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 which reflect Alabama National's current views with respect to future events and financial performance. Such forward looking statements are based on general assumptions and are subject to various risks, uncertainties, and other factors that may cause actual results to differ materially from the views, beliefs and projections expressed in such statements. These risks, uncertainties and other factors include, but are not limited to:

(1) Possible changes in economic and business conditions that may affect the prevailing interest rates, the prevailing rates of inflation, or the amount of growth, stagnation, or recession in the global, U.S., and southeastern U.S. economies, the value of investments, collectibility of loans and the profitability of business entities;

(2) Possible changes in monetary and fiscal policies, laws and regulations, and other activities of governments, agencies and similar organizations;

(3) The effects of easing of restrictions on participants in the financial services industry, such as banks, securities brokers and dealers, investment companies and finance companies, and changes evolving from the enactment of the Gramm-Leach-Bliley Act of 1999, and attendant changes in patterns and effects of competition in the financial services industry;

(4) The cost and other effects of legal and administrative cases and proceedings, claims, settlements and judgments; and

(5) The ability of Alabama National to achieve the expected operating results related to the acquired operations of recently-completed and future acquisitions (if any), which depends on a variety of factors, including (i) the ability of Alabama National to achieve the anticipated cost savings and revenue enhancements with respect to the acquired operations, (ii) the assimilation of the acquired operations to Alabama National's corporate culture, including the ability to instill Alabama National's credit practices and efficient approach to the acquired operations, (iii) the continued growth of the markets in which Alabama National operates consistent with recent historical experience, (iv) the absence of material contingencies related to the acquired operations, including asset quality and litigation contingencies, and (v) Alabama National's ability to expand into new markets and to maintain profit margins in the face of pricing pressures.

The words "believe," "expect," "anticipate," "project" and similar expressions signify forward looking statements. Readers are cautioned not to place undue reliance on any forward looking statements made by or on behalf of Alabama National. Any such statement speaks only as of the date the statement was made. Alabama National undertakes no obligation to update or revise any forward looking statements.

PART I

ITEM 1. BUSINESS

Alabama National BanCorporation ("Alabama National" or "ANB") is a Delaware bank holding company with its principal place of business in Birmingham, Alabama, and its main office located at 1927 First Avenue North, Birmingham, Alabama 35203 (Telephone Number: (205) 583-3600). Alabama National is currently the parent of three national banks, National Bank of Commerce of Birmingham ("NBC") (Birmingham, Alabama and the Birmingham metropolitan area), Citizens & Peoples Bank, National Association (Escambia County, Florida), and Community Bank of Naples, National Association (Naples, Florida); three state member banks, Alabama Exchange Bank (Tuskegee, Alabama), Bank of Dadeville (Dadeville, Alabama) and First Gulf Bank (Baldwin County, Alabama); and five state nonmember banks, First American Bank (Decatur/Huntsville, Alabama), Public Bank (St. Cloud, Florida), Georgia State Bank (Mableton, Georgia), First Citizens Bank, (Talladega, Alabama) and, effective January 31, 2001, Peoples State Bank of Groveland (Lake County, Florida) (collectively the "Banks"). In addition, Alabama National is currently the ultimate parent of one securities brokerage firm, NBC Securities, Inc. (Birmingham, Alabama); one receivables factoring company, Corporate Billing, Inc. (Decatur, Alabama); and one insurance agency, Rankin Insurance, Inc. (Decatur, Alabama).

Recent Developments

Peoples State Bank of Groveland Merger

Effective January 31, 2001, Peoples State Bank of Groveland ("Peoples State Bank"), a Florida state bank headquartered in Groveland, Florida, with approximately $123 million in total assets as of December 31, 2000, merged with a newly formed subsidiary of Alabama National (the "Peoples State Bank Merger"). The terms of the Peoples State Bank Merger are described in that certain Agreement and Plan of Merger dated as of October 10, 2000 (the "Peoples State Bank Merger Agreement"). Pursuant to the Peoples State Bank Merger, (i) the stockholders of Peoples State Bank became stockholders of Alabama National, and (ii) Alabama National became the parent stockholder of Peoples State Bank. The Peoples State Bank Merger was accounted for as a pooling of interests. Because the Peoples State Bank Merger was completed after December 31, 2000, the financial information of Peoples State Bank is not included in Alabama National's financial information for the period ending December 31, 2000.

The Peoples State Bank Merger Agreement generally provided, among other things, that each of the 631,464 outstanding shares of Peoples State Bank common stock were converted into the right to receive 1.16396 shares of Alabama National common stock, for a total of 735,000 shares of Alabama National common stock (excluding fractional shares) issued to former Peoples State Bank shareholders.

Subsidiary Banks

Alabama National operates through eleven subsidiary Banks which have a total of 52 banking offices and one insurance office (where no banking is conducted) in the states of Alabama, Georgia and Florida. The Banks focus on traditional consumer, residential mortgage, commercial and real estate construction lending, and equipment leasing to customers in their market areas. The Banks also offer a variety of deposit programs to individuals and small businesses and other organizations at interest rates generally consistent with local market conditions. NBC offers trust services, investment services and securities brokerage services. In addition, the Banks offer individual retirement and KEOGH accounts, safe deposit and night depository facilities and additional services such as the sale of traveler's checks, money orders and cashier's checks.

Lending Activities

General

Through the Banks, Alabama National offers a range of lending services, including real estate, consumer and commercial loans, to individuals and small businesses and other organizations that are located in or conduct a substantial portion of their business in the Banks' market areas. Alabama National's total loans, net of unearned

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interest, at December 31, 2000, were approximately $1.61 billion, or approximately 79.4% of total earning assets. The interest rates charged on loans vary with the degree of risk, maturity and amount of the loan and are further subject to competitive pressures, money market rates, availability of funds and government regulations. Alabama National has no "foreign loans" or loans for "highly leveraged transactions," as such terms are defined by applicable banking regulations.

Loan Portfolio

Real Estate Loans. Loans secured by real estate are the primary component of Alabama National's loan portfolio, constituting approximately $1.1 billion, or 68.2% of total loans, net of unearned interest, at December 31, 2000. The Banks often take real estate as an additional source of collateral to secure commercial and industrial loans. Such loans are classified as real estate loans rather than commercial and industrial loans if the real estate collateral is considered significant as a secondary source of repayment for the loan. The Banks' real estate loan portfolio is comprised of commercial and residential mortgages. Residential mortgages held in the Banks' loan portfolio, both fixed and variable, are made based upon amortization schedules of up to 30 years but generally have maturity dates of five years or less. The Banks' commercial mortgages accrue at either variable or fixed rates. The variable rates approximate current market rates. Construction loans are made on a variable rate basis. Origination fees are normally charged for most loans secured by real estate. The Banks' primary type of residential mortgage loan is the single-family first mortgage, typically structured with fixed or adjustable interest rates, based on market conditions. These loans usually have terms of five years, with payments through the date of maturity generally based on a 15 or 30 year amortization schedule.

The Banks originate residential loans for sale into the secondary market. Such loans are made in accordance with underwriting standards set by the purchaser of the loan, normally as to loan-to-value ratio, interest rate and documentation. Such loans are generally made under a commitment to purchase from a loan purchaser. The Banks generally collect from the borrower or purchaser a combination of the origination fee, discount points and/or service release fee. During 2000, the Banks sold approximately $230 million in loans to such purchasers.

The Banks' nonresidential mortgage loans include commercial, industrial and unimproved real estate loans. The Banks generally require nonresidential mortgage loans to have an 80% loan-to-value ratio and usually underwrite their commercial loans on the basis of the borrower's cash flow and ability to service the debt from earnings, rather than on the basis of the value of the collateral. Terms on construction loans are usually less than twelve months, and the Banks typically require real estate mortgages and personal guarantees supported by financial statements and a review of the guarantor's personal finances.

Consumer Loans. Consumer lending includes installment lending to individuals in the Banks' market areas and generally consists of loans to purchase automobiles and other consumer durable goods. Consumer loans constituted $76.0 million, or 4.7% of Alabama National's loan portfolio at December 31, 2000. Consumer loans are underwritten based on the borrower's income, current debt level, past credit history and collateral. Consumer rates are both variable and fixed, with terms negotiable. Terms generally range from one to five years depending on the nature and condition of the collateral. Periodic amortization, generally monthly, is typically required.

Commercial and Financial Loans. The Banks make loans for commercial purposes in various lines of business. These loans are typically made on terms up to five years at fixed or variable rates. The loans are secured by various types of collateral including accounts receivable, inventory or, in the case of equipment loans, the financed equipment. The Banks attempt to reduce their credit risk on commercial loans by underwriting the loan based on the borrower's cash flow and its ability to service the debt from earnings, and by limiting the loan to value ratio. Historically, the Banks have typically loaned up to 80% on loans secured by accounts receivable, up to 65% on loans secured by inventory, and up to 80% on loans secured by equipment. The Banks also make some unsecured commercial loans and offer equipment leasing. Commercial and financial loans constituted $259.8 million, or 16.1% of Alabama National's loan portfolio at December 31, 2000. Interest rates are negotiable based upon the borrower's financial condition, credit history, management stability and collateral.

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Credit Procedures and Review

Loan Approval. Certain credit risks are inherent in making loans. These include prepayment risks, risks resulting from uncertainties in the future value of collateral, risks resulting from changes in economic and industry conditions and risks inherent in dealing with individual borrowers. In particular, longer maturities increase the risk that economic conditions will change and adversely affect collectibility.

Alabama National attempts to minimize loan losses through various means and uses standardized underwriting criteria. Alabama National has established a standardized loan policy for all of the Banks that may be modified based on local market conditions. In particular, on larger credits, Alabama National generally relies on the cash flow of a debtor as the source of repayment and secondarily on the value of the underlying collateral. In addition, Alabama National attempts to utilize shorter loan terms in order to reduce the risk of a decline in the value of such collateral.

Alabama National addresses repayment risks by adhering to internal credit policies and procedures which all of the Banks have adopted. These policies and procedures include officer and customer lending limits, a multi-layered loan approval process for larger loans, documentation examination and follow-up procedures for any exceptions to credit policies. The point in each Bank's loan approval process at which a loan is approved depends on the size of the borrower's credit relationship with such Bank. Each of the lending officers at each of the Banks has the authority to approve loans up to an approved loan authority amount as approved by each Bank's Board of Directors. Loans in excess of the highest loan authority amount at each Bank must be approved by the Alabama National Executive Vice President in charge of credit administration. In addition, loans in excess of a particular loan officer's approval authority must be approved by a more senior officer at the particular Bank, the loan committee at such Bank, or both.

Loan Review. Alabama National maintains a continuous loan review system for each of NBC and First American Bank and a scheduled review system for the other Banks. Under this system, each loan officer is directly responsible for monitoring the risk in his portfolio and is required to maintain risk ratings for each credit assigned. The risk rating system incorporates the basic regulatory rating system as set forth in the applicable regulatory asset quality examination procedures.

Alabama National's Loan Review Department ("LRD"), which is wholly independent of the lending function, serves as a validation of each loan officer's risk monitoring and rating system. LRD's primary function is to provide the Board of Directors of each Bank with a thorough understanding of the credit quality of such Bank's loan portfolio. Other review requirements are in place to provide management with early warning systems for problem credits as well as compliance with stated lending policies. LRD's findings are reported, along with an asset quality review, to the Alabama National Board of Directors at each bi-monthly meeting.

Deposits

The principal sources of funds for the Banks are core deposits, consisting of demand deposits, interest-bearing transaction accounts, money market accounts, savings deposits and certificates of deposit. Transaction accounts include checking and negotiable order of withdrawal (NOW) accounts which customers use for cash management and which provide the Banks with a source of fee income and cross-marketing opportunities, as well as a low-cost source of funds. Time and savings accounts also provide a relatively stable and low-cost source of funding. The largest source of funds for the Banks are certificates of deposit. Certificates of deposit in excess of $100,000 are held primarily by customers in the Banks' market areas.

Deposit rates are reviewed weekly by senior management of each of the Banks. Management believes that the rates the Banks offer are competitive with those offered by other institutions in the Banks' market areas. Alabama National focuses on customer service to attract and retain deposits.

Investment Services

NBC operates an investment department devoted primarily to handling correspondent banks' investment needs. Services provided by the investment department include the sale of securities, asset/liability consulting, safekeeping and bond accounting.

Securities Brokerage Division

NBC also has a wholly owned subsidiary, NBC Securities, Inc. ("NBC Securities"), that is licensed as a broker-dealer. Started in 1995, NBC Securities provides investment services to individuals and institutions. These services include the sale of stocks, bonds, mutual funds, annuities, margin loans, other insurance products and financial planning. NBC Securities has investment advisers in Birmingham, Decatur and Gulf Shores, Alabama; Naples and Pensacola, Florida; and Mableton, Georgia.

Trust Division

NBC operates a trust division that manages the assets of both corporate and individual customers located primarily in the Birmingham, Alabama market. The division's corporate trust services include managing and servicing retirement plan accounts such as pension, profit sharing and 401(k) plans.

Mortgage Lending Division

NBC's mortgage lending division makes home loans to individuals throughout the State of Alabama. The majority of these loans are sold to corporate investors, who also service the loans.

Insurance Services Division

Alabama National's First American Bank subsidiary purchased an existing insurance company, Rankin Insurance, Inc., in 1999. Rankin Insurance is a full service independent property and casualty insurance agency located in Decatur, Alabama.

Competition

The Banks encounter strong competition in making loans, acquiring deposits and attracting customers for investment and trust services. Competition among financial institutions is based upon interest rates offered on deposit accounts, interest rates charged on loans, other credit and service charges relating to loans, the quality and scope of the services rendered, the convenience of banking facilities and, in the case of loans to commercial borrowers, relative lending limits. The Banks compete with other commercial banks, savings and loan associations, credit unions, finance companies, mutual funds, insurance companies, brokerage and investment banking companies, and other financial intermediaries operating in the markets served by the Banks. Many of these competitors, some of which are affiliated with large bank holding companies, have substantially greater resources and lending limits, and may offer certain services that the Banks do not currently provide. In addition, many of Alabama National's non-bank competitors are not subject to the same extensive federal regulations that govern bank or thrift holding companies and federally insured banks or thrifts.

The Gramm-Leach-Bliley Act, effective March 11, 2000, permits bank holding companies to become financial holding companies and thereby affiliate with securities firms and insurance companies and engage in other activities that are financial in nature. See "Supervision and Regulation." Under the Act, securities firms and insurance companies that elect to become financial holding companies may acquire banks and other financial institutions. The Gramm-Leach-Bliley Act, which represents the most sweeping reform of financial services regulation in over sixty years, may significantly change the competitive environment in which Alabama National and the Banks conduct business. At this time, however, it is not possible to predict the full effect that the Act will have on Alabama National. One consequence may be increased competition from large financial services companies that will be permitted to provide many types of financial services, including bank products, to their customers.

The financial services industry is also likely to become more competitive as further technological advances enable more companies to provide financial services. These technological advances may diminish the importance of depository institutions and other financial intermediaries in the transfer of funds between parties.

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The Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 (the "IBBEA") authorized bank holding companies to acquire banks and other bank holding companies without geographic limitations beginning September 30, 1995. In addition, beginning on June 1, 1997, the IBBEA authorized interstate mergers and consolidations of existing banks, provided that neither bank's home state had opted out of interstate branching by May 31, 1997. The States of Alabama, Georgia and Florida have opted in to interstate branching. Interstate branching provides that once a bank has established branches in a state through an interstate merger, the bank may establish and acquire additional branches at any location in the state where any bank involved in the interstate merger could have established or acquired branches under applicable federal or state law.

Size gives the larger banks certain advantages in competing for business from large corporations. These advantages include higher lending limits and the ability to offer services in other areas of Alabama and the southeast region. Some of Alabama National's competitors still maintain substantially greater resources and lending limits than Alabama National. As a result, Alabama National has not generally attempted to compete for the banking relationships of large corporations, and generally concentrates its efforts on small to medium-sized businesses and individuals to which Alabama National believes it can compete effectively by offering quality, personal service. However, management believes it may be able to compete more effectively for the business of some large corporations, given its current growth pattern.

Management believes that the Banks' commitment to their respective primary market areas, as well as their commitment to quality and personalized banking services, are factors that contribute to the Banks' competitiveness. Management believes that Alabama National's decentralized community banking strategy positions the Banks to compete successfully in their market areas.

Market Areas and Growth Strategy

Through NBC, Alabama National serves the metropolitan Birmingham market, which includes portions of Jefferson, Shelby and St. Clair Counties. Alabama National's First American Bank subsidiary serves Morgan, Limestone and Madison Counties in north Alabama. First American's largest market presence is in Decatur, Alabama, which has demonstrated a growing economic base in recent years. First American also acquired two branches in Huntsville, Alabama from another bank holding company during 2000. Through First Gulf Bank, Alabama National serves Baldwin County, Alabama. Located between Mobile, Alabama and Pensacola, Florida, Baldwin County has a broad base of economic activity in the retail and service, agriculture, seafood, tourism and manufacturing industries. Baldwin County includes the popular tourism and retirement resort communities of Gulf Shores and Fairhope. Shelby, Baldwin and St. Clair Counties have been named in statistical surveys as three of the fastest growing counties in Alabama. In 1997, Alabama National expanded outside of Alabama with the opening of Citizens & Peoples Bank, N.A. in Escambia County, Florida. In 1998, Alabama National further expanded its presence in markets outside of Alabama with two acquisitions in Florida and one in Georgia. Public Bank is located in the fast-growing greater Orlando area, with offices in Altamonte Springs, Kissimmee and St. Cloud, Florida. Community Bank of Naples, N.A., located in Collier County, Florida, and Georgia State Bank, located in Cobb County and Paulding County, Georgia, are located in markets that are among the fastest growing in their respective states. Effective January 31, 2001, Alabama National expanded its presence in the greater-Orlando area with the acquisition of Peoples State Bank of Groveland ("Peoples State Bank").

Peoples State Bank serves customers in the communities of Groveland, Leesburg, and Clermont, Florida. The other Banks, First Citizens, Alabama Exchange Bank and Bank of Dadeville, are located in non-metropolitan areas. Each of these three Banks, while experiencing minimal growth due to market growth that has not been significant, typically operates at a high level of profitability. As a result, these Banks tend to produce capital for growth in many of the high growth markets served by the other Banks. Alabama National's strategy is to focus on growth in profitability for these non-metropolitan banks, since market growth has not been as significant.

Due to continuing consolidation within the banking industry, as well as in the Southeastern United States, Alabama National may in the future seek to combine with other banks or thrifts (or their holding companies) that may be of smaller, equal or greater size than Alabama National. Alabama National currently intends to concentrate on acquisitions of additional banks or thrifts (or their holding companies) which operate in attractive

market areas in Alabama, Florida and Georgia. In addition to price and terms, the factors considered by Alabama National in determining the desirability of a business acquisition or combination are financial condition, asset quality, earnings potential, quality of management, market area and competitive environment.

In addition to expansion through combinations with other banks or thrifts, Alabama National intends to continue to expand where possible through growth of its existing banks in their respective market areas. During 1998, NBC formed a commercial leasing division which currently focuses on machinery and equipment leases to business customers. Also, Alabama National is exploring expansion into lines of business closely related to banking and will pursue such expansion if it believes such lines could be profitable without causing undue risk to Alabama National. During 1999, First American Bank acquired Rankin Insurance, Inc., a full service independent property and casualty insurance agency located in Decatur, Alabama. While Alabama National plans to continue its growth as described above, there is no assurance that its efforts will be successful.

Employees

As of December 31, 2000, Alabama National and the Banks together had approximately 835 full-time equivalent employees. None of these employees is a party to a collective bargaining agreement. Alabama National considers its relations with its employees to be good.

Supervision and Regulation

Alabama National and the Banks are subject to state and federal banking laws and regulations which impose specific requirements and restrictions on, and provide for general regulatory oversight with respect to, virtually all aspects of operations. These laws and regulations are generally intended to protect depositors, not stockholders. To the extent that the following summary describes statutory or regulatory provisions, it is qualified in its entirety by reference to the particular statutory and regulatory provisions. Any change in applicable laws or regulations may have a material effect on the business and prospects of Alabama National.

Beginning with the enactment of the Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("FIRREA") and following in December 1991 with the Federal Deposit Insurance Corporation Act ("FDICIA"), numerous additional regulatory requirements have been placed on the banking industry in the past ten years, and additional changes have been proposed. The operations of Alabama National and the Banks may be affected by legislative changes and the policies of various regulatory authorities. Alabama National is unable to predict the nature or the extent of the effect on its business and earnings that fiscal or monetary policies, economic control, or new federal or state legislation may have in the future.

As a bank holding company, Alabama National is subject to the regulation and supervision of the Federal Reserve. The Banks are subject to supervision and regulation by applicable state and federal banking agencies, including the Federal Reserve, the Office of the Comptroller of the Currency (the "OCC") and the Federal Deposit Insurance Corporation (the "FDIC"). The Banks are also subject to various requirements and restrictions under federal and state law, including requirements to maintain allowances against deposits, restrictions on the types and amounts of loans that may be granted and the interest that may be charged thereon, and limitations on the types of investments that may be made and the types of services that may be offered. Various consumer laws and regulations also affect the operations of the Banks. In addition to the impact of regulation, commercial banks are affected significantly by the actions of the Federal Reserve as it attempts to control the money supply and credit availability in order to influence the economy.

Pursuant to the IBBEA, bank holding companies from any state may now acquire banks located in any other state, subject to certain conditions, including concentration limits. As of June 1, 1997, a bank may establish branches across state lines by merging with a bank in another state (unless applicable state law prohibits such interstate mergers), provided certain conditions are met. A bank may also establish a de novo branch in a state in which the bank does not maintain a branch if that state expressly permits such interstate de novo branching and certain other conditions are met.

There are a number of obligations and restrictions imposed on bank holding companies and their depository institution subsidiaries by federal law and regulatory policy that are designed to reduce potential loss exposure to the depositors of such depository institutions and to the FDIC insurance fund in the event the depository institution becomes in danger of default or is in default. For example, under a policy of the Federal Reserve with respect to bank holding company operations, a bank holding company is required to serve as a source of financial strength to its subsidiary depository institutions and commit resources to support such institutions in circumstances where it might not do so absent such policy. In addition, the "cross-guarantee" provisions of federal law require insured depository institutions under common control to reimburse the FDIC for any loss suffered or reasonably anticipated as a result of the default of a commonly controlled insured depository institution or for any assistance provided by the FDIC to a commonly controlled insured depository institution in danger of default.

The federal banking agencies have broad powers under current federal law to take prompt corrective action to resolve problems of insured depository institutions. The extent of these powers depends upon whether the institutions in question are "well capitalized," "adequately capitalized," "undercapitalized," "significantly undercapitalized" or "critically undercapitalized" as such terms are defined under regulations issued by each of the federal banking agencies. In general, the agencies measure capital adequacy within a framework that makes capital requirements sensitive to the risk profiles of individual banking companies. The guidelines define capital as either Tier 1 (primarily common shareholders' equity) or Tier 2 (certain debt instruments and a portion of the allowance for loan losses). Alabama

National and the Banks are subject to a minimum Tier 1 capital ratio (Tier 1 capital to risk-weighted assets) of 4%, a total capital ratio (Tier 1 plus Tier 2 to risk-weighted assets) of 8% and a Tier 1 leverage ratio (Tier 1 to average quarterly assets) of 3%. To be considered a "well capitalized" institution, the Tier 1 capital ratio, the total capital ratio, and the Tier 1 leverage ratio must equal or exceed 6%, 10% and 5%, respectively.

The Banks are subject to the provisions of Section 23A of the Federal Reserve Act, which place limits on the amount of loans or extensions of credit to, investments in or certain other transactions with affiliates, and on the amount of advances to third parties collateralized by the securities or obligations of affiliates. In general, the Banks' "affiliates" are Alabama National and Alabama National's non-bank subsidiaries.

The Banks are also subject to the provisions of Section 23B of the Federal Reserve Act that, among other things, prohibit a bank from engaging in certain transactions with affiliates unless the transactions are on terms substantially the same, or at least as favorable to the bank, as those prevailing at the time for comparable transactions with non-affiliated companies.

The Banks are also subject to certain restrictions on extensions of credit to executive officers, directors, certain principal stockholders and their related interests. Such extensions of credit (i) must be made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with third parties and (ii) must not involve more than the normal risk of repayment or present other unfavorable features.

The Community Reinvestment Act ("CRA") requires that, in connection with examinations of financial institutions within their respective jurisdictions, the Federal Reserve, the FDIC or the OCC shall evaluate the record of the financial institutions in meeting the credit needs of their local communities, including low and moderate income neighborhoods, consistent with the safe and sound operation of those institutions. The CRA does not establish specific lending requirements or programs for financial institutions nor does it limit an institution's discretion to develop the types of products and services that it believes are best suited to its particular community, consistent with the CRA. These factors are considered in evaluating mergers, acquisitions and applications to open a branch or facility. The CRA also requires all institutions to make public disclosure of their CRA ratings. Each of the Banks received outstanding or satisfactory ratings in its most recent evaluation.

There are various legal and regulatory limits on the extent to which the Banks may pay dividends or otherwise supply funds to Alabama National. In addition, federal and state regulatory agencies also have the authority to prevent a bank or bank holding company from paying a dividend or engaging in any other activity that, in the opinion of the agency, would constitute an unsafe or unsound practice.

FDIC regulations require that management report on its responsibility for preparing its institution's financial statements and for establishing and maintaining an internal control structure and procedures for financial reporting and compliance with designated laws and regulations concerning safety and soundness.

The Gramm-Leach-Bliley Act, effective March 11, 2000, permits bank holding companies to become financial holding companies and thereby affiliate with securities firms and insurance companies and engage in other activities that are financial in nature. A bank holding company may become a financial holding company by filing a declaration if each of its subsidiary banks is well capitalized under the FDICIA prompt corrective action provisions, is well managed, and has at least a satisfactory rating under the CRA. No regulatory approval will be required for a financial holding company to acquire a company, other than a bank or savings association, engaged in activities that are financial in nature or incidental to activities that are financial in nature, as determined by the Federal Reserve.

The Gramm-Leach-Bliley Act broadly defines "financial in nature" to include securities underwriting, dealing and market making; sponsoring mutual funds and investment companies; insurance underwriting and agency; merchant banking; and activities that the Federal Reserve has determined to be closely related to banking. The Act also permits the Federal Reserve, in consultation with the Department of Treasury, to determine that other activities are "financial in nature" and therefore permissible for financial holding companies. A national bank also may engage, subject to limitations on investment, in activities that are financial in nature (other than insurance underwriting, insurance company portfolio investment, merchant banking, real estate development and real estate investment) through a financial subsidiary of the bank, if the bank is well capitalized, well managed and has at least a satisfactory CRA rating. Subsidiary banks of a financial holding company or national banks with financial subsidiaries must continue to be well capitalized and well managed in order to continue to engage in activities that are financial in nature without regulatory actions or restrictions, which could include divestiture of the financial subsidiary or subsidiaries. In addition, a financial holding company or a bank may not acquire a company that is engaged in activities that are financial in nature unless each of the subsidiary banks of the financial holding company or the bank at issue has a CRA rating of satisfactory or better.

The Act preserves the role of the Federal Reserve as the umbrella supervisor for holding companies while at the same time incorporating a system of functional regulation designed to take advantage of the strengths of the various federal and state regulators. In particular, the Act replaces the broad exemption from Securities and Exchange Commission regulation that banks previously enjoyed with more limited exemptions, and it reaffirms that states are the regulators for the insurance activities of all persons, including federally-chartered banks.

The Gramm-Leach-Bliley Act also establishes a minimum federal standard of financial privacy. In general, the applicable regulations issued by the various federal regulatory agencies prohibit affected financial institutions (including banks, insurance agencies and broker/dealers) from sharing information about their customers with non-affiliated third parties unless (1) the financial institution has first provided a privacy notice to the customer; (2) the financial institution has given the customer an opportunity to opt out of the disclosure; and (3) the customer has not opted out after being given a reasonable opportunity to do so. Compliance with the notice and other requirements under the regulations is required by July 1, 2001.

NBC Securities is a broker-dealer registered with the Securities and Exchange Commission and is a member of the National Association of Securities Dealers, Inc.

Executive Officers of the Registrant

The Executive Officers of Alabama National serve at the pleasure of the Board of Directors. Set forth below are the current Executive Officers of Alabama National and a brief explanation of their principal employment during the last five (5) years.

John H. Holcomb, III--Age 49--Chairman and Chief Executive Officer. Mr. Holcomb has served as Chairman and Chief Executive Officer of Alabama National since 1996. Mr. Holcomb has been Chief Executive Officer of NBC since 1990.

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Victor E. Nichol, Jr.--Age 54--Vice Chairman. Mr. Nichol has served as Vice Chairman of Alabama National since December 2000. Prior to such time, Mr. Nichol served as President and Chief Operating Officer of Alabama National beginning in 1996. Mr. Nichol has been Executive Vice President of NBC since 1994.

Dan M. David--Age 55--Vice Chairman. Mr. David has served as Vice Chairman of Alabama National since November 30, 1997 when First American Bancorp merged with and into Alabama National. Mr. David serves as Chairman of First American Bank, a position he has held since 1995. Mr. David served as Chairman and Chief Executive Officer of First American Bank from 1995 through 1997.

John R. Bragg--Age 39--Executive Vice President. Mr. Bragg has served as Executive Vice President of Alabama National since April 1998 and Executive Vice President of NBC since 1997. Mr. Bragg served as Senior Vice President of NBC from 1992 until 1997.

Richard Murray, IV--Age 38--President and Chief Operating Officer. Mr. Murray has served as President and Chief Operating Officer of Alabama National since December 2000. Prior to such time, Mr. Murray served as Executive Vice President of Alabama National beginning April 1998 and Executive Vice President of NBC beginning 1997. Mr. Murray served as Senior Vice President of NBC from 1990 until 1997.

William G. Sanders, Jr.--Age 37--President and Chief Operating Officer of NBC. Mr. Sanders has served as President and Chief Operating Officer of NBC since December 2000. Prior to such time, Mr. Sanders served as Executive Vice President of Alabama National beginning April 1998 and Executive Vice President of NBC beginning 1997. Mr. Sanders served as Senior Vice President of NBC from 1993 until 1997.

William E. Matthews, V--Age 36--Executive Vice President and Chief Financial Officer. Mr. Matthews has served as Executive Vice President and Chief Financial Officer of Alabama National and NBC since April 1998. Prior to that date, Mr. Matthews served as Senior Vice President of NBC beginning in 1996.

Shelly S. Williams--Age 38--Senior Vice President and Controller. Ms. Williams has served as Senior Vice President and Controller of Alabama National and NBC since 2000. Prior to such time, Ms. Williams served as Vice President and Controller of NBC from 1997 through 2000, and as Assistant Vice President and Assistant Controller of NBC from 1996 to 1997.

ITEM 2. PROPERTIES

Alabama National, through the Banks, currently operates 52 banking offices and one insurance office. Of these offices, Alabama National, through the Banks, owns 42 banking offices without encumbrance and leases an additional 10 banking offices and its one insurance office. Alabama National, through NBC, leases its principal administrative offices, which are located at 1927 First Avenue North, Birmingham, Alabama. See Notes 6 and 9 to the Consolidated Financial Statements of Alabama National and Subsidiaries included in this Annual Report on Form 10-K for additional information regarding Alabama National's premises and equipment.

ITEM 3. LEGAL PROCEEDINGS

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

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY-HOLDERS

None.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

At March 12, 2001 Alabama National had 1,198 stockholders of record (including shares held in "street" names by nominees who are record holders) and 11,793,160 shares of Alabama National Common Stock outstanding. Alabama National Common Stock is traded in the over-the-counter market and prices are quoted on the NASDAQ/NMS under the symbol "ALAB."

The reported sales price range for Alabama National Common Stock and the dividends declared during each calendar quarter of 1999 and 2000 are shown below:

	High	Low	Dividends Declared
1999			
First Quarter..................................	$26 29/32	21 3/4	$.18
Second Quarter.................................	25 3/8	22 1/2	.18
Third Quarter..................................	27 1/2	22 5/8	.18
Fourth Quarter.................................	24 5/8	17 3/4	.18
2000			
First Quarter..................................	21 3/4	14 1/8	.21
Second Quarter.................................	20 1/2	17 1/8	.21
Third Quarter..................................	24 3/4	17 1/8	.21
Fourth Quarter.................................	23 5/8	18 3/4	.21

As a bank holding company, Alabama National, except under extraordinary circumstances, will not generate earnings of its own, but will rely solely on dividends paid to it by the Banks as the source of income to meet its expenses and pay dividends. Under normal circumstances, Alabama Nationals' ability to pay dividends will depend entirely on the ability of the Banks to pay dividends to Alabama National. The Banks are subject to state and federal banking regulations, and the payment of dividends by the Banks is governed by such regulations.

The last reported sales price of Alabama National Common Stock as reported on the NASDAQ/NMS on March 12, 2001 was $28.00. The prices shown do not reflect retail mark-ups and mark-downs. All share prices have been rounded to the nearest 1/64 of one dollar. The market makers for Alabama National Common Stock as of December 31, 2000, were Raymond James & Associates, Inc., Legg Mason Wood Walker Inc., The Robinson Humphrey Company, LLC, ABN AMRO

Securities (USA), Inc., Speer, Leeds & Kellogg, Mayer & Schweitzer, Inc., Keefe, Bruyette & Woods, Inc., Trident Securities, Inc., First Tennessee Securities Corporation, Schwab Capital Markets and Sherwood Securities Corp.

ITEM 6. SELECTED FINANCIAL DATA

FIVE-YEAR SUMMARY OF SELECTED FINANCIAL DATA
(Amounts in thousands, except ratios and per share data)

	Year Ended December 31,				
	2000	1999	1998(1)	1997(1)	1996(1)
Income Statement Data:					
Interest income.........	$ 161,404	$ 125,668	$ 115,704	$ 104,508	$ 93,178
Interest expense........	86,438	59,283	56,555	48,379	42,174
Net interest income.....	74,966	66,385	59,149	56,129	51,004
Provision for loan losses................	2,003	1,954	1,796	3,421	1,035
Net interest income after provision for loan losses...........	72,963	64,431	57,353	52,708	49,969
Net securities gains (losses)..............	1	190	174	(2)	(84)
Noninterest income......	32,679	30,367	29,176	20,296	19,214
Noninterest expense.....	70,374	62,455	61,154	52,788	50,175
Income before income taxes.................	35,269	32,533	25,549	20,214	18,924
Provision for income taxes.................	10,851	10,237	8,154	6,086	5,279
Income before minority interest in earnings of consolidated subsidiary............	24,418	22,296	17,395	14,128	13,645
Minority interest in earnings of consolidated subsidiary............	26	25	23	12	14
Net income.............	$ 24,392	$ 22,271	$ 17,372	$ 14,116	$ 13,631
Balance Sheet Data:					
Total assets...........	$2,235,698	$1,921,884	$1,672,049	$1,495,814	$1,260,635
Earning assets.........	2,026,028	1,716,935	1,493,122	1,313,097	1,149,038
Securities.............	375,312	345,123	324,213	265,102	224,939
Loans held for sale	5,226	8,615	19,047	5,291	4,339
Loans, net of unearned income................	1,609,465	1,320,160	1,087,027	961,079	863,968
Allowance for loan losses................	20,867	18,068	16,540	14,844	12,633
Deposits...............	1,703,949	1,442,155	1,275,175	1,125,479	988,876
Short-term debt........	83,439	18,389	21,700	29,087	42,205

Long-term debt..........	83,926	124,005	32,328	16,587	12,939
Stockholders' equity....	162,464	138,255	130,993	116,888	105,204
Weighted Average Shares Outstanding--Diluted(2)............	11,238	11,273	11,173	10,999	10,490
Per Common Share Data:					
Net income--diluted	$ 2.17	$ 1.98	$ 1.55	$ 1.28	$ 1.30
Book value (period end)..................	14.70	12.49	11.94	11.02	10.43
Tangible book value (period end)	13.40	11.52	11.19	10.20	9.66
Dividends declared	0.84	0.72	0.60	0.46	0.28
Performance Ratios:					
Return on average assets	1.18%	1.26%	1.10%	1.05%	1.17%
Return on average equity	16.47	16.28	13.81	12.73	14.22
Net interest margin(3)..	3.98	4.18	4.24	4.62	4.75
Net interest margin (taxable equivalent)(3).........	4.03	4.25	4.31	4.71	4.83
Asset Quality Ratios:					
Allowance for loan losses to period end loans(4)...............	1.30%	1.37%	1.52%	1.54%	1.46%
Allowance for loan losses to period end nonperforming loans(5)..............	647.84	435.79	340.61	281.14	377.22
Net charge-offs to average loans(4)	0.04	0.04	0.01	0.13	0.00
Nonperforming assets to period end loans and foreclosed property(4)(5).........	0.29	0.37	0.56	0.73	0.48
Capital and Liquidity Ratios:					
Average equity to average assets.........	7.15%	7.77%	7.95%	8.27%	8.21%
Leverage (4.00% required minimum)(6)...........	6.80	7.18	7.41	7.75	8.64
Risk-based capital					
Tier 1 (4.00% required minimum)(6)...........	8.82	9.38	10.03	9.89	10.91
Total (8.00% required minimum)(6)...........	10.04	10.62	11.28	11.14	12.16
Average loans to average deposits..............	93.88	88.96	83.02	85.44	84.08

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(1) On December 31, 1998, Community Bank of Naples, N.A. ("Naples") merged with and into a subsidiary of Alabama National (the "Naples Merger"). Pursuant to the terms of the Naples Merger, each share of Naples common stock was converted into 0.53271 shares of Alabama National's common stock. On October 2, 1998, Community Financial Corporation ("CFC") merged with and into Alabama National (the "CFC Merger"). Pursuant to the terms of the CFC Merger, each share of CFC common stock was converted into

0.351807 shares of Alabama National's common stock. On May 29, 1998, Public Bank Corporation ("PBC") merged with and into Alabama National (the "PBC Merger"). Pursuant to the terms of the PBC Merger, each share of PBC common stock was converted into 0.2353134 shares of Alabama National's common stock. On November 30, 1997, First American Bancorp ("FAB") merged with and into Alabama National (the "FAB Merger"). Pursuant to the terms of the FAB Merger, each share of FAB common stock was converted into 0.7199 shares of Alabama National's common stock. On September 30, 1996, FIRSTBANC Holding Company, Inc. ("FIRSTBANC") was merged with and into Alabama National, with each share of common stock of FIRSTBANC being converted into 7.12917 shares of Alabama National's common stock. Each of the aforementioned mergers was accounted for as pooling of interests. The historical Five-Year Summary of Selected Financial Data for all periods have been restated to include the results of operations of Naples, CFC, PBC, FAB, and FIRSTBANC from the earliest period presented, except for dividends per common share. (See Note 2 to Alabama National's consolidated financial statements included in this Annual Report).

(2) The weighted average common share and common equivalent shares outstanding are those of Naples, CFC, PBC, FAB, and FIRSTBANC converted into Alabama National common stock and common stock equivalents at the applicable exchange ratios.

(3) Net interest income divided by average earning assets.

(4) Does not include loans held for sale.

(5) Nonperforming loans and nonperforming assets includes loans past due 90 days or more that are still accruing interest. It is Alabama National's policy to place all loans on nonaccrual status when over ninety days past due.

(6) Based upon fully phased-in requirements.

ITEM 7. 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 service industry practices.

The historical consolidated financial statements of Alabama National and the "FIVE-YEAR SUMMARY OF SELECTED FINANCIAL DATA" derived from the historical consolidated financial statements of Alabama National are set forth elsewhere herein. This discussion should be read in conjunction with those consolidated financial statements and selected consolidated financial data and the other financial information included in this Annual Report.

Selected Bank Financial Data

Alabama National's success is dependent upon the financial performance of its subsidiary banks (the "Banks"). Alabama National, with input from the management of each Bank, establishes operating goals for each Bank. The following tables summarize selected financial information for 2000 and 1999 for each of the Banks.

SELECTED BANK FINANCIAL DATA
(Amounts in thousands, except ratios)
(Unaudited)

	December 31, 2000							
	National Bank of Commerce	Alabama Exchange Bank	Bank of Dadeville	Citizens & Peoples Bank, N.A.	First American Bank	First Citizens Bank	First Gulf Bank	Pu B
Summary of Operations:								
Interest income.......	$ 71,622	$ 5,593	$ 5,639	$ 3,400	$ 31,322	$ 6,907	$ 11,706	$
Interest expense......	42,725	1,936	2,706	2,211	15,802	3,467	5,788	
Net interest income...	28,897	3,657	2,933	1,189	15,520	3,440	5,918	
Provision for loan losses..............	425	160	35	110	618	--	95	
Securities gains (losses)............	--	--	--	--	--	--	--	
Noninterest income....	19,159	680	597	355	6,142	760	1,711	
Noninterest expense...	32,775	1,992	1,596	1,291	13,545	1,963	4,568	
Net income...........	10,441	1,438	1,321	107	5,223	1,703	1,950	
Balance Sheet Highlights:								
At Period-End:								
Total assets........	$952,623	$73,719	$71,472	$53,122	$443,982	$92,666	$165,784	$8
Securities..........	130,204	19,526	14,752	12,407	54,353	36,825	18,075	1
Loans, net of unearned income.............	710,094	40,223	47,637	33,563	338,270	44,934	130,516	6
Allowance for loan losses............	9,010	593	556	467	4,799	588	1,519	
Deposits...........	642,227	61,617	56,021	48,862	368,989	78,996	142,667	7
Short-term debt.....	16,900	5,000	5,000	--	5,000	4,000	5,000	
Long-term debt......	45,176	--	3,700	--	18,050	2,000	5,000	
Stockholders' equity............	74,343	6,303	5,590	4,062	41,184	6,885	11,362	
Performance Ratios:								
Return on average assets..............	1.12%	1.92%	1.81%	0.23%	1.42%	1.83%	1.31%	
Return on average equity..............	15.50	23.59	24.33	2.92	15.76	26.41	19.27	
Net interest margin...	3.35	5.36	4.38	2.83	4.67	4.02	4.37	
Capital and Liquidity Ratios:								
Average equity to average assets.......	7.25	8.13	7.45	7.72	9.02	6.92	6.78	
Leverage (4.00% required minimum)....	7.78	7.45	7.89	8.09	7.89	7.39	7.00	
Risk-based capital....								
Tier 1 (4.00% required minimum)..	9.79	13.08	11.73	11.42	9.52	13.56	8.88	
Total (8.00% required minimum)..	10.97	14.33	12.87	12.67	10.77	14.74	10.07	
Average loans to average deposits.....	112.63	65.68	78.30	68.54	93.36	55.38	91.92	

SELECTED BANK FINANCIAL DATA (continued)
(Amounts in thousands, except ratios)
(Unaudited)

	December 31, 1999							
	National Bank of Commerce	Alabama Exchange Bank	Bank of Dadeville	Citizens & Peoples Bank, N.A.	First American Bank	First Citizens Bank	First Gulf Bank	Pu B
Summary of Operations:								
Interest income.......	$ 55,306	$ 4,813	$ 5,039	$ 2,772	$ 22,386	$ 6,389	$ 9,058	$
Interest expense......	28,747	1,590	2,155	1,776	9,781	2,891	3,780	
Net interest income...	26,559	3,223	2,884	996	12,605	3,498	5,278	
Provision for loan losses..............	25	150	117	166	680	27	353	
Securities gains......	--	--	--	6	--	7	6	
Noninterest income....	18,674	683	644	298	4,518	806	1,624	
Noninterest expense...	30,287	1,895	1,615	1,100	10,418	2,052	4,080	
Net income...........	10,269	1,249	1,267	40	4,232	1,634	1,636	
Balance Sheet Highlights:								
At Period-End:								
Total assets........	$893,076	$72,162	$70,702	$44,857	$301,440	$92,442	$131,229	$7
Securities..........	120,638	21,310	16,382	13,892	41,489	39,354	11,988	1
Loans, net of unearned income....	639,859	41,643	42,636	24,932	226,161	43,489	103,577	4
Allowance for loan losses............	8,517	623	500	359	3,318	580	1,448	
Deposits...........	583,739	60,794	55,914	36,697	240,606	78,967	109,328	6
Short-term debt.....	6,199	--	--	--	--	--	2,000	
Long-term debt......	56,000	5,000	8,700	--	23,039	6,000	10,000	
Stockholders' equity............	61,855	5,780	5,196	3,598	27,667	6,198	9,088	
Performance Ratios:								
Return on average assets..............	1.29%	1.84%	1.86%	0.09%	1.50%	1.83%	1.33%	
Return on average equity..............	17.25	19.90	21.26	1.03	16.46	20.66	19.35	
Net interest margin...	3.64	5.28	4.64	2.65	4.94	4.29	4.74	
Capital and Liquidiy Ratios:								
Average equity to average assets.......	7.45	9.26	8.77	9.26	9.09	8.87	6.86	
Leverage (4.00% required minimum)....	7.26	7.81	8.25	9.37	8.43	7.16	7.19	
Risk-based capital....								
Tier 1 (4.00% required minimum)..	8.84	12.18	12.60	13.58	10.51	13.87	9.30	
Total (8.00%								

required minimum)..	10.01	13.43	13.72	14.77	11.76	15.08	10.55
Average loans to							
average deposits.....	108.95	62.85	77.01	56.75	90.97	54.38	90.51

Results of Operations

Year ended December 31, 2000, compared with year ended December 31, 1999

Alabama National's net income increased by $2.1 million, or 9.5%, to $24.4 million in the year ended December 31, 2000, from $22.3 million for the year ended December 31, 1999. Return on average assets during 2000 was 1.18%, compared with 1.26% during 1999, and return on average equity was 16.47% during 2000, compared with 16.28% during 1999.

Net interest income increased $8.6 million, or 12.9%, to $75.0 million in 2000 from $66.4 million in 1999, as interest income increased by $35.7 million and interest expense increased $27.2 million. The increase in net interest income is primarily attributable to a $284.6 million increase in average loans to $1.5 billion during 2000, from $1.2 billion in 1999, as a result of management emphasis on loan growth. In general, loans are Alabama National's highest yielding earning asset. The increased interest expense is primarily attributable to an increase in average time deposits of $195.1 million to $807.3 million in 2000, from $612.3 million in 1999 and an increase in the interest rate paid on time deposits of 77 basis points, to 6.01% in 2000, from 5.24% in 1999. Also, average long-term and short-term debt increased a combined $70.5 million to $154.5 million during 2000, from $84.0 million in 1999. The increases in the above liability categories are due to Alabama National's need to fund loan growth. These funding sources generally bear higher interest rates than interest-bearing transaction accounts, resulting in higher interest expense.

Alabama National's net interest spread and net interest margin were 3.43% and 3.98%, respectively, in 2000, each decreasing by 20 basis points from 1999. These decreases resulted because the rate paid on interest-bearing liabilities increased more rapidly than the yield earned on average loans due to a shift in Alabama National's funding mix. During 2000, loans grew more rapidly than lower cost deposits, causing Alabama National to rely upon more costly funding sources such as Federal Home Loan Bank Advances and brokered certificate of deposits.

Alabama National recorded a provision for loan losses of $2.0 million during each of 2000 and 1999. Management believes that both loan loss experience and asset quality indicate that the allowance for loan losses is maintained at an adequate level. Alabama National's allowance for loan losses as a percentage of period-end loans (excluding loans held for sale) was 1.30% at December 31, 2000, compared with 1.37% at December 31, 1999. The allowance for loan losses as a percentage of period-end nonperforming assets was 446.74% at December 31, 2000, compared with 373.85% at December 31, 1999. Alabama National experienced net charge-offs of $604,000 in 2000, equating to a ratio of net charge-offs to average loans of 0.04% compared with net charge-offs of $426,000 in 1999, equating to a ratio of net charge-offs to average loans of 0.04%. See "Provision and Allowance for Loan Losses."

Noninterest income, including net securities gains and losses, increased $2.1 million, or 6.9%, to $32.7 million in 2000, compared with $30.6 million in 1999. Alabama National experienced revenue decreases in its investment services and mortgage lending divisions of $1.2 million, or 11.5%, to $9.4 million in 2000 from $10.6 million in 1999. The securities brokerage division experienced a revenue increase of $1.7 million, or 46.0%, to $5.4 million in 2000, from $3.7 million in 1999. The commissions generated by the insurance division totaled $2.1 million in 2000 compared to $1.1 million in 1999. The 1999 commission revenue only includes seven months of activity as the division was acquired in May 1999. Fees generated by the trust division increased by $89,000 in 2000, or 4.1%, to $2.3 million. Service charges on deposit accounts increased by $256,000, or 3.4%, to $7.7 million in 2000 from $7.5 million in 1999. Earnings on bank owned life insurance totaled $2.0 million in 2000 compared with $1.5 million in 1999. The increase reflects earnings on a larger bank owned life insurance asset base due to reinvestment of policy earnings and additional investments in bank owned life insurance policies during 2000. Noninterest income for 1999 includes a gain of $819,000 from the curtailment of Alabama National's defined benefit pension plan, a gain of $249,000 from non-recurring sales of assets and a securities gain of $190,000. Excluding these non-recurring items, Alabama National's noninterest income increased $3.4 million, or 11.6%, in 2000 versus 1999. Noninterest expense increased $7.9 million, or 12.7%, to $70.4 million in 2000, compared with $62.5 million during 1999. See "Noninterest Income and Expense."

Income before the provision for income taxes increased $2.7 million, or 8.4%, to $35.3 million in 2000, from $32.5 million in 1999. Net income totaled $24.4 million in 2000, an increase of $2.1 million, or 9.5%, compared to $22.3 million during 1999.

Year ended December 31, 1999, compared with year ended December 31, 1998

Alabama National's net income increased by $4.9 million, or 28.2%, to $22.3 million in the year ended December 31, 1999, from $17.4 million in the year ended December 31, 1998. Return on average assets during 1999 was 1.26%, compared with 1.10% during 1998, and return on average equity was 16.28% during 1999, compared with 13.81% during 1998.

Net interest income increased $7.3 million, or 12.2%, to $66.4 million in 1999 from $59.1 million in 1998, as interest income increased by $10.0 million and interest expense increased $2.7 million. The increase in net interest income is primarily attributable to a $193.3 million increase in average loans to $1.2 billion during 1999, from $1.0 billion in 1998, as a result of management emphasis on loan growth. In general, loans are Alabama National's highest yielding earning asset. The increased interest expense is primarily attributable to an increase in average time deposits of $71.1 million to $612.3 million in 1999, from $541.1 million in 1998 and an increase in average long-term debt to $58.4 million in 1999, from $30.5 million in 1998, an increase of $27.9 million. The increases are due to Alabama National's need to fund loan growth and these funding sources generally bear higher interest rates than interest-bearing transaction accounts.

Alabama National's net interest spread and net interest margin were 3.63% and 4.18%, respectively, in 1999, decreasing by 4 and 6 basis points, respectively, from 1998. These slight decreases reflect declining yields on average loans that exceeded the decline in cost of interest-bearing liabilities, attributable to increased competition from banks and other financial institutions.

Alabama National recorded a provision for loan losses of $2.0 million during 1999 compared with $1.8 million one year ago. Management believes that both loan loss experience and asset quality indicate that the allowance for loan losses is maintained at an adequate level. Alabama National's allowance for loan losses as a percentage of period-end loans (excluding loans held for sale) was 1.37% at December 31, 1999, compared with 1.52% at December 31, 1998, and the allowance for loan losses as a percentage of period-end nonperforming assets was 373.85% at December 31, 1999, compared with 271.6% at December 31, 1998. Alabama National experienced net charge-offs of $426,000 in 1999 equating to a ratio of net charge-offs to average loans of 0.04% compared with net charge-offs of $100,000 in 1998 equating to a ratio of net charge-offs to average loans of 0.01%. See "Provision and Allowance for Loan Losses."

Noninterest income, including net securities gains and losses, increased $1.2 million, or 4.1%, to $30.6 million in 1999, compared with $29.4 million in 1998. Alabama National experienced revenue decreases in its investment services and mortgage lending divisions of $2.9 million, or 21.5%, to $10.6 million in 1999 from $13.5 million in 1998. During 1999, the securities brokerage division experienced an increase in revenue of $1.4 million, or 60.7%, to $3.7 million. Service charges on deposit accounts increased by $220,000, or 3.0%, to $7.5 million in 1999 from $7.3 million in 1998. Earnings on bank owned life insurance policies totaled $1.5 million in 1999 compared with $1.2 million, representing an increase of 28.9%. Alabama National's newly acquired insurance division recorded revenue of $1.1 million during 1999. During 1999, Alabama National also recognized a gain of $819,000 on the curtailment of its defined benefit pension plan. Non-recurring sales of assets resulted in gains of $249,000 in 1999 compared to $247,000 in 1998. Noninterest expense increased $1.3 million, or 2.1%, to $62.5 million during 1999, compared with $61.2 million during 1998. See "Noninterest Income and Expense."

Income before the provision for income taxes increased $7.0 million, or 27.3%, to $32.5 million in 1999, from $25.5 million in 1998. Net income increased $4.9 million during 1999.

Net Interest Income

The largest component of Alabama National's net income is its net interest income--the difference between the income earned on assets and interest paid on deposits and borrowed funds used to support its assets. Net interest income is determined by the yield earned on Alabama National's earning assets and rates paid on its interest-bearing liabilities, the relative amounts of earning assets and interest-bearing liabilities and the maturity and repricing characteristics of its earning assets and interest-bearing liabilities. Net interest income divided by average earning assets represents the Alabama National's net interest margin.

Average Balances, Income, Expenses and Rates

The following table depicts, on a taxable equivalent basis for the periods indicated, 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 balances of the associated assets or liabilities.

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

Year ended December 31,

	2000			1999			1998	
	Average Balance	Income/ Expense	Yield/ Rate	Average Balance	Income/ Expense	Yield/ Rate	Average Balance	Inc Exp
ASSETS:								
Earning assets:								
Loans(1)(3)............	$1,485,628	$134,974	9.09%	$1,201,041	$102,549	8.54%	$1,007,695	$92
Securities:								
Taxable................	324,319	22,306	6.88	297,843	18,834	6.32	273,782	17
Tax exempt.............	29,911	2,245	7.51	33,173	2,458	7.41	33,182	2
Cash balances in other banks.................	3,781	214	5.66	1,830	110	6.01	2,019	
Funds sold.............	39,613	2,522	6.37	46,647	2,406	5.16	75,039	4
Trading account securities............	1,795	124	6.91	6,669	356	5.34	4,352	
Total earning assets(2)...........	1,885,047	162,385	8.61	1,587,203	126,713	7.98	1,396,069	116
Cash and due from banks..................	69,992			65,474			56,529	
Premises and equipment..	46,955			42,041			37,404	
Other assets............	89,568			84,244			108,715	
Allowance for loan losses................	(19,577)			(17,323)			(15,608)	
Total assets.........	$2,071,985			$1,761,639			$1,583,109	
LIABILITIES:								
Interest-bearing liabilities:								
Interest-bearing transaction accounts..	$ 250,594	8,270	3.30	$ 197,811	4,860	2.46	$ 167,034	4
Savings and money market deposits.......	301,003	10,814	3.59	321,791	10,668	3.32	313,254	11
Time deposits..........	807,324	48,510	6.01	612,263	32,061	5.24	541,142	30
Funds purchased........	153,950	9,226	5.99	146,111	7,258	4.97	127,856	6
Other short-term borrowings............	57,354	4,024	7.02	25,539	1,407	5.51	26,323	1
Long-term debt.........	97,162	5,594	5.76	58,445	3,029	5.18	30,548	1
Total interest-bearing liabilities.........	1,667,387	86,438	5.18	1,361,960	59,283	4.35	1,206,157	56
Demand deposits........	223,620			218,263			192,427	
Accrued interest and other liabilities.....	32,886			44,609			58,696	
Stockholders' equity...	148,092			136,807			125,829	
Total liabilities and stockholders' equity...	$2,071,985			$1,761,639			$1,583,109	
Net interest spread.....			3.43%			3.63%		
Net interest								

income/margin on a taxable equivalent basis..................	75,947	4.03%	67,430	4.25%	60
Tax equivalent adjustment(2)..........	981		1,045		
Net interest income/margin..........	$ 74,966	3.98%	$ 66,385	4.18%	$59

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

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

(3) Fees in the amount of $3,247,000, $3,002,000, and $3,273,000 are included in interest and fees on loans for 2000, 1999, and 1998, respectively.

During 2000, Alabama National experienced an increase in net interest income of $8.6 million, or 12.9%, to $75.0 million, compared with $66.4 million in 1999. Net interest income increased despite a decrease in the net interest spread of 20 basis points to 3.43% in 2000 from 3.63% in 1999, and a decrease in the net interest margin of 20 basis points to 3.98% in 2000, compared with 4.18% in 1999. Because the relative yield on loans exceeds that of all other earnings assets, the primary reason for the increased net interest income was a 23.7% increase in average loan volume. The decline in net interest spread and net interest margin resulted because the rate paid on interest-bearing liabilities increased more rapidly than the yield earned on average loans, due to Alabama National's reliance on more costly funding sources. Alabama National's average liabilities in 2000 included more interest bearing liabilities than in 1999. During 2000, net average earning assets increased by $297.8 million, or 18.8%, to $1.89 billion from $1.59 billion in 1999. The major components of this increase included average loans, which increased $284.6 million, or 23.7%, to $1.49 billion in 2000 from $1.20 billion in 1999, and securities, which increased $23.2 million, or 7.0%, to $354.2 million in 2000 from $331.0 million in 1999.

Analysis of Changes in Net Interest Income

The following table sets forth, on a taxable equivalent basis, the effect which varying levels of earning assets and interest-bearing liabilities and the applicable rates had on changes in net interest income for 2000 and 1999. For purposes of this table, 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)

	December 31,	
	2000 Compared to 1999 Variance Due to	1999 Compared to 1998 Variance Due to

	Volume	Yield/Rate	Total	Volume	Yield/Rate	Total
Earning assets:						
Loans	$25,495	$ 6,930	$32,425	$16,782	$(6,576)	$10,206
Securities:						
Taxable	1,739	1,733	3,472	1,538	83	1,621
Tax exempt	(246)	33	(213)	(1)	(51)	(52)
Cash balances in other banks	111	(7)	104	(10)	14	4
Funds sold	(396)	512	116	(1,494)	(356)	(1,850)
Trading account securities	(315)	83	(232)	127	(35)	92
Total interest income	26,388	9,284	35,672	16,942	(6,921)	10,021
Interest-bearing liabilities:						
Interest-bearing transaction accounts	1,496	1,914	3,410	762	(173)	589
Savings and money market deposits	(705)	851	146	309	(1,319)	(1,010)
Time deposits	11,257	5,192	16,449	3,808	(2,213)	1,595
Funds purchased	408	1,560	1,968	921	(470)	451
Other short-term borrowings	2,145	472	2,617	(47)	(159)	(206)
Long-term debt	2,194	371	2,565	1,456	(147)	1,309
Total interest expense	16,795	10,360	27,155	7,209	(4,481)	2,728
Net interest income on a taxable equivalent basis	$ 9,593	$(1,076)	8,517	$ 9,733	$(2,440)	7,293
Taxable equivalent adjustment			64			(57)
Net interest income			$ 8,581			$ 7,236

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Interest Sensitivity and Market Risk

Interest 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 their 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 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.

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The following table illustrates Alabama National's interest rate sensitivity at December 31, 2000, assuming the 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)

	December 31, 2000					
	Within One Month	After One Through Three Months	After Three Through Twelve Months	Within One Year	Greater Than One Year	Total
ASSETS:						
Earning assets:						
Loans(1)..............	$605,320	$128,988	$ 247,982	$ 982,290	$629,180	$1,611,470
Securities(2).........	20,289	18,524	53,276	92,089	272,965	365,054
Trading securities....	577	--	--	577	--	577
Interest-bearing deposits in other banks................	7,630	--	--	7,630	--	7,630
Funds sold...........	27,818	--	--	27,818	--	27,818
Total interest-earning assets.....	$661,634	$147,512	$ 301,258	$1,110,404	$902,145	$2,012,549
LIABILITIES:						
Interest-bearing liabilities:						
Interest-bearing deposits:						

Demand deposits.....	$ 81,404	$ --	$ 10,770	$ 92,174	$193,301	$ 285,475
Savings and money market deposits....	83,156	--	3,718	86,874	203,476	290,350
Time deposits(3)....	124,493	150,431	520,806	795,730	105,501	901,231
Funds purchased.......	143,663	10,121	11,333	165,117	--	165,117
Short-term borrowings(4)........	75,439	6,000	2,000	83,439	--	83,439
Long-term debt........	35,001	3,703	25,064	63,768	20,158	83,926
Total interest-bearing liabilities........	$543,156	$170,255	$ 573,691	$1,287,102	$522,436	$1,809,538
Period gap.............	$118,478	$(22,743)	$(272,433)	$ (176,698)	$379,709	
Cumulative gap..........	$118,478	$ 95,735	$(176,698)	$ (176,698)	$203,011	$ 203,011
Ratio of cumulative gap to total earning assets.................	5.89%	4.76%	(8.78)%	(8.78)%	10.09%	

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(1) Excludes nonaccrual loans of $3,221,000.
(2) Excludes investment equity securities with a market value of $10,258,000.
(3) Excludes matured certificates which have not been redeemed by the customer and on which no interest is accruing.
(4) Includes treasury, tax and loan account of $900,000.

Alabama National generally benefits from increasing market rates of interest when it has an asset-sensitive gap and generally benefits from decreasing market interest rates when it is liability sensitive. Alabama National is liability sensitive throughout one year after three months. 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. Accordingly, management believes that a liability-sensitive gap position is not as indicative of Alabama National's true interest sensitivity

as it would be for an organization which depends to a greater extent on purchased funds to support earning assets. Net interest income may be impacted by other significant factors in a given interest rate environment, including changes in the volume and mix of earning assets and interest-bearing liabilities.

Market Risk

Alabama National's earnings are dependent 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 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, imbedded options exist whereby the borrower may elect to repay the obligation at any time. These imbedded prepayment options make anticipating the performance of those instruments difficult given changes in prevailing rates. At December 31, 2000, mortgage backed securities with a carrying value totaling $219.9 million, or 9.8% of total assets and essentially every underlying loan, net of unearned income, (totaling $1.61 billion, or 72.0% of total assets), carry such imbedded options. Management believes that assumptions used in its simulation analysis about the performance of financial instruments with such imbedded 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 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 $1.70 billion, or 76.2% of total assets, at December 31, 2000. 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 reduce, the spread tends to compress, with severe compression at very low prevailing interest rates. This characteristic is called "spread compression" and adversely effects 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.

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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 margin for the next twelve months if prevailing interest rates increased or decreased the specified amounts from current rates. Because of the inherent use of estimates and assumptions in the simulation model used to derive this information, the actual results of the future impact of market risk on Alabama National's net interest margin, may differ from that found in the table.

MARKET RISK
(Amounts in thousands)

Change in Prevailing Interest Rates	Year ended December 31, 2000 Net Interest Income Amount	Year ended December 31, 2000 Change from Income Amount	Year ended December 31, 1999 Net Interest Income Amount	Year ended December 31, 1999 Change from Income Amount
+200 basis points.......	$85,314	4.41%	$74,125	1.49%
+100 basis points.......	83,862	2.63	73,490	0.62
0 basis points..........	81,709	--	73,037	--
-100 basis points.......	79,131	(3.15)	71,591	(1.98)
-200 basis points.......	77,348	(5.34)	69,424	(4.95)

Provision and Allowance for Loan Losses

Alabama National has policies and procedures for evaluating the overall credit quality of its loan portfolio including timely identification of potential problem credits. On a monthly basis, management reviews the appropriate level for the allowance for loan losses. This review and analysis is based on the results of the internal monitoring and reporting system, analysis of economic conditions in its markets and a review of historical statistical data, current trends regarding the volume and severity of past due and problem loans and leases, the existence and effect of concentrations of credit, and changes in national and local economic conditions for both Alabama National and other financial institutions. Management also considers in its evaluation of the adequacy of the allowance for loan losses the results of regulatory examinations conducted for each Bank, including evaluation of Alabama National's policies and procedures and findings from Alabama National's independent loan review department.

The provision for loan losses increased by $49,000, or 2.5%, to $2.0 million in 2000 from $1.95 million in 1999. The growth in loans exceeded the growth in loan loss provision, primarily due to Alabama National's assessment of allowance for loan losses adequacy, low charge-off experience and low nonperforming asset levels. Management believes the allowance for loan losses, at its current level, adequately covers Alabama National's exposure to loan losses.

Management's periodic evaluation of the adequacy of the allowance for loan losses is based on Alabama National's past loan loss experience, known and inherent risks in the portfolio, adverse situations that may affect the borrowers' ability to repay, estimated value of any underlying collateral, and an analysis of current economic conditions. While management believes that it has established the allowance in accordance with generally accepted accounting principles and has taken into account the views of its regulators and the current economic environment, there can be no assurance that in the future Alabama National's regulators or its economic environment will not require further increases in the allowance.

Additions to the allowance for loan losses, which are expensed as the provision for loan losses on Alabama National's income statement, are made periodically to maintain the allowance for loan losses at an appropriate level as determined by management. Loan losses and recoveries are charged or credited directly to the allowance for loan losses.

The following table presents the information associated with Alabama National's allowance and provision for loan losses for the dates indicated.

ALLOWANCE FOR LOAN LOSSES
(Amounts in thousands, except percentages)

	Year ended December 31,				
	2000	1999	1998	1997	1996
Total loans outstanding at end of period, net of unearned income(1)	$1,609,465	$1,320,160	$1,087,027	$961,079	$863,968
Average amount of loans outstanding, net of unearned income(1)	$1,478,448	$1,190,111	$1,003,366	$900,644	$794,105
Allowance for loan losses at beginning of period	$ 18,068	$ 16,540	$ 14,844	$ 12,633	$ 11,621
Charge-offs:					
Commercial, financial and agricultural	374	211	418	516	809
Real estate--mortgage	137	392	200	531	160
Consumer	850	674	1,246	1,880	1,027
Total charge-offs	1,361	1,277	1,864	2,927	1,996
Recoveries:					
Commercial, financial and agricultural	161	188	1,012	1,068	1,525
Real estate--mortgage	218	348	296	200	152
Consumer	378	315	456	449	296
Total recoveries	757	851	1,764	1,717	1,973
Net charge-offs	604	426	100	1,210	23
Provision for loan losses	2,003	1,954	1,796	3,421	1,035
Changes incidental to acquisitions	1,400	--	--	--	--
Allowance for loan losses at period-end	$ 20,867	$ 18,068	$ 16,540	$ 14,844	$ 12,633
Allowance for loan losses to period-end loans(1)	1.30%	1.37%	1.52%	1.54%	1.46%
Net charge-offs to average loans(1)	0.04	0.04	0.01	0.13	0.00

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(1) Does not include loans held for sale.

Allocation of Allowance

There is no formal allocation of the allowance for loan losses by loan category.

Nonperforming Assets

The following table presents Alabama National's nonperforming assets for the dates indicated.

NONPERFORMING ASSET
(Amounts in thousands, except percentages)

	At December 31,				
	2000	1999	1998	1997	1996
Nonaccrual loans................	$ 3,221	$ 4,141	$ 4,357	$ 4,228	$ 2,735
Restructured loans..............	--	5	499	1,052	605
Loans past due 90 days or more and still accruing.............	--	--	--	--	9
Total nonperforming loans......	3,221	4,146	4,856	5,280	3,349
Other real estate owned..........	1,450	687	1,234	1,756	842
Total nonperforming assets.....	$ 4,671	$ 4,833	$ 6,090	$ 7,036	$ 4,191
Allowance for loan losses to period-end loans(1)............	1.30%	1.37%	1.52%	1.54%	1.46%
Allowance for loan losses to period-end nonperforming loans..	647.84	435.79	340.61	281.14	377.22
Allowance for loan losses to period-end nonperforming assets.........................	446.74	373.85	271.59	210.97	301.43
Net charge-offs to average loans (1)	0.04	0.04	0.01	0.13	0.00
Nonperforming assets to period-end loans and foreclosed property(1)....................	0.29	0.37	0.56	0.73	0.48
Nonperforming loans to period-end loans(1).......................	0.20	0.31	0.45	0.55	0.39

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(1) Does not include loans held for sale.

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 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 which 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 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 losses. During the years ending December 31, 2000, 1999 and 1998, approximately $451,000, $392,000, and $384,000, respectively, in additional interest income would have been recognized in earnings if Alabama National's nonaccrual loans had been current in accordance with their original terms.

Total nonperforming assets decreased $162,000 to $4.7 million at December 31, 2000, from $4.8 million at December 31, 1999. The allowance for loan losses to period-end nonperforming assets was 446.74% at December 31, 2000, compared with 373.85% at December 31, 1999. This ratio will generally fluctuate from period to period depending upon nonperforming asset levels at period end. Total nonperforming loans decreased $925,000 during 2000, to $3.2 million and other real estate owned increased $763,000, to $1.5 million at December 31, 2000.

Potential Problem Loans

A potential problem loan is one that management has concerns as to the borrower's future performance under terms of the loan contract. These loans are current as to principal and interest, and accordingly, they are not included in the nonperforming asset categories. Management monitors these loans closely in order to ensure that Alabama National's interests are protected. At December 31, 2000, Alabama National had certain loans considered by management to be potential problem loans totaling $24.8 million as compared with $21.2 million at December 31, 1999. Alabama National believes early identification of potential problem loans is an important factor in its ability to successfully collect such loans. As such, it encourages early identification of potential problems loans both with its loan officers and loan review staff. The level of potential problem loans is factored into the determination of the adequacy of the allowance for loan losses.

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Noninterest Income and Expense

Noninterest income

The Company relies on six distinct product lines for the production of recurring noninterest income: traditional retail and commercial banking, mortgage banking, trust services, investment services, securities brokerage services and insurance services. Combined fees associated with these product lines totaled $26.9 million in 2000, compared with $25.1 million in 1999, an increase of $1.9 million, or 7.4%.

The following table sets forth, for the periods indicated, the principal components of noninterest income.

NONINTEREST INCOME
(Amounts in thousands)

	Year ended December 31,		
	2000	1999	1998
Service charges on deposit accounts..................	$ 7,735	$ 7,479	$ 7,259

Investment services income	5,867	6,624	9,230
Securities brokerage income	5,413	3,707	2,307
Trust fees	2,279	2,190	2,101
Origination and sale of mortgage loans	3,531	3,993	4,303
Gain (loss) on disposal of assets and deposits	(19)	249	247
Securities gains	1	190	174
Bank owned life insurance	2,034	1,504	1,167
Insurance commissions	2,099	1,068	--
Gain on pension curtailment	--	819	--
Other	3,740	2,734	2,562
Total noninterest income	$32,680	$30,557	$29,350

Noninterest Expense

The following table sets forth, for the periods indicated, the principal components of noninterest expense.

NONINTEREST EXPENSE
(Amounts in thousands)

	Year ended December 31,		
	2000	1999	1998
Salaries and employee benefits	$42,531	$37,452	$36,021
Net occupancy expense	8,232	7,265	6,724
Amortization of goodwill	501	387	302
Advertising	1,004	1,028	976
Banking assessments	616	482	473
Data processing expenses	1,291	1,442	2,435
Legal and professional fees	2,286	2,911	3,609
Net non-credit losses	130	206	129
Other	13,783	11,282	10,485
Total noninterest expense	$70,374	$62,455	$61,154

Noninterest expense increased $7.9 million, or 12.7%, to $70.4 million in 2000, from $62.5 million in 1999. Salaries and employee benefits increased $5.1 million, or 13.6%, in 2000. This increase reflects Alabama National's general growth in employment concurrent with its expansion of offices and business lines, its asset and revenue growth as well as salary increases reflecting employee performance, job duties, and competitive

employment market conditions. Net occupancy expense increased $967,000, or 13.3%, in 2000. This increase is attributable the opening of three banking branches and the acquisition of two banking branches during 2000 and a full year of occupancy expenses associated with the insurance division.

Investment Services

The following table sets forth, for the periods indicated, the summary of operations for the investment services division of Alabama National:

INVESTMENT SERVICES DIVISION
(Amounts in thousands)

	Year ended December 31, 2000	1999	1998
Investment services revenue	$ 5,867	$ 6,624	$ 9,230
Expenses and allocated charges	5,377	5,957	7,557
Net investment services revenue	$ 490	$ 667	$ 1,673

National Bank of Commerce of Birmingham operates an investment department devoted primarily to handling correspondent banks' investment needs. Investment services revenue consists primarily of commission income from the sale of fixed income securities to correspondent banks. A small portion of investment services revenue is generated from fee based services including asset/liability consulting, bond accounting and security safekeeping. Investment services revenue decreased $757,000, or 11.4%, to $5.9 million in 2000 from $6.6 million in 1999. The rising interest rate environment in early 2000 combined with strong loan demand in the economy reduced investors' demand for fixed income securities. Investment services revenue decreased $2.6 million, or 28.2%, to $6.6 million in 1999 from $9.2 million in 1998. The rising interest rate environment in 1999 combined with high loan demand and the need for greater liquidity associated with Year 2000 resulted in reduced demand for fixed income securities. These results include certain income and expense items that are allocated by management to the investment services areas of Alabama National.

These results 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 this division.

Securities Brokerage Division

The following table sets forth, for the periods indicated, the summary of operations for the securities brokerage division of Alabama National:

SECURITIES BROKERAGE DIVISION
(Amounts in thousands)

	Year ended December 31, 2000	1999	1998
Securities brokerage revenue	$ 5,413	$ 3,707	$ 2,307
Interest income	3,700	2,053	1,497
Total securities brokerage revenue	9,113	5,760	3,804
Interest expense	1,805	955	401
Expenses and allocated charges	6,271	4,281	2,943

Net securities brokerage revenue	$ 1,037	$ 524	$ 460

National Bank of Commerce of Birmingham has a wholly owned subsidiary, NBC Securities, Inc. (NBC Securities), that is a full service licensed broker-dealer. Securities brokerage revenue consists primarily of commission income generated from the sale of equity securities to individual and corporate customers and from fees paid for investment management consulting work performed for clients. NBC Securities also recognizes interest income from margin loans. Securities brokerage revenue increased $1.7 million, or 46.0%, to $5.4 million in 2000 from $3.7 million in 1999. The increase is due to favorable market conditions in early 2000, additional investment advisors and customer assets in custody or under management, and general expansion of securities brokerage services to other subsidiaries of Alabama National. Interest income increased to $3.7 million in 2000, from $2.1 million in 1999 due to increased volume of margin loans. During 1999, total securities brokerage revenue increased $2.0 million, or 51.4%, to $5.8 million, from $3.8 million in 1998, primarily as a result of favorable market conditions. These results include certain income and expense items allocated by management to NBC Securities.

These results 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 this division.

Trust Division

The following table sets forth, for the periods indicated, the summary of operations for the trust division of Alabama National:

TRUST DIVISION
(Amounts in thousands)

	Year ended December 31,		
	2000	1999	1998
Trust division income	$ 2,279	$ 2,190	$ 2,101
Expenses and allocated charges	1,308	1,149	1,169
Net trust division revenue	$ 971	$ 1,041	$ 932

Trust division income increased $89,000, or 4.1%, to $2.3 million in 2000 from $2.2 million in 1999 due to new customer relationships and growth of existing assets managed. Because most fees in trust are based upon assets under management or custody, conditions in equity and fixed income markets have an impact on trust revenues. Trust asset values, and thus trust revenues, were negatively impacted in 2000 by the negative effect of interest rate movements on fixed income portfolios throughout much of the year and by equity market declines. Similar conditions resulted in a 4.2% increase in trust department fees to $2.2 million in 1999 from $2.1 million in 1998.

Trust division expenses and allocated charges increased $159,000, or 13.8%, in 2000 versus 1999, from $1.1 million to $1.3 million. These results include certain income and expense items that are allocated by management to the trust services area of Alabama National.

These results 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 this division.

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Mortgage Lending Division

The following table sets forth, for the periods indicated, the summary of operations for the mortgage lending division of Alabama National:

MORTGAGE LENDING DIVISION
(Amounts in thousands)

	Year ended December 31,		
	2000	1999	1998
Origination and sale of mortgage loans(1)	$ 3,866	$ 4,240	$ 4,405
Interest income	424	527	649
Total revenue	4,290	4,767	5,054
Expenses and allocated charges	3,061	3,391	3,061
Net mortgage lending division revenue	$ 1,229	$ 1,376	$ 1,993

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(1) Includes intercompany income allocated to mortgage lending division totaling $335,000, $247,000 and $102,000 at December 31, 2000, 1999 and 1998, respectively.

Fees charged in connection with the origination and resale of mortgage loans decreased $374,000, or 8.8%, to $3.9 million in 2000 from $4.2 million in 1999, due primarily to changing market conditions. As interest rates remained high in early 2000, mortgage origination volume declined. The expenses and allocated charges decreased by $330,000 to $3.1 million in 2000 from $3.4 million in 1999. The decrease was due to less mortgage origination volume. Fees charged in connection with the origination and resale of mortgage loans totaled $4.2 million in 1999 and $4.4 million in 1998, a decrease of $165,000, resulting from a rising interest rate environment during 1999. The expenses and allocated charges increased by $330,000 to $3.4 million in 1999 from $3.1 million in 1998. The rise in expenses was largely due to expansion of the mortgage lending business into four new markets and the increased level of expenses associated with such expansion. These results include certain income and expense items that are allocated by management to the mortgage lending area of Alabama National.

These results 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 this division.

Insurance Services Division

The following table sets forth, for the periods indicated, a summary of operations for the insurance services division of Alabama National:

INSURANCE SERVICES DIVISION
(Amounts in thousands)

	Year ended December 31,		
	2000	1999(1)	1998(1)
Commission income	$ 2,099	$ 1,068	$ --
Other income	23	16	--
Total revenue	2,122	1,084	--
Expenses and allocated charges	1,851	884	--
Net insurance division revenue	$ 271	$ 200	$ --

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(1) The insurance division was acquired in May 1999.

Alabama National purchased an existing insurance company in May of 1999, thus the operating results for 2000 are the first full year of activity for this division. These results include certain income and expense items that are allocated by management to the insurance services division of Alabama National.

These results 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 this division.

Earning Assets

Loans

Loans are the largest category of earning assets and typically provide higher yields than the other types of earning assets. Associated with the higher loan yields are the inherent credit and liquidity risks which management attempts to control and counterbalance. Total loans averaged $1.49 billion in 2000 compared to $1.20 billion in 1999, an increase of $284.6 million, or 23.7%. At December 31, 2000, total loans, net of unearned income, were $1.61 billion compared to $1.32 billion at the end of 1999, an increase of $289.3 million, or 21.9%.

The growth in Alabama National's loan portfolio is attributable to Alabama National's ability to attract new customers while maintaining consistent underwriting standards and general economic conditions that resulted in increased loan demand from existing customers. The following table details the composition of the loan portfolio by category at the dates indicated.

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

	December 31,						
	2000		1999		1998		19
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total	Amount
Commercial and financial	$ 259,821	16.13%	$ 257,047	19.45%	$ 257,409	23.65%	$208,666
Real estate:							
Construction	178,454	11.08	148,228	11.22	74,024	6.80	72,166
Mortgage--residential	451,673	28.05	358,400	27.13	291,644	26.80	289,395
Mortgage--commercial	464,994	28.87	369,158	27.94	291,437	26.78	253,338
Mortgage--other	3,360	.21	3,111	.24	2,215	.20	2,299
Consumer	75,970	4.72	73,388	5.55	77,187	7.09	89,971
Lease financing receivables	58,668	3.64	22,046	1.67	9,109	.84	--
Securities brokerage margin loans	29,901	1.86	22,551	1.71	30,025	2.76	--
Other	87,599	5.44	67,316	5.09	55,375	5.08	47,346
Total gross loans	1,610,440	100.00%	1,321,245	100.00%	1,088,425	100.00%	963,181
Unearned income	(975)		(1,085)		(1,398)		(2,102
Total loans, net of unearned income(1)	1,609,465		1,320,160		1,087,027		961,079
Allowance for loan losses	(20,867)		(18,068)		(16,540)		(14,844
Total net loans(1)	$1,588,598		$1,302,092		$1,070,487		$946,235

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(1) Does not include loans held for sale.

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In the context of this discussion, a "real estate mortgage loan" is defined as any loan, other than loans for construction purposes, secured by real estate, regardless of the purpose of the loan. It is common practice for financial institutions in Alabama National's market areas, and for Alabama National in particular, to obtain a security interest or lien in real estate whenever possible, in addition to any other available collateral. This collateral is taken to reinforce the likelihood of the ultimate repayment of the loan and tends to increase the magnitude of the real estate loan portfolio component.

The principal component of Alabama National's loan portfolio is real estate mortgage loans. At year-end 2000, this category totaled $1.1 billion and represented 68.2% of the total loan portfolio, compared to $878.9 million, or 66.5%, of the total loan portfolio, at year-end 1999.

Residential mortgage loans increased $93.3 million, or 26.0%, to $451.7 million at December 31, 2000, compared with $358.4 million at December 31, 1999. Commercial mortgage loans increased $95.8 million, or 26.0%, to $465.0 million at December 31, 2000. Increases in both of these categories of loans are primarily the result of Alabama National's expertise in and appetite for these commercial and residential real estate loans. In addition, the general economic conditions in Alabama National's markets, which generate such lending opportunities, are partially responsible for this growth.

Real estate construction loans increased $30.2 million, or 20.4%, to $178.5 million at December 31, 2000, compared with $148.2 million at December 31, 1999. Alabama National's focus on the home construction market and strong construction activity in markets it serves caused this increase.

Consumer loans increased $2.6 million, or 3.5%, during 2000 to $76.0 million from $73.4 million in 1999. Lease financing receivables increased $36.6 million, or 166.1%, during 2000 to $58.7 million from $22.0 million as a result of a successful marketing efforts and business development efforts of individuals in this area. Alabama National engages in no foreign lending operations.

The repayment of loans is a source of additional liquidity for Alabama National. The following table sets forth Alabama National's loans maturing within specific intervals at December 31, 2000.

LOAN MATURITY AND SENSITIVITY TO CHANGES IN INTEREST RATES
(Amounts in thousands)

	December 31, 2000			
	One year or less	Over one year through five years	Over five years	Total
Commercial, financial and agricultural	$165,249	$ 83,064	$ 11,508	$ 259,821
Real estate--construction	132,317	24,871	21,266	178,454
Real estate--residential	62,974	134,048	254,651	451,673
Real estate--commercial	93,992	237,100	133,902	464,994
Consumer	25,191	44,203	6,576	75,970

	Predetermined Rates	Floating Rates
Maturing after one year but within five years	$433,374	$ 89,914
Maturing after five years	107,231	320,670
	$540,605	$410,584

The information presented in the above table is based upon the contractual maturities of the individual loans, including loans which may be subject to renewal at their contractual maturity. Renewal of such loans is subject to review and credit approval, as well as modification of terms upon their maturity. Consequently, management believes this treatment presents fairly the maturity and repricing structure of the loan portfolio.

Securities

Securities, including securities classified as held to maturity (or investment securities) and available for sale, represent a significant portion of Alabama National's earning assets. Securities averaged $354.2 million during 2000, compared with $331.0 million during 1999, an increase of $23.2 million, or 7.0%. Growth in the securities portfolio is generally a function of growth in funding sources net of lending opportunities. At December 31, 2000, the securities portfolio totaled $375.3 million, including securities held to maturity with an amortized cost of $60.8 million and securities available for sale with a market value of $314.6 million.

The following tables set forth the carrying value of securities held by Alabama National at the dates indicated.

INVESTMENT SECURITIES
(Amounts in thousands)

	December 31,			
	2000		1999	
	Cost	Market	Cost	Market
U.S. Treasury securities......................	$ --	$ --	$ --	$ --
U.S. Government Agencies......................	3,263	3,263	279	279
State and political subdivisions..............	7,652	7,791	8,942	9,064
Mortgage backed securities....................	49,847	50,431	10,395	10,395
Total	$60,762	$61,485	$19,616	$19,738

AVAILABLE FOR SALE SECURITIES
(Amounts in thousands)

	December 31,			
	2000		1999	
	Cost	Market	Cost	Market
U.S. Treasury securities..................	$ 4,578	$ 4,586	$ 4,574	$ 4,561
U.S. Government Agencies..................	106,960	106,869	94,593	91,159
State and political subdivisions..........	22,583	22,808	24,909	24,543
Mortgage backed securities................	171,490	170,029	202,646	196,575
Other.....................................	10,334	10,258	8,675	8,669
Total	$315,945	$314,550	$335,397	$325,507

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The following tables show the scheduled maturity and average yields of securities owned by Alabama National at December 31, 2000.

INVESTMENT SECURITIES MATURITY DISTRIBUTION AND YIELDS
(Amounts in thousands, except yields)

	December 31, 2000								
	Within one year		After one but Within five years		After five but Within ten years		After ten years		Oth securi
	Amount	Yield(1)	Amount	Yield(1)	Amount	Yield(1)	Amount	Yield(1)	Amount
U.S. Treasury securities............	$--		$ --		$ --		$--		$ --
U.S. Government Agencies..............			2,263	6.57%	$1,000	7.05%			
State and political subdivisions..........	160	4.30%	6,251	5.26	1,140	5.43	101	5.00%	
Mortgage backed securities............	--		--		--		--		$49,847
Total	$160	4.30%	$8,514	5.61%	$2,140	6.19%	$101	5.00%	$49,847

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(1) Computed on a tax-equivalent basis utilizing a 34% tax rate, without giving effect to the disallowance for Federal income tax purposes of interest related to certain tax-exempt assets.

SECURITIES AVAILABLE FOR SALE MATURITY DISTRIBUTION AND YIELDS
(Amounts in thousands, except yields)

	December 31, 2000								
	Within one year		After one but Within five years		After five but Within ten years		After ten years		Other
	Amount	Yield(1)	Amount	Yield(1)	Amount	Yield(1)	Amount	Yield(1)	Amoun
U.S. Treasury securities............	$3,980	6.14%	$ 606	6.17%	$ --		$ --		$ -
U.S. Government Agencies..............	1,668	5.99	80,204	6.31	24,997	6.90%			
State and political subdivisions..........	1,990	5.00	9,954	4.75	9,149	4.99	1,715	5.14%	
Mortgage backed securities............									170,0
Equity securities.......	--		--		--		--		10,2
Total	$7,638	5.81%	$90,764	6.14%	$34,146	6.39%	$1,715	5.14%	$180,2

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(1) Computed on a tax-equivalent basis utilizing a 34% tax rate, without

giving effect to the disallowance for Federal income tax purposes of interest related to certain tax-exempt assets.

At December 31, 2000, mortgage-backed securities consisting of collateralized mortgage obligations and pass-through mortgage obligations had a carrying value totaling $219.9 million. These mortgage-backed securities include $49.8 million classified as investment securities and $170.0 million classified as securities available for sale. Management expects the annual repayment of the underlying mortgages to vary as a result of monthly repayment of principal and/or interest required under terms of the underlying promissory notes. Further, the actual rate of repayment is subject to changes depending upon both terms of the underlying mortgages and the relative level of mortgage interest rates. When relative interest rates decline to levels below that of the underlying mortgages, acceleration of principal repayment is expected as some borrowers on the underlying mortgages refinance to lower rates. When the underlying rates on mortgage loans are comparable to, or in excess of, market rates, repayment more closely conforms to scheduled amortization in accordance with terms of the promissory note. Accordingly, management generally expects repayment of the collateralized mortgage obligations over a three to five year period and repayment of the pass-through mortgage obligations over a five to seven year period.

Other attributes of securities are discussed in "Interest Sensitivity and Market Risk."

Short-Term Investments

Alabama National utilizes overnight investment of funds in Federal funds sold and securities purchased under agreements to resell to ensure that adequate liquidity will be maintained, while at the same time minimizing the level of uninvested cash reserves. Short-term investments are also utilized by Alabama National when the level of funds committed to lending and investment portfolio programs changes or the level of deposit generation changes. During 2000, Federal funds sold and securities purchased under agreements to resell averaged $39.6 million, compared to $46.6 million during 1999, representing a $7.0 million, or 15.1%, decrease as Alabama National experienced growth in both loans and investment securities.

Trading Account Securities

An important aspect of investment department operations, but less so to Alabama National in total, are trading account securities, which represent securities owned by Alabama National prior to sale and delivery to Alabama National's customers. Trading account securities averaged $1.8 million in 2000 and were $577,000 at December 31, 2000, compared with an average of $6.7 million in 1999 and $2.7 million at December 31, 1999. This small dollar amount reflects management's policy of limiting positions in such securities to reduce its exposure to market and interest rate changes.

Deposits and Other Interest-Bearing Liabilities

Average interest-bearing liabilities increased $305.4 million, or 22.4%, to $1.67 billion in 2000, from $1.36 billion in 1999. Average interest-bearing deposits increased $227.1 million, or 20.1%, to $1.36 billion in 2000, from $1.13 billion in 1999. This increase is attributable to competitive rate and product offerings by Alabama National and successful marketing efforts as well as to the purchase of $54 million in deposits through the acquisition of two branches during 2000. Average Federal funds purchased and securities sold under agreements to repurchase increased $7.8 million, or 5.4%, to $154.0

million in 2000, from $146.1 million in 1999 due, in part, to additional liquidity provided by downstream correspondent banks. Average short-term borrowings increased by $31.8 million, or 124.6%, to $57.4 million in 2000, compared to $25.5 million in 1999. Average long-term borrowings increased $38.7 million, to $97.2 million in 2000, from $58.4 million in 1999. The increase in short and long-term debt is due to utilizing more borrowing programs offered to Alabama National's Federal Home Loan Bank member subsidiaries.

Deposits

Average total deposits increased $232.4 million, or 17.2%, to $1.58 billion during 2000, from $1.35 billion during 1999. At December 31, 2000, total deposits were $1.70 billion, compared with $1.44 billion at December 31, 1999, an increase of $261.8 million, or 18.2%.

The following table sets forth the deposits of Alabama National by category at the dates indicated.

DEPOSITS
(Amounts in thousands, except percentages)

	December 31,							
	2000		1999		1998		1997	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total	Amount	P
Demand	$ 226,893	13.32%	$ 210,185	14.57%	$ 232,450	18.23%	$ 180,341	
NOW	285,475	16.75	217,883	15.11	187,481	14.70	155,147	
Savings and money market	290,350	17.04	296,723	20.58	298,817	23.43	294,072	
Time less than $100,000	616,249	36.17	492,328	34.14	403,156	31.63	369,363	
Time greater than $100,000	284,982	16.72	225,036	15.60	153,271	12.01	126,556	
Total deposits	$1,703,949	100.00%	$1,442,155	100.00%	$1,275,175	100.00%	$1,125,479	1

Core deposits, which exclude time deposits of $100,000 or more, provide for a relatively stable funding source that supports earning assets. Alabama National's core deposits totaled $1.42 billion, or 83.3%, of total deposits at December 31, 2000 and totaled $1.22 billion, or 84.4%, of total deposits at December 31, 1999.

Deposits, in particular core deposits, have historically been Alabama National's primary source of funding and have enabled Alabama National to meet successfully both short-term and long-term liquidity needs. Management anticipates that such deposits will continue to be Alabama National's primary source of funding in the future. Alabama National's loan-to-deposit ratio was 94.5% at December 31, 2000, and 91.5% at the end of 1999, and the ratio averaged 93.9% during 2000 and 89.0% during 1999. These increases in Alabama

National's loan-to-deposit ratio are due to loan growth exceeding deposit growth in 2000. The maturity distribution of Alabama National's time deposits in excess of $100,000 at December 31, 2000, is shown in the following table.

MATURITIES OF CERTIFICATES OF DEPOSIT AND OTHER TIME DEPOSITS
OF $100,000 OR MORE
(Amounts in thousands)

	December 31, 2000					
	Within One Month	After One Through Three Months	After Three Through Six Months	After Six Through Twelve Months	After Twelve Months	Total
Certificates of deposit of $100,000 or more...........	$19,312	$26,300	$27,873	$81,155	$20,328	$174,968
Other time deposits of $100,000 or more...........	28,888	44,594	16,508	18,073	1,951	110,014
Total	$48,200	$70,894	$44,381	$99,228	$22,279	$284,982

Approximately 41.8% of Alabama National's time deposits over $100,000 had scheduled maturities within three months. Large certificate of deposit customers tend to be extremely sensitive to interest rate levels, making these deposits less reliable sources of funding for liquidity planning purposes than core deposits. Many financial institutions partially fund their balance sheets with large certificates of deposit obtained through brokers, and Alabama National had $78.1 million in brokered deposits outstanding at December 31, 2000, compared to $47.5 million at December 31, 1999.

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Borrowed Funds

Borrowed funds include four broad categories; (i) Federal funds purchased and securities sold under agreements to repurchase, (ii) treasury, tax and loan balances, (iii) Federal Home Loan Bank ("FHLB") borrowings, and (iv) borrowings from a third party bank. Because of a relatively high loan-to-deposit ratio, the existence and stability of these funding sources are critical to Alabama National's maintenance of short-term and long-term liquidity.

Federal funds purchased and securities sold under agreements to repurchase represent both an input of excess funds from correspondent bank customers of Alabama National as well as a cash management tool offered to corporate customers. At December 31, 2000, these funds totaled $165.1 million, compared with $131.9 million at December 31, 1999.

At December 31, 2000, treasury, tax and loan balances totaled $900,000, compared to $6.2 million at December 31, 1999. Alabama National collects tax deposits from customers and is permitted to retain these balances until established collateral limits are exceeded or until the U.S. Treasury withdraws its balances.

Alabama National's average borrowing from a third party bank under a $32 million credit facility ("the Credit Facility") was $20.8 million during 2000, compared with $13.4 million during 1999. As of December 31, 2000, the outstanding balance under the Credit Facility was $27.4 million, leaving a remaining availability under the Credit Facility of $4.6 million. The increased borrowings under this facility are primarily attributable to the acquisition of two branches during 2000. The branch acquisition by one of Alabama National's subsidiary banks required cash payments to the seller as well as an increased capital contribution into the subsidiary bank to fund the asset growth resulting from the acquisition. The Credit Facility bears interest at a rate that varies with LIBOR and is secured by a pledge of stock in the Banks. The Credit Facility is typically renewed on an annual basis and has a current maturity date of May 31, 2001. Alabama National has historically renewed the Credit Facility prior to its due date and anticipates doing so again in 2001.

All of the Banks are members of the FHLB. At December 31, 2000, these Banks had available FHLB lines of $284.0 million, under which $139.7 million was outstanding, including advances classified as short-term of $56.0 million and advances classified as long-term of $83.7 million. This compares to borrowings of $125.7 million at December 31, 1999, of which $2.0 million was short-term and $123.7 million was long-term.

The following table sets forth, for the periods indicated, the principal components of borrowed funds.

BORROWED FUNDS
(Amounts in thousands, except percentages)

	December 31,		
	2000	1999	1998
Federal funds purchased and securities sold under agreements to repurchase:			
Balance at end of period	$165,117	$131,878	$162,633
Average balance outstanding	153,950	146,111	127,856
Maximum outstanding at any month's end	181,878	178,166	162,633
Weighted average interest rate at period-end	5.87%	5.07%	4.70%
Weighted average interest rate during the period	5.99	4.97	5.32
Treasury, tax and loan:			
Balance at end of period	$ 900	$ 6,199	$ 1,506
Average balance outstanding	1,882	2,414	3,626
Maximum outstanding at any month's end	4,932	6,199	6,944
Weighted average interest rate at period-end	5.63%	5.00%	4.45%
Weighted average interest rate during the period	6.16	4.18	4.30
Notes Payable:			
Balance at end of period	$ 27,439	$ 16,389	$ 11,500
Average balance outstanding	20,842	13,410	13,516
Maximum outstanding at any month's end	27,439	16,389	15,250
Weighted average interest rate at period-end	7.41%	7.21%	6.32%
Weighted average interest rate during the period	7.33	6.09	6.44

Short-term advances from the Federal Home Loan Bank:			
Balance at end of period	$ 56,000	$ 2,000	$ 10,200
Average balance outstanding	36,430	9,715	9,181
Maximum outstanding at any month's end	69,000	32,000	10,200
Weighted average interest rate at period-end	6.92%	4.55%	5.54%
Weighted average interest rate during the period	6.88	5.04	6.40
Long-term advances from the Federal Home Loan Bank:			
Balance at end of period	$ 83,700	$123,700	$ 32,000
Average balance outstanding	96,898	58,150	30,192
Maximum outstanding at any month's end	123,700	123,700	32,000
Weighted average interest rate at period-end	5.99%	5.30%	5.09%
Weighted average interest rate during the period	5.75	5.18	5.59
Capital leases:			
Balance at end of period	$ 197	$ 266	$ 328
Average balance outstanding	264	295	356
Maximum outstanding at any month's end	266	324	387
Weighted average interest rate at period-end	9.34%	9.20%	9.04%
Weighted average interest rate during the period	9.34	9.15	8.98

Capital Resources and Liquidity Management

Capital Resources

Alabama National's stockholder's equity increased by $24.2 million from December 31, 1999, to $162.5 million at December 31, 2000. This increase was attributable to the following (in thousands):

Net income	$24,392
Dividends	(9,289)
Purchase of treasury stock	(588)
Issuance of stock from treasury	35
Decrease in unrealized loss on securities available for sale, net of deferred taxes	5,604
Additional paid in capital related to stock based compensation	4,055
Net increase	$24,209

Under the capital guidelines of their 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 I capital. Tier I capital consists of common stockholders' equity, qualifying perpetual preferred stock and minority interests in equity accounts of consolidated subsidiaries, less goodwill. In addition, under the guidelines, Alabama National and the Banks must maintain a minimum Tier I leverage ratio of Tier I capital to total assets of at least 3%, but this minimum ratio is typically increased by 100 to 200 basis points for other than the highest rated institutions.

Alabama National exceeded its fully phased-in regulatory capital ratios at December 31, 2000, 1999 and 1998, as set forth in the following table.

ANALYSIS OF CAPITAL
(Amounts in thousands, except percentages)

	December 31, 2000	December 31, 1999	December 31, 1998
Tier 1 Capital	$ 149,765	$ 134,922	$ 122,732
Tier 2 Capital	20,867	17,985	15,296
Total qualifying capital(1)(2)	$ 170,632	$ 152,790	$ 138,028
Risk-adjusted total assets (including off-balance sheet exposures)	$1,698,924	$1,438,689	$1,223,641
Tier 1 risk-based capital ratio (4.00% required minimum)	8.82%	9.38%	10.03%
Total risk-based capital ratio (8.00% required minimum)	10.04	10.62	11.28
Tier 1 leverage ratio (4.00% required minimum)	6.80	7.18	7.41

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(1) Does not include $83,000 and $1,244,000 of the Company's allowance for loan losses at December 31, 1999 and 1998, respectively, in excess of 1.25% of risk-adjusted total assets.

(2) Does not include capital of an unconsolidated subsidiary at December 31, 1999.

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Each of the Banks is required to maintain risk-based and leverage ratios similar to those required for Alabama National. Each of the Banks exceeded these regulatory capital ratios at December 31, 2000, as set forth in the following table:

BANK CAPITAL RATIOS

	Tier 1 Risk Based	Total Risk Based	Tier 1 Leverage
Alabama National BanCorporation	8.82%	10.04%	6.80%
National Bank of Commerce of Birmingham	9.79	10.97	7.78
Alabama Exchange Bank	13.08	14.33	7.45
Bank of Dadeville	11.73	12.87	7.89
Citizens & Peoples Bank, N.A.	11.42	12.67	8.09
Community Bank of Naples, National Association	10.16	11.41	6.96
First American Bank	9.52	10.77	7.89
First Citizens Bank	13.56	14.74	7.39
First Gulf Bank	8.88	10.07	7.00
Georgia State Bank	10.93	12.02	7.16
Public Bank	9.68	10.73	7.57
Required minimums	4.00	8.00	4.00

Liquidity Management

Liquidity management involves monitoring Alabama National's sources and uses of funds in order to meet its day-to-day cash flow requirements while maximizing profits. Liquidity represents the ability of an entity to convert assets into cash or cash equivalents without significant loss and to raise additional funds by increasing liabilities.

Without proper liquidity management, Alabama National will not be able to perform the primary function of a financial intermediary and would, therefore, not be able to meet the needs of the communities it serves.

Increased liquidity in typical interest rate environments often involves decreasing profits by investing in earning assets with shorter maturities. Liquidity management is made more complex because different balance sheet components are subject to varying degrees of management control. For example, the timing of maturities of the investment portfolio is very predictable and subject to a high degree of control at the time investment decisions are made. However, net deposit inflows and outflows are far less predictable and are not subject to nearly the same degree of control.

Assets included in Alabama National's Consolidated Statements of Condition contribute to liquidity management. Federal funds sold and securities purchased under agreements to resell, Alabama National's primary source of liquidity, averaged $39.6 million during 2000 and was $27.8 million at December 31, 2000, and averaged $46.6 million during 1999 and was $33.6 million at December 31, 1999. If required in short-term liquidity management, these assets could be converted to cash immediately. Cash received from the repayment of investment securities and loans provides a constant source of cash that contributes to liquidity management. Unpledged securities, with a carrying value of approximately $133.7 million at December 31, 2000, provide Alabama National an opportunity to generate cash by, 1) providing additional collateral by selling securities under agreements to repurchase, 2) providing collateral to obtain public funds or 3) providing collateral to borrow directly from the Federal Reserve Bank or the Federal Home Loan Bank. See "Earning Assets--Loans" and "Earning Assets--Securities."

Liquidity can also be managed using liabilities included in Alabama National's Consolidated Statement of Condition, such as Federal funds purchased and securities sold under agreements to repurchase and short-term borrowing. Combined Federal funds purchased and securities sold under agreements to repurchase, treasury, tax

and loan, and short-term borrowings averaged $211.3 million during 2000 and were $249.5 million at December 31, 2000, and averaged $171.7 million during 1999 and were $156.5 million at December 31, 1999. Overnight borrowing lines with upstream correspondent banks, $157.7 million at December 31, 2000, of which $139.7 million was unused, provide additional sources of liquidity to Alabama National on an unsecured basis. The Federal Home Loan Bank provides secured and unsecured credit lines to all of Alabama National's Banks totaling approximately $284.0 million. At December 31, 2000, advances under these lines totaled $139.7 million, including $56.0 million classified as short-term and $83.7 million classified as long-term. Long-term liquidity needs are met through Alabama National's deposit base (approximately 83.3% of Alabama National's deposits at December 31, 2000, are considered core deposits), and the repayment of loans and other investments as they mature. Alabama National is able to manage its long-term liquidity needs by adjusting the rates it pays on longer-term deposits and the amount and mix of longer-term investments in its portfolio.

One of the Banks has pledged approximately $170.5 million in loans to the Federal Reserve Bank of Atlanta as collateral for a discount window credit facility, which management views as a backup liquidity facility. At December 31, 2000, the Bank had access to approximately $136.4 million under this facility, with no outstanding borrowings.

Alabama National, as a stand-alone corporation, has more limited access to liquidity sources than its Banks and depends on dividends from its subsidiaries as its primary source of liquidity. Alabama National's liquidity is diminished by required payments on its outstanding short-term debt. The ability of its subsidiaries to pay dividends is subject to general regulatory restrictions which may, but are not expected to, have a material negative impact on the liquidity available to Alabama National. (See Note 17 to the Alabama National's Consolidated Financial Statements included in this Annual Report.) If circumstances warrant, Alabama National's short-term liquidity needs can also be met by additional borrowings of approximately $4.6 million representing the unused portion of Alabama National's credit facility with an unrelated bank. See "Deposits and Other Interest-Bearing Liabilities--Borrowed Funds."

Accounting Rule Changes

Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities-- A Replacement of FASB Statement No. 125

In September 2000, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities--A Replacement of FASB Statement No. 125 ("Statement 140"). Statement 140 is effective for transfers occurring after March 31, 2001 and for disclosures relating to securitization transactions and collateral for fiscal years ending after December 15, 2000. Management of Alabama National does not expect the adoption of Statement 140 to have a material impact on its financial statements since the company has not entered into any securitization or asset transfer transactions.

Derivative Investments and Hedging Activities

In June 1998, the FASB issued Statement of Financial Standard No. 133, Accounting for Derivative Instruments and Hedging Activities, ("Statement 133"). Statement 133 standardizes the accounting for derivative instruments, including certain derivative instruments embedded in other contracts, by requiring that an entity recognize those items as assets or liabilities in the statement of financial position and measure them at fair value. If certain conditions are met, an entity may elect to designate a derivative instrument as a hedging instrument. Statement 133 generally provides for matching the timing of gain or loss recognition on the hedging instrument with the recognition of (a) the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk or (b) the earnings effect of the hedged forecasted transaction. Statement 133, as amended by Statement of Financial Accounting Standards No. 137, Accounting for Derivative Instruments and Hedging Activities-Deferral of the Effective Date of SFAS No. 133, and by Statement of Financial Accounting Standards No. 138, Accounting for Certain Derivative Instruments and Certain Hedging Activities--An

Amendment of SFAS No. 133, is effective for fiscal years beginning after June

15, 2000, and is effective for interim periods in the initial year of adoption. The Company's derivative activities at December 31, 2000 relate solely to the interest rate lock commitments (IRLCs) which the Company has entered into with certain customers for specific short-term periods of time. These IRLCs relate to prospective mortgage loans which the Company originates and then immediately transfers to secondary mortgage servicers. The transfer of these IRLCs allows the Company to pass financial risk associated with potential changes in interest rates on to secondary mortgage servicers. Management has evaluated these activities and determined that the Company does not have any material derivative exposures and that the adoption of Statement 133, on January 1, 2001, will not have a material impact on the financial statements.

Accounting for Mortgage-Backed Securities retained after the Securitization of Mortgage Loans Held for Sale by a Mortgage Banking Enterprise, an Amendment of FASB Statement No. 65

Effective January 1, 1999, Alabama National adopted Statement of Financial Accounting Standards No. 134, Accounting for Mortgage-Backed Securities Retained after the Securitization of Mortgage Loans Held for Sale by a Mortgage Banking Enterprise, an Amendment of FASB Statement No.65 ("Statement 134"). Statement 134 amends Statement No.65 to require that after securitization of mortgage loans held for sale, an entity engaged in mortgage banking activities classify the resulting mortgage-backed securities or other retained interests based on its ability and intent to sell of hold those investments. Since Alabama National has not securitized mortgage loans, there has been no financial statement impact since the adoption of this statement.

Impact of Inflation

Unlike most industrial companies, the assets and liabilities of financial institutions such as Alabama National and its subsidiaries are primarily monetary in nature. Therefore, interest rates have a more significant effect on Alabama National's performance than do the effects of changes in the general rate of inflation and change in prices. In addition, interest rates do not necessarily move in the same direction or in the same magnitude as the prices of goods and services. Management seeks to manage the relationships between interest-sensitive assets and liabilities in order to protect against wide interest rate fluctuations, including those resulting from inflation. See "Interest Sensitivity and Market Risk."

Industry Developments

Certain recently enacted and proposed legislation could have an effect on both the costs of doing business and the competitive factors facing the financial institutions industry. Alabama National is unable at this time to assess the impact of this legislation on its financial condition or results of operations.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information required by this item is contained in Item 7 herein under the heading "Interest Sensitivity and Market Risk."

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

CONSOLIDATED FINANCIAL STATEMENTS

The Consolidated Financial Statements and Financial Statement Schedules of

Alabama National BanCorporation and subsidiaries listed in ITEM 14(a) have been included in this Annual Report and should be referred to in their entirety. The Supplementary Financial Information required by Item 302 of Regulation S-K is set forth below.

SELECTED QUARTERLY FINANCIAL DATA
(Amounts in thousands, except per share data)
(Unaudited)

	2000 Quarters				1999 Quarter		
	First	Second	Third	Fourth	First	Second	Thi
Summary of Operations:							
Interest income.........	$ 36,094	$ 39,024	$ 42,063	$ 44,223	$ 28,811	$ 29,668	$ 3
Interest expense........	18,186	20,330	22,977	24,945	13,435	13,706	1
Net interest income.....	17,908	18,694	19,086	19,278	15,376	15,962	1
Provision for loan losses................	526	627	400	450	562	368	
Securities gains (losses)..............	--	--	1	--	166	23	
Noninterest income......	7,615	7,635	8,149	9,280	7,741	7,523	
Noninterest expense.....	16,862	17,168	17,870	18,500	15,383	15,236	1
Net income..............	5,658	5,903	6,206	6,625	5,019	5,380	
Dividends on common stock..................	2,324	2,324	2,320	2,321	1,974	2,002	
Per Common Share Data:							
Book Value..............	$ 12.76	$ 13.00	$ 13.87	$ 14.70	$ 12.15	$ 12.03	$
Tangible book value.....	11.81	12.06	12.55	13.40	11.41	11.30	
Net income..............	0.51	0.53	0.55	0.59	0.45	0.48	
Dividends declared......	0.21	0.21	0.21	0.21	0.18	0.18	
Balance Sheet Highlights At Period-End:							
Total assets...........	$1,982,595	$2,062,669	$2,187,324	$2,235,698	$1,693,950	$1,776,413	$1,86
Securities(1)...........	357,954	347,385	339,641	375,312	314,731	322,756	34
Loans held for sale.....	7,478	7,126	8,761	5,226	13,784	10,638	
Loans, net of unearned income.................	1,374,721	1,474,586	1,586,220	1,609,465	1,116,162	1,196,073	1,25
Allowance for loan losses................	18,554	19,159	20,840	20,867	17,167	17,335	1
Deposits................	1,533,392	1,545,682	1,704,810	1,703,949	1,307,383	1,414,078	1,40
Short-term debt.........	18,389	84,389	72,589	83,439	31,700	14,339	4
Long-term debt..........	123,986	80,968	78,948	83,926	32,313	46,079	7
Stockholders' equity....	141,210	143,503	153,228	162,464	134,007	134,509	13

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(1) Does not include trading securities.

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ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required by this Item regarding Executive Officers is included in Part I of this Form 10-K under the caption "Executive Officers of the Registrant" in accordance with Instruction 3 of the Instructions to Paragraph (b) of Item 401 of Regulation S-K.

The information required by this Item regarding directors is incorporated by reference pursuant to General Instruction G(3) of Form 10-K from Alabama National's definitive Proxy Statement for the 2001 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission pursuant to Regulation 14A on or before April 3, 2001.

ITEM 11. COMPENSATION OF EXECUTIVE OFFICERS AND DIRECTORS

The information required by this Item is incorporated by reference pursuant to General Instruction G(3) of Form 10-K from Alabama National's definitive Proxy Statement for the 2001 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission pursuant to Regulation 14A on or before April 3, 2001.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this Item is incorporated by reference pursuant to General Instruction G(3) of Form 10-K from Alabama National's definitive Proxy Statement for the 2001 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission pursuant to Regulation 14A on or before April 3, 2001.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this Item is incorporated by reference pursuant to General Instruction G(3) of Form 10-K from Alabama National's definitive Proxy Statement for the 2001 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission pursuant to Regulation 14A or before April 3, 2001.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K.

(a)(1) and (2) and (d)--Financial Statements and Financial Statement Schedules.

Financial Statements: The Consolidated Financial Statements of Alabama National and its subsidiaries, included herein (beginning on page F-1), are as follows:

Report of Independent Auditors--PricewaterhouseCoopers LLP

Consolidated Statements of Financial Condition--December 31, 2000 and 1999

Consolidated Statements of Income--Years ended December 31, 2000, 1999 and 1998

Consolidated Statements of Changes in Stockholders' Equity--Years ended December 31, 2000, 1999 and 1998

Consolidated Statements of Cash Flows--Years ended December 31, 2000, 1999 and 1998

Notes to Consolidated Financial Statements

Financial Statement Schedules: All schedules to the consolidated financial statements required by Article 9 of Regulation S-X are inapplicable and therefore have been omitted.

(b) Reports on Form 8-K.

None.

(c) Exhibits.

The exhibits listed on the exhibit index on page 49 of this Form 10-K are filed herewith or are incorporated herein by reference.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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, on this the 19th day of March, 2001.

ALABAMA NATIONAL BANCORPORATION

By: /s/ John H. Holcomb, III
John H. Holcomb, III,
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Name	Title	Date
/s/ John H. Holcomb, III John H. Holcomb, III	Chairman and Chief Executive Officer (principal executive officer)	March 19, 2001
/s/ Victor E. Nichol, Jr. Victor E. Nichol, Jr.	Vice Chairman and Director	March 19, 2001
/s/ Richard Murray, IV Richard Murray, IV	President, Chief Operating Officer and Director	March 19, 2001
/s/ William E. Matthews, V William E. Matthews, V	Executive Vice President and Chief Financial Officer	March 19, 2001

/s/ Shelly S. Williams Shelly S. Williams	Senior Vice President and Controller (principal accounting officer)	March 19, 2001
/s/ W. Ray Barnes W. Ray Barnes	Director	March 19, 2001
/s/ T. Morris Hackney T. Morris Hackney	Director	March 19, 2001
/s/ John D. Johns John D. Johns	Director	March 19, 2001
/s/ John J. McMahon, Jr. John J. McMahon, Jr.	Director	March 20, 2001
/s/ C. Phillip McWane C. Phillip McWane	Director	March 20, 2001
/s/ Drayton Nabers, Jr. Drayton Nabers, Jr.	Director	March 20, 2001
/s/ G. Ruffner Page, Jr. G. Ruffner Page, Jr.	Director	March 20, 2001

Name	Title	Date
/s/ W. Stancil Starnes W. Stancil Starnes	Director	March 19, 2001
/s/ William D. Montgomery William D. Montgomery	Director	March 19, 2001
/s/ Dan M. David Dan M. David	Vice Chairman and Director	March 19, 2001
/s/ C. Lloyd Nix C. Lloyd Nix	Director	March 19, 2001
/s/ William E. Sexton William E. Sexton	Director	March 20, 2001

EXHIBIT INDEX

Exhibit Number	Description	Reference
3.1	Certificate of Incorporation.............................	(1)
3.1A	Certificate of Amendment of Certificate of Incorporation..	(2)
3.1B	Certificate of Merger filed with the Secretary of State of the State of Delaware on December 29, 1995...............	(4)
3.1C	Certificate of Amendment of Certificate of Incorporation..	(8)
3.2	Bylaws..	(1)
4.1	Provisions of the Certificate of Incorporation and the Bylaws of Alabama National BanCorporation which Define the Rights of Security holders..........................	(1)
10.1	Alabama National BanCorporation 1994 Stock Option Plan....	(1)
10.2	Form of Stock Option Agreement utilized in connection with the 1994 Stock Option Plan..............................	(2)
10.3	Agreement dated September 18, 1995, by and among James A. Taylor and Frank W. Whitehead, Alabama National BanCorporation, National Commerce Corporation and Commerce Bankshares, Inc.	(3)
10.3A	Amendment to Agreement dated September 18, 1995 executed by James A. Taylor, Alabama National BanCorporation, National Commerce Corporation and Commerce Bankshares, Inc. on November 17, 1995..............................	(3)
10.4	Commerce Bankshares, Inc. Long Term Incentive Compensation Plan..	(3)
10.4A	Form of Incentive Stock Option Agreement.................	(3)
10.4B	Form of Restricted Stock Agreement.......................	(3)
10.5	Lease Agreement dated June 1, 2000 between Woodward Properties, LLP and NBC................................	(15)
10.6	NBC Pension Plan (amended and restated effective January 1, 1997)..	(12)
10.7	Credit Agreement between Alabama National BanCorporation and AmSouth Bank of Alabama dated as of December 29, 1995 relating to a $23,000,000 Revolving Loan................	(4)
10.7A	Promissory Note between Alabama National BanCorporation and AmSouth Bank of Alabama dated as of December 29, 1995 relating to a $23,000,000 Revolving Loan................	(4)
10.7B	Pledge Agreement between Alabama National BanCorporation and AmSouth Bank of Alabama dated as of December 29, 1995 relating to a $23,000,000 Revolving Loan................	(4)

10.7C	First Amendment to Credit Agreement between Alabama National BanCorporation and AmSouth Bank dated February 10, 1997..	(6)
10.7D	Second Amendment to Credit Agreement between Alabama National BanCorporation and AmSouth Bank dated January 19, 1998..	(7)
10.7E	Third Amendment to Credit Agreement between Alabama National BanCorporation and AmSouth Bank dated June 23, 1999..	(11)
10.7F	Fourth Amendment to Credit Agreement between Alabama National BanCorporation and AmSouth Bank dated June 20, 2000..	(14)
10.8	Second Amendment and Restatement of the Alabama National BanCorporation Performance Share Plan....................	(13)

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Exhibit Number	Description	Reference
10.9	Alabama National BanCorporation Deferred Compensation Plan for Directors Who Are Not Employees of the Company........	(5)
10.10	First American Bancorp Stock Option Plan dated October 20, 1992...	(7)
10.11	First American Bancorp 1994 Stock Option Plan..............	(7)
10.12	First American Bancorp Non-Qualified Stock Option Agreement with Dan M. David dated March 7, 1997....................	(7)
10.13	Alabama National BanCorporation 1999 Long-Term Incentive Plan...	(12)
10.14	Agreement and Plan of Merger dated as of October 10, 2000 between Alabama National BanCorporation and Peoples State Bank of Groveland......................................	(9)
10.15	Promissory Note dated April 15, 1999 executed by John R. Bragg in favor of Alabama National BanCorporation in the principal amount of $107,871.00..........................	(10)
10.16	Promissory Note dated April 15, 2000 executed by John R. Bragg in favor of Alabama National BanCorporation in the principal amount of $19,800.00...........................	(16)
10.17	Pledge Agreement dated April 15, 1999 between John R. Bragg and Alabama National BanCorporation......................	(10)
10.18	Promissory Note dated April 15, 1999 executed by John H. Holcomb, III in favor of Alabama National BanCorporation in the principal amount of $93,747.00....................	(10)
10.19	Promissory Note dated April 15, 2000 executed by John H. Holcomb, III in favor of Alabama National BanCorporation in the principal amount of $83,400.00....................	(16)
10.20	Pledge Agreement dated April 15, 1999 between John H. Holcomb, III and Alabama National BanCorporation..........	(10)
10.21	Promissory Note dated April 15, 1999 executed by William E. Matthews, V in favor of Alabama National BanCorporation in the principal amount of $109,570.00......................	(10)
10.22	Promissory Note dated April 15, 2000 executed by William E. Matthews, V in favor of Alabama National BanCorporation in the principal amount of $28,000.00.......................	(16)
10.23	Pledge Agreement dated April 15, 1999 between William E. Matthews, V and Alabama National BanCorporation...........	(10)
10.24	Promissory Note dated April 15, 1999 executed by Richard	

	Murray, IV in favor of Alabama National BanCorporation in the principal amount of $111,739.00......................	(10)
10.25	Promissory Note dated April 15, 2000 executed by Richard Murray, IV in favor of Alabama National BanCorporation in the principal amount of $29,400.00.......................	(16)
10.26	Pledge Agreement dated April 15, 1999 between Richard Murray, IV and Alabama National BanCorporation............	(10)
10.27	Promissory Note dated April 15, 1999 executed by Victor E. Nichol, Jr. in favor of Alabama National BanCorporation in the principal amount of $99,558.00.......................	(10)
10.28	Promissory Note dated April 15, 2000 executed by Victor E. Nichol, Jr. in favor of Alabama National BanCorporation in the principal amount of $23,360.00.......................	(16)
10.29	Pledge Agreement dated April 15, 1999 between Victor E. Nichol, Jr. and Alabama National BanCorporation...........	(10)

Exhibit Number	Description	Reference
10.30	Promissory Note dated April 15, 1999 executed by William G. Sanders, Jr. in favor of Alabama National BanCorporation in the principal amount of $109,833.00....	(10)
10.31	Promissory Note dated April 15, 2000 executed by William G. Sanders, Jr. in favor of Alabama National BanCorporation in the principal amount of $18,283.30.....	(16)
10.32	Pledge Agreement dated April 15, 1999 between William G. Sanders, Jr. and Alabama National BanCorporation.........	(10)
10.33	Alabama National BanCorporation Employee Capital Accumulation Plan (amended and restated effective January 1, 2000)..	(12)
10.34	Non-Qualified Option Agreement dated as of January 1, 2000 between John R. Bragg and Alabama National BanCorporation..	(16)
10.35	Non-Qualified Option Agreement dated as of January 1, 2000 between John H. Holcomb, III and Alabama National BanCorporation..	(16)
10.36	Non-Qualified Option Agreement dated as of January 1, 2000 between William E. Matthews, V and Alabama National BanCorporation..	(16)
10.37	Non-Qualified Option Agreement dated as of January 1, 2000 between Richard Murray, IV and Alabama National BanCorporation..	(16)
10.38	Non-Qualified Option Agreement dated as of January 1, 2000 between Dan M. David and Alabama National BanCorporation..	(16)
10.39	Non-Qualified Option Agreement dated as of January 1, 2000 between Victor E. Nichol, Jr. and Alabama National BanCorporation..	(16)
10.40	Non-Qualified Option Agreement dated as of January 1, 2000 between William G. Sanders, Jr. and Alabama National BanCorporation..	(16)
10.41	Non-Qualified Option Agreement dated as of January 1, 2000 between Shelly S. Williams and Alabama National	

	BanCorporation..	(16)
10.42	Employment Continuation Agreement dated as of September 21, 2000 between John R. Bragg and Alabama National BanCorporation..	(16)
10.43	Employment Continuation Agreement dated as of September 21, 2000 between John H. Holcomb, III and Alabama National BanCorporation................................	(16)
10.44	Employment Continuation Agreement dated as of September 21, 2000 between William E. Matthews, V and Alabama National BanCorporation................................	(16)
10.45	Employment Continuation Agreement dated as of September 21, 2000 between Richard Murray, IV and Alabama National BanCorporation..	(16)
10.46	Employment Continuation Agreement dated as of September 21, 2000 between Victor E. Nichol, Jr. and Alabama National BanCorporation................................	(16)
10.47	Employment Continuation Agreement dated as of September 21, 2000 between William G. Sanders, Jr. and Alabama National BanCorporation................................	(16)
10.48	Employment Continuation Agreement dated as of September 21, 2000 between Dan M. David and Alabama National BanCorporation..	(16)

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Exhibit Number	Description	Reference
11.1	Statement regarding Computation of Per Share Earnings......	(16)
21.1	Subsidiaries of Alabama National BanCorporation...........	(16)
23.1	Consent of PricewaterhouseCoopers L.L.P.	(16)

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(1) Filed as an Exhibit to Alabama National's Annual Report on Registration Statement on Form S-1 (Registration No. 33-83800) and incorporated herein by reference.

(2) Filed as an Exhibit to Alabama National's Annual Report on Form 10-K for the year ended December 31, 1994 and incorporated herein by reference.

(3) Filed as an Exhibit to Alabama National's Registration Statement on Form S-4 (Registration No. 33-97152) and incorporated herein by reference.

(4) Filed as an Exhibit to Alabama National's Annual Report on Form 10-K for the year ended December 31, 1995 and incorporated herein by reference.

(5) Filed as an Exhibit to Alabama National's Annual Report on Form 10-K for the year ended December 31, 1996 and incorporated herein by reference.

(6) Filed as an Exhibit to Alabama National's Quarterly Report on Form 10-Q for the quarter ended March 31, 1997 and incorporated herein by reference.

(7) Filed as an Exhibit to Alabama National's Annual Report on Form 10-K for the year ended December 31, 1997 and incorporated herein by reference.

(8) Filed as an Exhibit to Alabama National's Quarterly Report on Form 10-Q for the quarter ended June 30, 1998 and incorporated herein by reference.

(9) Filed as Appendix A to Alabama National's Registration Statement on Form S-4 (Registration No. 333-51448) and incorporated herein by reference.

(10) Filed as an Exhibit to Alabama National's Quarterly Report on Form 10-Q for the quarter ended March 31, 1999 and incorporated herein by reference.

(11) Filed as an Exhibit to Alabama National's Quarterly Report on Form 10-Q for the quarter ended June 30, 1999 and incorporated herein by reference.

(12) Filed as an Exhibit to Alabama National's Annual Report on Form 10-K for the year ended December 31, 1999 and incorporated herein by reference.

(13) Filed as an Exhibit to Alabama National's Quarterly Report on Form 10-Q for the quarter ended March 31, 2000 and incorporated herein by reference.

(14) Filed as an Exhibit to Alabama National's Quarterly Report on Form 10-Q for the quarter ended June 30, 2000 and incorporated herein by reference.

(15) Filed as an Exhibit to Alabama National's Quarterly Report on Form 10-Q for the quarter ended September 30, 2000 and incorporated herein by reference.

(16) Filed as an Exhibit to Alabama National's Annual Report on Form 10-K for the year ended December 31, 2000.

Alabama National BanCorporation and Subsidiaries

Consolidated Financial Statements

December 31, 2000 and 1999 and the

Three Years Ended December 31, 2000

REPORT OF INDEPENDENT ACCOUNTANTS

To the Stockholders and Board of Directors
Alabama National BanCorporation

In our opinion, the accompanying consolidated statements of financial condition and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows present fairly, in all material respects, the financial position of Alabama National BanCorporation and its subsidiaries at December 31, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP
January 18, 2001, except for Note 21,
as to which the date is January 31, 2001

ALABAMA NATIONAL BANCORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

December 31, 2000 and 1999
(in thousands, except share data)

	2000	1999
ASSETS		
Cash and due from banks	$ 76,558	$ 73,125
Interest-bearing deposits in other banks	7,630	6,768
Investment securities (market value $61,485 and $19,738 for 2000 and 1999, respectively)	60,762	19,616
Securities available for sale	314,550	325,507
Trading securities	577	2,701
Federal funds sold and securities purchased under agreements to resell	27,818	33,568
Loans held for sale	5,226	8,615
Loans	1,610,440	1,321,245
Unearned income	(975)	(1,085)
Loans, net of unearned income	1,609,465	1,320,160
Allowance for loan losses	(20,867)	(18,068)
Net loans	1,588,598	1,302,092
Property, equipment, and leasehold improvements, net	49,377	43,855
Intangible assets, net	14,347	10,730
Cash surrender value of life insurance	42,595	31,642
Receivables from investment division customers	7,745	24,573
Other assets	39,915	39,092
	$2,235,698	$1,921,884

LIABILITIES AND STOCKHOLDERS' EQUITY

Liabilities:		
Deposits:		
Noninterest bearing	$ 226,893	$ 210,185
Interest bearing	1,477,056	1,231,970
Total deposits	1,703,949	1,442,155
Federal funds purchased and securities sold under agreements to repurchase	165,117	131,878
Treasury, tax and loan accounts	900	6,199
Accrued expenses and other liabilities	35,903	61,003
Short-term borrowings	83,439	18,389
Long-term debt	83,926	124,005
Total liabilities	2,073,234	1,783,629
Commitments and contingencies (see Notes 9 and 10)		
Stockholders' equity:		
Common stock, $1 par; 17,500,000 shares authorized; 11,187,019 shares issued at December 31, 2000 and December 31, 1999	11,187	11,187
Additional paid-in capital	85,998	81,939
Retained earnings	69,648	54,897
Treasury stock at cost, 136,099 and 121,129 shares at December 31, 2000 and 1999, respectively	(3,431)	(3,226)
Accumulated other comprehensive loss, net of tax	(938)	(6,542)
Total stockholders' equity	162,464	138,255
	$2,235,698	$1,921,884

The accompanying notes are an integral part of these financial statements.

ALABAMA NATIONAL BANCORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

For the years ended December 31, 2000, 1999 and 1998
(in thousands, except share data)

	2000	1999	1998
Interest income:			
Interest and fees on loans	$134,756	$102,340	$ 92,208
Interest on securities	23,788	20,456	18,870
Interest on deposits in other banks	214	110	106
Interest on trading securities	124	356	264
Interest on federal funds sold	2,522	2,406	4,256
Total interest income	161,404	125,668	115,704
Interest expense:			
Interest on deposits	67,594	47,589	46,415
Interest on federal funds purchased	9,226	7,258	6,807

Interest on short and long-term borrowings	9,618	4,436	3,333
Total interest expense	86,438	59,283	56,555
Net interest income	74,966	66,385	59,149
Provision for loan losses	2,003	1,954	1,796
Net interest income after provision for loan losses	72,963	64,431	57,353
Noninterest income:			
Securities gains	1	190	174
(Loss) gain on disposition of assets	(19)	249	247
Service charges on deposit accounts	7,735	7,479	7,259
Investment services income	5,867	6,624	9,230
Securities brokerage income	5,413	3,707	2,307
Trust department income	2,279	2,190	2,101
Gain on origination and sale of mortgages	3,531	3,993	4,303
Insurance commissions	2,099	1,068	
Bank owned life insurance	2,034	1,504	1,167
Gain on pension curtailment		819	
Other	3,740	2,734	2,562
Total noninterest income	32,680	30,557	29,350
Noninterest expense:			
Salaries and employee benefits	42,531	37,452	36,021
Occupancy and equipment expense	8,232	7,265	6,724
Other	19,611	17,738	18,409
Total noninterest expense	70,374	62,455	61,154
Income before provision for income taxes and minority interest in earnings of consolidated subsidiaries	35,269	32,533	25,549
Provision for income taxes	10,851	10,237	8,154
Income before minority interest in earnings of consolidated subsidiaries	24,418	22,296	17,395
Minority interest in earnings of consolidated subsidiaries	26	25	23
Net income available for common shares	$ 24,392	$ 22,271	$ 17,372
Net income per common share (basic)	$ 2.21	$ 2.01	$ 1.61
Weighted average common shares outstanding (basic)	11,057	11,079	10,804
Net income per common share (diluted)	$ 2.17	$ 1.98	$ 1.55
Weighted average common and common equivalent shares outstanding (diluted)	11,238	11,273	11,173

The accompanying notes are an integral part of these financial statements.

ALABAMA NATIONAL BANCORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2000, 1999 and 1998
(in thousands, except share data)

	2000	1999	1998
Net income..	$24,392	$ 22,271	$17,372
Other comprehensive income (loss):			
Unrealized gains (losses) on securities available for sale arising during the period.....................	8,496	(11,166)	773
Less: Reclassification adjustment for net gains included in net income.............................	1	190	174
Other comprehensive income (loss), before taxes.......	8,495	(11,356)	599
Provision for (benefit from) income taxes related to items of other comprehensive income (expense)........	2,891	(3,872)	202
Other comprehensive income (loss)....................	5,604	(7,484)	397
Comprehensive income................................	$29,996	$ 14,787	$17,769

The accompanying notes are an integral part of these financial statements.

ALABAMA NATIONAL BANCORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

For the years ended December 31, 2000, 1999 and 1998
(in thousands, except share data)

	Shares	Common Stock	Additional Paid-In Capital	Retained Earnings	Unearned Restricted Stock	Unearned ESOP	Treasury Stock	C I
Balance, December 31, 1997....................	10,602,982	$10,603	$77,081	$28,838	$(92)	$(87)		
Net income.............				17,372				
Common stock dividends declared ($0.60 per share)..................				(5,626)				
Exercise of stock options.................	368,704	369	1,489					
Shares released by ESOP....................						12		
Amortization of unearned restricted stock........					92			

Change in other comprehensive income, net of taxes...........							
	----------	-------	-------	-------	----	----	-------
Balance, December 31, 1998....................	10,971,686	10,972	78,570	40,584		(75)	
Net income.............				22,271			
Common stock dividends declared ($0.72 per share)..................				(7,958)			
Exercise of stock options................	94,204	94	643				
Shares released by ESOP....................						75	
Issuance of stock in purchase business combination............	121,129	121	2,726				
Purchase of treasury stock at cost...........							$(3,226)
Change in other comprehensive income (loss), net of taxes....							
	----------	-------	-------	-------	----	----	-------
Balance, December 31, 1999....................	11,187,019	11,187	81,939	54,897			(3,226)
Net income.............				24,392			
Common stock dividends declared ($0.84 per share)..................				(9,289)			
Exercise of stock options................				(348)			383
Stock based compensation...........			4,059	(4)			
Purchase of treasury stock at cost..........							(588)
Change in other comprehensive income (loss), net of taxes....							
	----------	-------	-------	-------	----	----	-------
Balance, December 31, 2000...................	11,187,019	$11,187	$85,998	$69,648	$	$	$(3,431)
	==========	=======	=======	=======	====	====	=======

The accompanying notes are an integral part of these financial statements.

ALABAMA NATIONAL BANCORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2000, 1999 and 1998
(in thousands, except share data)

	2000	1999	1998
Cash flows from operating activities:			

Net income	$24,392	$22,271	$17,372
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for loan losses	2,003	1,954	1,796
Deferred tax benefit (provision)	2,657	(1,570)	(595)
Depreciation and amortization	4,439	3,794	3,255
Loss (gain) on disposal of property and equipment	3	9	(142)
Securities gain	(1)	(190)	(174)
Gain on other real estate	18	(68)	(15)
Income earned on bank owned life insurance	(2,034)	(1,504)	(1,167)
Stock based compensation	1,425		
Net amortization of securities	(75)	326	254
Net increase (decrease) in trading securities	2,124	2,833	(5,135)
Minority interest in earnings of consolidated subsidiaries	26	25	23
(Increase) decrease in other assets	12,153	(12,649)	22,692
Increase (decrease) in other liabilities	(22,837)	14,399	(12,809)
Other	(31)	75	73
Net cash provided by operating activities	24,262	29,705	25,428

Cash flows from investing activities:			
Purchases of investment securities	(50,028)		
Proceeds from calls and maturities of investment securities	8,887	14,998	31,214
Purchases of securities available for sale	(111,725)	(251,607)	(248,716)
Proceeds from sales of securities available for sale	126	6,139	1,236
Proceeds from calls and maturities of securities available for sale	131,121	198,070	157,779
Net decrease (increase) in interest-bearing deposits in other banks	(862)	(6,543)	2,166
Net decrease in federal funds sold and securities purchased under agreements to resell	5,750	23,508	21,759
Net increase in loans	(218,811)	(224,248)	(141,575)
Purchases of property, equipment, and leasehold improvements	(8,369)	(7,973)	(5,172)
Proceeds from sale of property, equipment, and leasehold improvements	5	117	299
Proceeds from sale of other real estate owned	550	1,824	2,523
Costs capitalized on other real estate owned	(48)	(115)	(118)
Cash paid for bank owned life insurance	(9,258)		(1,000)
Purchase acquisitions, net of cash acquired	(19,042)	(114)	
Net cash used in investing activities	(271,704)	(245,944)	(179,605)

The accompanying notes are an integral part of these financial statements.

ALABAMA NATIONAL BANCORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS--(Continued)

For the years ended December 31, 2000, 1999 and 1998
(in thousands, except share data)

	2000	1999	1998
Cash flows from financing activities:			
Net increase in deposits	207,778	166,980	149,696
Increase (decrease) in federal funds purchased and securities sold under agreements to repurchase	33,239	(30,755)	21,196
Net increase in short and long-term borrowings and capital leases	19,672	92,773	4,650
Exercise of stock options	63	737	1,858
Treasury stock acquired for purchase business combination		(3,226)	
Dividends on common stock	(9,289)	(7,958)	(5,626)
Purchase of treasury stock	(588)		
Net cash provided by financing activities	250,875	218,551	171,774
Increase in cash and cash equivalents	3,433	2,312	17,597
Cash and cash equivalents, beginning of year	73,125	70,813	53,216
Cash and cash equivalents, end of year	$76,558	$73,125	$70,813

	2000	1999	1998
Supplemental disclosures of cash flow information:			
Cash paid for interest	$85,236	$58,292	$54,886
Cash paid for income taxes	$10,595	$12,988	$ 4,810

	2000	1999	1998
Supplemental schedule of noncash investing activities:			
Foreclosure of other real estate owned	$ 1,235	$1,121	$1,771
Transfer of property to other real estate owned			$ 97
(Increase) decrease in unrealized holding (gain) loss on securities available for sale	$(5,604)	$7,484	$ (397)
Unearned restricted stock and performance plan awards			$ 93
Assets acquired and liabilities assumed in merger transactions (Note 2):			
Assets acquired in business combination	$73,659	$3,704	
Liabilities assumed in business combination	$54,361	$ 721	

The accompanying notes are an integral part of these financial statements.

ALABAMA NATIONAL BANCORPORATION AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

1. Nature of Business and Summary of Significant Accounting Policies

Alabama National Bancorporation and Subsidiaries (the Company) provides a full range of banking and bank-related services to individual and corporate customers through its ten subsidiary banks located in Alabama, Georgia, and Florida.

Basis of Presentation and Principles of Consolidation--The accounting and reporting policies of the Company conform with accounting principles generally accepted in the United States of America and with general financial service industry practices. The consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates--In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the statement of condition dates and revenues and expenses for the periods shown. Actual results could differ from those estimates.

Cash and Cash Equivalents--For purposes of reporting cash flows, cash and cash equivalents include cash on hand and due from banks.

Securities--Investment securities are stated at amortized cost as a result of management's ability and intent to hold the securities until maturity. Related premiums are amortized and discounts are accreted on these investments using the effective interest method.

Securities available for sale are those securities intended to be held for an indefinite period of time. The Company may sell these securities as part of its asset/liability strategy in response to changes in interest rates, changes in prepayment risk, or similar factors. Securities available for sale are recorded at market value. Unrealized holding gains and losses on securities classified as available for sale are carried as a separate component of stockholders' equity.

Trading securities, principally obligations of U.S. government agencies, are securities held for sale and are stated at market. Bond purchases and sales are recorded on the trade date. Accounts receivable from and accounts payable to bond customers and dealers are included in other assets and liabilities and represent security transactions entered into for which the securities have not been delivered as of the statement of condition dates. Unrealized holding gains and losses on securities classified as trading are reported in earnings of the period in which they occur.

Gains and losses on the sale of securities are computed using the specific identification method.

Loans and Allowance for Loan Losses--Interest income with respect to loans is accrued on the principal amount outstanding, except for interest on certain consumer loans which is recognized over the term of the loan using a method which approximates level yields.

Certain impaired loans are reported at the present value of expected future cash flows using the loan's effective interest rate, or as a practical expedient, at the loan's observable market price or the fair value of the collateral if the loan is collateral dependent.

The allowance for loan losses is established through a provision for loan losses charged to expense. Loans are charged against the allowance for loan losses when management believes the collection of principal is unlikely. The allowance is the amount that management believes will be adequate to absorb possible losses on existing loans which may become uncollectible, based on evaluations of the collectibility of loans and prior loan loss experience. The evaluations take into consideration such factors as changes in the nature and volume of the

loan portfolio, overall portfolio quality, review of specific loan problems, and current economic conditions which may affect the borrower's ability to pay. 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. Payments received on such loans are applied first to principal until the recoverability of the obligation is assured. Any remaining payments are then allocated as additional reductions of principal and interest income.

Property, Equipment, and Leasehold Improvements--Property, equipment, and leasehold improvements are stated at cost less accumulated depreciation and amortization. Depreciation is principally computed using the straight-line method over the estimated useful life of each type of asset. Leasehold improvements are amortized using the straight-line method over the shorter of the estimated useful lives of the improvements or the terms of the related leases. Maintenance and repairs are expensed as incurred; improvements and betterments are capitalized. When items are retired or otherwise disposed of, the related costs and accumulated depreciation are removed from the accounts and any resulting gains or losses are credited or charged to income. Estimated useful lives generally are as follows:

Buildings...	5-45 years
Leasehold improvements..	10-30 years
Furniture, equipment, and vault.............................	3-30 years

Other Real Estate--Other real estate, primarily property acquired by foreclosure, is capitalized at the lower of fair value less estimated selling costs or cost of the property or loan immediately prior to its classification as other real estate. Other real estate is not depreciated. Losses, representing the difference between the sales price and the carrying value of the property, are recorded immediately, while gains on sales financed by the Company are deferred until the initial and continuing investment by the borrower equals or exceeds specified equity percentages. Gains on all other sales are recorded immediately.

Intangible Assets--Intangible assets consist of the excess of cost over the fair value of net assets of acquired businesses and core deposit assets. The excess of cost over the fair value of net assets of acquired businesses, which totaled approximately $13,430,000 and $11,095,000, and had related accumulated amortization of approximately $2,588,000 and $2,087,000 at December 31, 2000 and 1999, respectively, is being amortized over periods ranging from 15 to 25 years, principally using the straight-line method of amortization. Core deposit intangibles, which totaled approximately $5,786,000 and $3,625,000 at December 31, 2000 and 1999, respectively, and had related accumulated amortization of approximately $2,281,000 and $1,903,000 at December 31, 2000 and 1999, respectively, are being amortized over 10 years using either the straight-line or double-declining balance methods of amortization. The carrying value of the excess of cost over net assets of subsidiaries acquired is reviewed if facts and circumstances suggest that it may be impaired. If warranted, analysis, including undiscounted income projections, are made to determine if adjustments to the carrying value or amortization periods are necessary. No such adjustments were required or made during the years ended December 31, 2000, 1999 or 1998.

Software costs--Software costs with a recorded cost of approximately $3,122,000 and $2,453,000 and related accumulated amortization of approximately $2,170,000 and $1,933,000 are included in other assets at December 31, 2000 and 1999, respectively. Amortization expense related to these costs of approximately $219,000, $202,000, and $140,000 was recorded in 2000, 1999, and 1998, respectively.

Income Taxes--Deferred income taxes are provided on all temporary differences between the financial reporting basis and the income tax basis of assets and liabilities.

Stock-Based Employee Compensation--The Company uses a value-based method of accounting for compensation costs. Compensation cost for stock-based employee compensation arrangements is measured at the grant date based on the value of the award and is recognized over the service period. The Company has fully adopted and implemented Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation and has recorded compensation costs in accordance with these provisions. As such, no additional pro forma expenses or disclosure requirements exist for the years ended December 31, 2000, 1999 and 1998.

Advertising Costs--The Company expenses the costs of advertising when those costs are incurred.

Collateral Requirements--The Company requires collateral for certain transactions with retail and commercial customers. Specifically, margin loans made for the purpose of borrowing against marketable investment securities generally do not exceed 50% of the total market value of a customer's marginable securities portfolio at the time of the transaction or any time thereafter. Repurchase agreements, limited to commercial customers, generally do not exceed the market value of securities used to secure such transactions at the time of the transaction or thereafter. Federal funds sold are made to correspondent banks on an unsecured basis and generally do not exceed limits established for each bank resulting from evaluation of the bank's financial position.

Reclassifications--Certain reclassifications have been made to the prior year financial statements to conform with the 2000 presentation.

Recently Issued Accounting Standards--In September 2000, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities--A Replacement of FASB Statement No. 125 (Statement 140). Statement 140 is effective for transfers occurring after March 31, 2001 and for disclosures relating to securitization transactions and collateral for fiscal years ending after December 15, 2000. Management of the Company does not expect the adoption of Statement 140 to have a material impact on its financial statements since the Company has not entered into any securitization or asset transfer transactions.

In 1999, the Federal Financial Institutions Examination Council (FFIEC) issued The Uniform Classification and Account Management Policy (the Policy) which provides guidance for and promotes consistency among banks on the treatment of delinquent and bankruptcy-related consumer loans. The Company has implemented the Policy effective December 31, 2000 and is in full compliance.

In June 1998, the FASB issued Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities (Statement 133). Statement 133 standardizes the accounting for derivative instruments, including certain derivative instruments embedded in other contracts, by requiring that an entity recognize those items as assets or liabilities in the statement of financial position and measure them at fair value. If certain conditions are met, an entity may elect to designate a derivative instrument as a hedging instrument. Statement 133 generally provides for matching the timing of gain or loss recognition on the hedging instrument with the recognition of (a) the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk or (b) the earnings effect of the hedged forecasted transaction. Statement 133, as amended by Statement of Financial Accounting Standards No. 137, Accounting for Derivative Instruments and Hedging Activities--Deferral of the Effective Date of SFAS No. 133, and by Statement of Financial Accounting Standards No. 138, Accounting for Certain Derivative Instruments and Certain Hedging Activities-An Amendment of SFAS No 133, is effective for fiscal years beginning after June 15, 2000, and is effective for interim periods in the initial year of adoption. The Company's derivative activities at December 31, 2000 relate solely to the interest rate lock commitments (IRLCs) which the Company has entered into with certain customers for specific short-term periods of time. These IRLCs relate to prospective mortgage loans which the Company

originates and then immediately transfers to secondary mortgage servicers. The transfer of these IRLCs allows the Company to pass financial risk associated with potential changes in interest rates on to secondary mortgage servicers. Management has evaluated these activities and determined that the Company does not have any material derivative exposures and that the adoption of Statement 133, on January 1, 2001, will not have a material impact on the financial statements.

Effective January 1, 1999, the Company adopted Statement of Financial

Accounting Standards No. 134, Accounting for Mortgage-Backed Securities Retained after the Securitization of Mortgage Loans Held for Sale by a Mortgage Banking Enterprise, an amendment of FASB Statement No. 65 (Statement 134). Statement 134 amends Statement 65 to require that after the securitization of mortgage loans held for sale, an entity engaged in mortgage banking activities classify the resulting mortgage-backed securities or other retained interests based on its ability and intent to sell or hold those investments. Since the Company has not securitized mortgage loans, there has been no financial statement impact since the adoption of this statement.

2. Business Combinations

On August 4, 2000, First American Bank, a subsidiary of the Company, completed the acquisition of two banking branches in Madison and Huntsville, Alabama. The acquisition increased loans and deposits by approximately $68.9 million and $54.0 million, respectively. The acquisition was accounted for as a purchase transaction.

On December 31, 1998, Community Bank of Naples, N.A. (Naples), headquartered in Naples, Florida, was merged (the Naples Merger) into the Company. On October 2, 1998, Community Financial Corporation (CFC), a one bank holding company headquartered in Mableton, Georgia, was merged (the CFC Merger) into the Company. Public Bank Corporation (Public), a one bank holding company headquartered in St. Cloud, Florida, was merged (the Public Merger) into the Company on May 29, 1998.

Additional information related to these mergers is presented in the following table:

Merger	Shares of Company Common Stock Issued	Total Assets at Date of Merger (Approximately)
Naples	532,608	$ 92,600,000
CFC	1,076,032	$138,900,000
Public	549,913	$ 53,300,000

The consolidated financial statements of the Company give effect to these mergers, all of which were accounted for as poolings of interests and, accordingly, financial statements for all periods have previously been restated to reflect the results of operations of the companies on a combined basis from the earliest period presented, except for dividends per share.

In the third quarter of 1999, the Board of Directors of the Company authorized the repurchase of 121,129 shares of common stock. This repurchase, which was completed during the third quarter at a cost of approximately $3,226,000, was specifically related to the Company's issuance of an identical number of shares to acquire Rankin Insurance Agency during May 1999 in a purchase business combination. The pro forma impact of this purchase business combination on the Company's financial statements for the periods prior to acquisition is not significant and, thus, is not presented herein.

NOTES TO FINANCIAL STATEMENTS--(Continued)

3. Securities

The amortized costs and estimated market values of investment securities (carried at amortized cost) and securities available for sale (carried at market value) are as follows (in thousands):

	December 31, 2000			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Market Value
Investment securities:				
U.S. treasury securities and obligations of U.S. government corporations and agencies..........	$ 3,263			$ 3,263
Obligations of states and political subdivisions......................	7,652	$139		7,791
Mortgage backed securities issued or guaranteed by U.S. government agencies..........................	49,847	585	$ 1	50,431
Totals..........................	$ 60,762	$724	$ 1	$ 61,485
Securities available for sale:				
U.S. treasury securities and obligations of U.S. government corporations and agencies..........	$111,538	$245	$ 328	111,455
Obligations of states and political subdivisions......................	22,583	261	36	22,808
Mortgage backed securities issued or guaranteed by U.S. government agencies..........................	171,490	53	1,514	170,029
Equity securities..................	10,334		76	10,258
Totals..........................	$315,945	$559	$1,954	$314,550

	December 31, 1999			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Market Value
Investment securities:				
U.S. treasury securities and obligations of U.S. government corporations and agencies..........	$ 279			$ 279
Obligations of states and political subdivisions......................	8,942	$122		9,064
Mortgage backed securities issued or guaranteed by U.S. government agencies..........................	10,395	13	$ 13	10,395

Totals	$ 19,616	$135	$ 13	$ 19,738
Securities available for sale:				
U.S. treasury securities and obligations of U.S. government corporations and agencies	$ 99,167		$3,447	$ 95,720
Obligations of states and political subdivisions	24,909	$ 4	370	24,543
Mortgage backed securities issued or guaranteed by U.S. government agencies	202,646		6,071	196,575
Equity securities	8,675		6	8,669
Totals	$335,397	$ 4	$9,894	$325,507

Maturities of securities at December 31, 2000 are summarized as follows (in thousands):

	Investment Securities		Available for Sale	
	Amortized Cost	Estimated Market Value	Amortized Cost	Estimated Market Value
Due in one year or less	$ 160	$ 160	$ 7,638	$ 7,638
Due after one year through five years	8,514	8,618	90,664	90,764
Due after five years through ten years	2,140	2,178	34,119	34,146
Due after ten years	101	98	1,700	1,715
Mortgage-backed securities	49,847	50,431	171,490	170,029
Equity securities			10,334	10,258
Totals	$60,762	$61,485	$315,945	$314,550

Gross gains of $1,000, $190,000 and $174,000 were realized on the sale of securities during 2000, 1999 and 1998, respectively, and there were no gross realized losses during any of these periods.

Equity securities are comprised primarily of Federal Home Loan Bank and Federal Reserve Bank stock. These holdings are required under regulatory guidelines.

4. Loans and Other Real Estate

Major classification of loans at December 31, 2000 and 1999 are summarized as follows (in thousands):

	2000	1999
Commercial, financial, and agricultural..............	$ 259,821	$ 257,047
Real estate..	1,098,481	878,897
Consumer...	75,970	73,388
Lease financing receivables..........................	58,668	22,046
Securities brokerage margin loans....................	29,901	22,551
Other..	87,599	67,316
Gross loans..	1,610,440	1,321,245
Less unearned income.................................	(975)	(1,085)
Loans, net of unearned income........................	1,609,465	1,320,160
Less allowance for loan losses.......................	(20,867)	(18,068)
Net loans..	$1,588,598	$1,302,092

In the normal course of business, loans are made to directors, officers, and their affiliates. Such loans are made on substantially the same terms as to other customers of the banks. The aggregate of such loans was $55,541,000 and $50,992,000 at December 31, 2000 and 1999, respectively. During 2000 and 1999, new loans of $42,492,000 and $32,517,000 were funded and repayments totaled $37,943,000 and $25,197,000, respectively.

Loans on which the accrual of interest has been discontinued or reduced amounted to approximately $3,221,000 and $4,141,000 at December 31, 2000 and 1999, respectively. If the loans of the Company had been current throughout their terms, gross interest income for the years ended December 31, 2000 and 1999, respectively, would have increased by approximately $451,000 and $392,000.

Other real estate at December 31, 2000 and 1999 totaled $1,450,000 and $687,000, respectively.

At December 31, 2000 and 1999, the recorded investment in loans for which impairment has been recognized totaled $3,221,000 and $4,146,000, respectively, and these loans had a corresponding valuation allowance of $0 and $202,000. Management of the Company believes that the value of these impaired loans on the Company's books is less than the recoverable value of the loans. The Company recognized no interest on impaired loans during the portion of the year that they were impaired. The impaired loans at December 31, 2000 and 1999 were measured for impairment primarily using the fair value of the collateral.

The Company grants real estate, commercial, and consumer loans to customers primarily in Alabama, Georgia, and Florida. Although the Company has a diversified loan portfolio, significant concentrations include loans collateralized by improved and undeveloped commercial and residential real estate.

5. Allowance for Loan Losses

A summary of the allowance for loan losses for the years ended December 31, 2000, 1999, and 1998 is as follows (in thousands):

	2000	1999	1998
Balance, beginning of year	$18,068	$16,540	$14,844
Provision charged to operations	2,003	1,954	1,796
Additions to allowance through acquisition	1,400		
	21,471	18,494	16,640
Loans charged off	(1,361)	(1,277)	(1,864)
Recoveries	757	851	1,764
Net charge-offs	(604)	(426)	(100)
Balance, end of year	$20,867	$18,068	$16,540

6. Property, Equipment, and Leasehold Improvements

Major classifications of property, equipment, and leasehold improvements at December 31, 2000 and 1999 are summarized as follows (in thousands):

	2000	1999
Land	$12,931	$10,493
Buildings and improvements	29,760	28,166
Leasehold improvements	6,371	6,066
Furniture, equipment, and vault	24,901	22,054
Construction in progress	3,178	2,117
	77,141	68,896
Less accumulated depreciation and amortization	27,764	25,041
Property, equipment, and leasehold improvements, net	$49,377	$43,855

7. Deposits

Deposits at December 31, 2000 and 1999 are summarized as follows (in thousands):

	2000	1999
Demand deposit accounts................................	$ 226,893	$ 210,185
NOW accounts...	285,475	217,883
Savings and money market accounts......................	290,350	296,723
Time deposits less than $100,000.......................	616,249	492,328
Time deposits of $100,000 or more......................	284,982	225,036
Total deposits...	$1,703,949	$1,442,155

Certain directors of the Company, including their families and affiliated companies, are deposit customers. Total deposits of these persons at December 31, 2000 and 1999 were approximately $27,901,000 and $26,696,000, respectively.

8. Short and Long-Term Borrowings

Short-term debt is summarized as follows (in thousands):

	2000	1999
Note payable to third-party bank under secured master note agreement; rate varies with LIBOR and was 7.4318% and 7.2113% at December 31, 2000 and 1999, respectively; collateralized by the Company's stock in subsidiary banks..	$27,439	$16,389
FHLB debt due at various maturities ranging from June 4, 2001 through October 12, 2001; bearing interest at fixed and variable rates ranging from 6.40% to 6.7575% at December 31, 2000; collateralized by FHLB stock and certain first mortgages................................	56,000	
FHLB open ended notes payable, rate varies daily based on the FHLB Daily Rate Credit interest price and was 4.55% at December 31, 1999; collateralized by FHLB stock and certain first mortgage loans...........................		2,000
Total short-term borrowings............................	$83,439	$18,389

Long-term debt is summarized as follows (in thousands):

	2000	1999
FHLB debt due April 23, 2004; rate varies with LIBOR and was 6.48% and 5.9425% at December 31, 2000 and 1999, respectively; rate changes to 5.02% from April 23, 2001 to April 23, 2004; convertible at the option of the FHLB on April 23, 2001 to the three month LIBOR advance;		

collateralized by FHLB stock and certain first mortgage loans	$13,700	$13,700
FHLB debt due at various maturities ranging from June 18, 2003 through November 10, 2010; bearing interest at fixed rates ranging from 4.47% to 6.00% and 4.30% to 5.715% at December 31, 2000 and 1999, respectively; convertible at the option of the FHLB at dates ranging from February 7, 2000 to March 26, 2003; collateralized by FHLB stock, certain first mortgage loans and pledged available for sale securities with a carrying value of $3,851,000 at December 31, 1999. Various of these notes were called by the FHLB during the year ended December 31, 2000	45,000	98,000

	2000	1999
FHLB debt due at various maturities ranging from July 25, 2001 through February 11, 2003; bearing interest at a variable rate of 6.5275% at December 31, 2000 and at fixed and variable rates ranging from 6.05125% to 6.40% at December 31, 1999; collateralized by FHLB stock, certain first mortgage loans and pledged available for sale securities; various of these notes have been classified as short-term at December 31, 2000	25,000	12,000
Various notes payable	29	39
Capital leases payable	197	266
Total long-term debt	$83,926	$124,005

Certain of these amounts are callable at the option of the FHLB at dates earlier than the stated maturities.

Aggregate maturities of long-term debt are as follows for fiscal years (in thousands):

	$ 71
2002	54
2003	30,054
2004	18,738
2005	10,009
Thereafter	25,000
	$83,926

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The note payable to a third-party bank at December 31, 2000 is payable in full on May 31, 2001. Maximum borrowing under the secured master note agreement is $32,000,000 and interest is payable quarterly. Total interest expense paid on the note was approximately $1,527,000 in 2000, $817,000 in 1999, and $870,000 in 1998.

At December 31, 2000, the Company has approximately $144,270,000 of available credit with the FHLB in addition to the approximately $139,700,000 above, approximately $4,561,000 of available credit with a regional financial institution, and federal funds lines of approximately $157,700,000 with various correspondent banks, of which approximately $139,700,000 remains available.

The Company has also pledged approximately $171,000,000 in loans to the Federal Reserve Bank of Atlanta as collateral for a discount window credit facility. At December 31, 2000, the Company had access to approximately $136,000,000 under this facility, and had no outstanding borrowings.

The FHLB has a blanket lien on the Company's 1-4 family mortgage loans in the amount of the outstanding debt.

Additional details regarding short-term debt are shown below (in thousands):

	2000	1999	1998
Average amount outstanding during the year.........	$55,472	$23,125	$22,697
Maximum amount outstanding at any month end........	$86,389	$58,922	$48,147
Weighted average interest rate:			
During year....................................	7.04%	5.65%	6.42%
End of year....................................	6.92%	6.92%	5.83%

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NOTES TO FINANCIAL STATEMENTS--(Continued)

9. Leases

One of the Company's subsidiary banks leases its main office building from a partnership, which includes a director and a stockholder of the Company, under a noncancelable operating lease expiring in 2020. Leases classified as capital leases include branch offices with a net book value of approximately $115,000 at December 31, 2000. Additionally, several subsidiary banks lease branch offices and equipment under operating leases.

Minimum future rental payments for the capital and operating leases are as follows (in thousands):

	Capital Leases	Operating Leases

2001	$ 75	$ 1,695
2002	54	1,698
2003	54	1,703
2004	41	1,666
2005	10	1,634
Thereafter		26,104
Total minimum payments	234	$34,500
Less amount representing interest	37	
Net capital lease obligation	$197	

Rent expense charged to operations under operating lease agreements for the years ended December 31, 2000, 1999, and 1998 was approximately $1,522,000, $1,268,000, and $1,342,000, respectively, of which approximately $999,000, $958,000, and $968,000, respectively, during 2000, 1999, and 1998 relate to leases with related parties.

10. Commitments and Contingencies

In the normal course of business, the Company makes commitments to meet the financing needs of its customers. These commitments include commitments to extend credit and standby letters of credit. These instruments include, to varying degrees, elements of credit risk in excess of the amount recognized in the consolidated statements of condition. The Company's exposure to credit risk is the extent of nonperformance by the counterparty to the financial instrument for commitments to extend credit and standby letters of credit and is represented by the contractual amount of those instruments. The Company uses the same credit policies and procedures in making commitments and conditional obligations as it does for loans.

At December 31, 2000 and 1999, unused commitments under lines of credit aggregated approximately $439,866,000 and $426,779,000, of which approximately $19,022,000 and $20,912,000 pertained to related parties, respectively. The Company evaluates each customer's credit worthiness on an individual basis. The amount of collateral obtained, if deemed necessary by the Company upon extension of credit, is based on management's credit evaluation of the counterparty. Collateral held varies but may include accounts receivable, inventory, property, plant, and equipment, residential real estate and income-producing commercial properties.

The Company had approximately $17,750,000 and $14,431,000 in irrevocable standby letters of credit outstanding at December 31, 2000 and 1999, of which approximately $319,000 and $121,000 at December 31, 2000 and 1999, respectively, pertained to related parties. The credit risk involved in issuing letters of credit

is essentially the same as that involved in extending loan facilities to customers. The collateral varies but may include accounts receivable, inventory, property, plant, and equipment, and residential real estate for those commitments for which collateral is deemed necessary.

The Company, in the normal course of business, is subject to various pending and threatened litigation. Based on legal counsel's opinion, management does not anticipate that the ultimate liability, if any, resulting from such litigation will have a material adverse effect on the Company's financial condition or results of operations.

11. Employee Benefit Plans

Prior to December 31, 1999, one of the subsidiary banks, National Bank of Commerce (NBC), maintained a defined benefit pension plan covering substantially all employees of NBC. Effective December 31, 1999, the Company ceased further benefit accruals under the plan, resulting in a curtailment of the plan. The effect of the curtailment was a $1,522,000 reduction in the projected benefit obligation, which was offset by the recognition of a previously unrecognized prior service cost of $13,000 and a portion of the unrecognized net loss of $690,000. The net result of the curtailment was a recorded curtailment gain of $819,000 during the year ended December 31, 1999.

Benefits are based on years of service and the average monthly earnings for the last sixty months of employment. The Company's policy is to use the "projected unit credit" actuarial method for financial reporting purposes and the "frozen entry age" actuarial method for funding purposes. The components of net pension expense (income) for the years ended December 31, 2000, 1999, and 1998 are as follows (in thousands):

	2000	1999	1998
Service cost		$ 659	$ 505
Interest cost	$ 255	334	261
Expected return on assets	(331)	(360)	(297)
Amortization of transition asset	(2)	(2)	(2)
Amortization of prior service cost		2	2
Recognized net actuarial loss		54	23
Net periodic pension cost	(78)	687	492
Gain on curtailment		(819)	
Pension (income) expense	$ (78)	$(132)	$ 492

The reconciliation of the beginning and ending balances of the projected benefit obligation and plan assets, as well as disclosure of the plan's funded status for the years ended December 31, 2000 and 1999, is as follows (in thousands):

	2000	1999

Change in benefit obligation		
Projected benefit obligation at end of prior year	$3,517	$4,975
Service cost		659
Interest cost	255	334
Actuarial (gain) loss	232	(829)
Benefits paid	(178)	(100)
Curtailment		(1,522)
Projected benefit obligation at end of year	$3,826	$3,517
Change in plan assets		
Fair value of plan assets at end of prior year	$3,705	$3,737
Actual return on plan assets	627	(342)
Employer contributions		410
Benefits paid	(178)	(100)
Fair value of plan assets at end of year	$4,154	$3,705
Funded status		
Plan assets in excess of projected benefit obligation	$ (327)	$ (188)
Unrecognized net loss	(260)	(324)
Unrecognized net asset at date of initial application	7	9
Accrued pension asset	$ (580)	$ (503)

Primary assumptions used to actuarially determine net pension expense are as follows:

	2000	1999	1998
Discount rate	7.00%	7.50%	7.00%
Expected long-term rate of return on plan assets	9.00%	9.00%	9.00%
Salary increase rate	4.25%	4.25%	4.25%

The Company has a qualified employee benefit plan under Section 401(k) of the Internal Revenue Code covering substantially all employees. Employees can contribute up to 15% of their salary to the plan on a pre-tax basis and the Company matches participants' contributions up to the first 5% of each participant's salary. The Company's matching contribution charged to operations related to this plan, as well as other plans of merged banks, was approximately $935,000, $507,000, and $431,000 for the years ended December 31, 2000, 1999, and 1998, respectively.

The Company and certain subsidiary banks have deferred compensation plans for the benefit of the Company's former chief executive officer. Payments under the plans commence March 15, 1997 and March 15, 2002, or at his death, if earlier, and continue for a period of 15 years. In connection with the plans, the banks purchased single premium life insurance policies on the life of the officer. At December 31, 2000 and 1999, the cash surrender value of the policies was $2,403,000 and $2,285,000, respectively. Additionally, the Company and several of its subsidiary banks own life insurance policies to provide for the payment of death benefits related

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NOTES TO FINANCIAL STATEMENTS--(Continued)

to existing deferred compensation and supplemental income plans maintained for the benefit of certain presidents, employees and directors of such banks. The total cash surrender value of such policies at December 31, 2000 and 1999 was $5,524,000 and $2,355,000, respectively.

The Company sponsors a Performance Share Plan (the PSP) to offer long-term incentives in addition to current compensation to key executives. The criteria for payment of performance share awards is based upon a comparison of the Company's average return on average equity for an award period to that of a comparison group of bank holding companies. If the Company's results are below the median of the comparison group, no portion of the award is earned. If the Company's results are at or above the 90th percentile, the maximum award is earned. The vesting period for awards is four years. Under the plan, 400,000 shares have been reserved for issuances.

In accordance with the terms of the PSP, a base grant of 22,500, 14,150, and 14,150 was made in each of the years ended December 31, 2000, 1999, and 1998, respectively. The market value per share was $18.88, $26.75 and $26.38 at each grant date for the years ended December 31, 2000, 1999, and 1998, respectively. During the year ended December 31, 2000, 21,082 shares were awarded to participants. At December 31, 2000, outstanding awards of expected and maximum payouts were 102,181 and 110,415 shares, respectively. Expenses recorded for the PSP was $653,000, $541,000 and $482,000 for the years ended December 31, 2000, 1999 and 1998, respectively.

During 1997, the Company adopted a separate Performance Share Plan to provide long-term incentives to non-employee directors of a subsidiary bank (the 1997 Subsidiary PSP) and granted approximately 20,000 shares, with a market value per share of $25.13, in 1997 to vest over a sixty-three month period. The actual number of shares to be distributed in fiscal 2002 will depend on the subsidiary bank's performance as well as certain conditions to be met by the directors. At December 31, 2000, the expected and maximum payout was 18,261 shares, net of forfeitures. Expense recorded for the Subsidiary PSP was $84,000, $77,000, and $96,000 for the years ended December 31, 2000, 1999 and 1998, respectively.

During 2000, the Company adopted a separate performance share plan to provide long-term incentives to non-employee directors of a subsidiary bank (the 2000 Subsidiary PSP) and granted approximately 20,000 shares, with a market value per share of $19.22 to vest over a sixty-four month period. The actual number of shares to be distributed in fiscal 2005 will depend on the subsidiary bank's performance as well as certain conditions to be met by directors. At December 31, 2000, the expected and maximum payout was 25,000 shares. Expense recorded for the Subsidiary PSP was $30,000 for the year ended December 31, 2000.

During 1999, the Company adopted the 1999 Long Term Incentive Plan (the LTI Plan) which provides for the award of incentive and non-qualified stock options, stock appreciation rights, restricted stock and performance awards to eligible employees of the Company. The total number of shares of common stock reserved and available for distribution under the LTI Plan is 300,000 shares. Any awards under the LTI Plan will be in addition to awards made under the PSP. During 2000, the Company granted 160,500 non-qualified stock options under the LTI Plan, which vest over a sixty-month period. Expense recorded for the LTI Plan was $199,000 for the year ended December 31, 2000.

In connection with the 1998 business combinations, the Company assumed fixed stock option plans of the merged banks. Additionally, the Company had fixed stock option plans with outstanding options granted prior to

1997. A summary of the status of the Company's fixed stock options as of December 31, 2000, 1999 and 1998 and changes during each of the three years then ended is presented below:

	2000		1999		1998	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding, beginning of year	239,371	$10.31	330,057	$ 9.43	487,146	$ 7.98
Granted	164,018	18.88	3,518	26.78	11,258	23.54
Exercised	(23,983)	8.60	(94,204)	7.83	(168,347)	6.19
Outstanding, end of year	379,406	$14.12	239,371	$10.31	330,057	$ 9.43
Options exercisable, end of year	218,906		231,913		258,785	

The following table summarizes information about fixed stock options outstanding at December 31, 2000:

	Options Outstanding		
Exercise Price	Number Outstanding	Remaining Contractual Life	Options Exercisable
$ 5.03	5,631	March 2004	5,631
$ 5.97	3,518	March 2005	3,518
$ 6.39	71,865	October 2002	71,865
$ 9.39	29,290	August 2006	29,290
$10.00	36,833	November 2004	36,833
$10.10	4,848	October 2004	4,848
$11.37	3,518	March 2006	3,518
$13.00	6,833	November 2005	6,833
$14.64	4,949	February 2006	4,949
$14.92	3,518	September 2006	3,518
$15.29	3,518	March 2007	3,518
$15.56	26,995	March 2007	26,995
$17.42	3,518	September 2006	3,518

$18.88	160,500	December 2010	
$18.95	3,518	September 2006	3,518
$20.60	3,518	March 2008	3,518
$26.78	3,518	September 2006	3,518
$30.02	3,518	September 2006	3,518
	379,406		218,906

The per share weighted-average fair value of stock options granted during 2000, 1999, and 1998 was $5.18, $6.17 and $5.91, respectively, on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions: 2000--expected volatility 25.6%, expected dividend yield 3.5%, risk-free interest rate of 5.9%, and an expected life of 7.0 years; 1999--expected volatility 25.0%, expected dividend yield 3.0%, risk-free interest rate of 6.0%, and an expected life of 7.0 years; and 1998--expected volatility .05%, expected dividend yield 1.0%, risk-free interest rate of 5.0%, and an expected life of 7.0 years. Total compensation expense recorded for the fixed stock option plans was $253,000, $53,000 and $90,000 for the years ended December 31, 2000, 1999 and 1998, respectively.

Additionally, the Company and two of its subsidiary banks maintain deferral of compensation plans for certain directors who are not employees of the Company. Under the plans, a non-employee director may choose to have all or part of the cash and/or stock equivalents he would normally receive as compensation deferred for future payment, at such time and in such manner as the director specifies at the time of the election, so long as any annuity payment period does not exceed ten years. The cash portion of the deferral of compensation account earns interest at a rate which approximates the Company's short-term borrowing rate. Dividends earned on stock equivalent portions are credited to the deferral or compensation account in the form of additional stock equivalents. At December 31, 2000 and 1999, the amount deferred under the terms of these plans totaled $1,285,000 and $875,000, respectively. For the years ending December 31, 2000, 1999 and 1998, approximately $410,000, $418,000 and $300,000, respectively, was expensed under these plans.

One of the Company's subsidiary banks has a deferred compensation plan whereby directors may elect to have all or a portion of their compensation deferred. Expense recognized under the plan was $18,000, $18,000 and $23,000 in 2000, 1999 and 1998, respectively. At December 31, 2000, amounts payable under the plan totaled $98,000.

During 1999, the Company completed the termination of a merged bank's leveraged employee stock ownership plan as a portion of the ESOP's unallocated shares were sold on the open market in order to satisfy the ESOP's debt with the remaining shares allocated to the participants. Compensation expense related to the ESOP was not material to the Company for 2000, 1999, or 1998.

12. Income Taxes

The components of the provision for income taxes consist of the following for the years ended December 31, 2000, 1999 and 1998 (in thousands):

	2000	1999	1998
Current:			
Federal	$ 7,995	$10,722	$7,989
State	199	1,085	760
Total current expense	8,194	11,807	8,749
Deferred:			
Federal	2,270	(1,485)	(655)
State	387	(85)	119
Total deferred expense (benefit)	2,657	(1,570)	(536)
Change in valuation allowance			(59)
Total provision for income taxes	$10,851	$10,237	$8,154

Temporary differences and carryforwards which give rise to a significant portion of the Company's deferred tax assets and liabilities for the years ended December 31, 2000 and 1999 are as follows (in thousands):

	2000	1999
Deferred tax assets:		
Loan loss reserve	$ 6,207	$ 5,762
Other real estate owned basis difference	7	7
Net operating loss	146	40
Deferred compensation	2,314	1,630
Loan fees	510	527
Unrealized loss on securities	457	3,424
Other	493	138
Total deferred tax assets	10,134	11,528
Deferred tax liabilities:		
Depreciation and basis difference	7,214	2,908
Other	225	251
Core deposits	178	193
Total deferred tax liabilities	7,617	3,352
Net deferred tax assets	$ 2,517	$ 8,176

The Company did not establish a valuation allowance related to the deferred tax asset recorded at December 31, 2000 and 1999 due to taxes paid within the carryback period being sufficient to offset future deductions resulting from the reversal of these temporary differences.

Total provision for income taxes differs from the amount which would be provided by applying the statutory federal income tax rate to pretax earnings as illustrated below for the years ended December 31, 2000, 1999 and 1998 (in thousands):

	2000	1999	1998
Provision for income taxes at statutory federal income tax rate	$12,340	$11,396	$8,687
Increase (decrease) resulting from:			
State income taxes, net of federal income tax benefit	363	645	541
Change in valuation allowance			(59)
Tax free interest income	(1,383)	(1,283)	(677)
Nondeductible meals and entertainment	96	78	92
Disallowed interest expense deduction	60	97	87
Goodwill and core deposit amortization	153	134	103
General business and other credits	(861)	(830)	(706)
Net operating losses			(55)
Other, net	83		141
Total provision for income taxes	$10,851	$10,237	$8,154

For Federal income tax purposes, one of the Company's subsidiaries has net operating loss carryforwards totaling $310,000 and $488,000 at December 31, 2000 and 1999, respectively, which will expire beginning in 2006. For state income tax purposes, two of the Company's subsidiaries have net operating loss carryforwards and tax credits totaling $464,000 and $817,000 at December 31, 2000 and 1999, respectively.

13. Noninterest Expense

The following table sets forth, for the years ended December 31, 2000, 1999 and 1998, the principal components of noninterest expense (in thousands):

	2000	1999	1998
Salaries and employee benefits	$42,531	$37,452	$36,021
Net occupancy expense	8,232	7,265	6,724
Amortization of goodwill	501	387	302
Advertising	1,004	1,028	976

Banking assessments	616	482	473
Data processing expenses	1,291	1,442	2,435
Legal and professional fees	2,286	2,911	3,609
Noncredit losses, net of recoveries	130	206	129
Other	13,783	11,282	10,485
Total noninterest expense	$70,374	$62,455	$61,154

14. Earnings Per Share

The following table reflects the reconciliation, after adjusting for stock splits, of the basic EPS computation to the diluted EPS computation (in thousands, except per share data):

	Income	Shares	Per Share Amount
2000			
Basic EPS net income	$24,392	11,057	$2.21
Effect of dilutive securities options		181	
Diluted EPS	$24,392	11,238	$2.17
1999			
Basic EPS net income	$22,271	11,079	$2.01
Effect of dilutive securities options		194	
Diluted EPS	$22,271	11,273	$1.98
1998			
Basic EPS net income	$17,372	10,804	$1.61
Effect of dilutive securities options		369	
Diluted EPS	$17,372	11,173	$1.55

15. Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value.

Cash, Due From Banks, Interest-Bearing Cash Balances, and Federal Funds Sold--The carrying amount is a reasonable estimate of fair value.

Investment, Available for Sale, and Trading Securities--Fair value is based on quoted market prices or dealer quotes.

Loans--The fair value of loans is estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities.

Deposits--The fair value of demand deposits, savings accounts, and certain money market deposits is the amount payable on demand at the reporting date. The fair value of fixed-maturity certificates of deposit is estimated using the rates currently offered for deposits of similar remaining maturities.

Federal Funds Purchased, Short-Term Borrowings, and Long-Term Debt--The carrying amount is a reasonable estimate of fair value.

Commitments to Extend Credit and Standby Letters of Credit--All commitments to extend credit and standby letters of credit have original terms, at their issuance, of one year or less; therefore, the fair value of these instruments does not materially differ from their stated value.

The estimated fair values of financial instruments at December 31, 2000 and 1999 are as follows (in thousands):

	2000		1999	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:				
Cash and due from banks..........	$ 76,558	$ 76,558	$ 73,125	$ 73,125
Interest-bearing deposits in other banks....................	7,630	7,630	6,768	6,768
Federal funds sold and securities purchased under agreements to resell.........................	27,818	27,818	33,568	33,568
Investment securities and securities available for sale...	375,312	376,035	345,123	345,245
Trading securities..............	577	577	2,701	2,701
Loans...........................	1,614,691	1,647,701	1,328,775	1,326,628
Financial liabilities:				
Deposits........................	1,703,949	1,641,736	1,442,155	1,440,919
Federal funds purchased; securities sold under agreements to resell; and treasury, tax, and loan account................	166,017	166,017	138,077	138,077
Short-term borrowings...........	83,439	83,439	18,389	18,389
Long-term debt..................	83,926	84,077	124,005	113,697

16. Parent Company

The condensed financial information of the parent company only as of December 31, 2000 and 1999, and for the years ended December 31, 2000, 1999 and 1998 is presented as follows (in thousands):

	2000	1999
Balance Sheets		
Assets:		
Cash	$ 2,908	$ 3,964
Securities available for sale	80	81
Investments in subsidiaries	182,602	147,994
Intangibles	6,124	6,466
Other assets	3,190	1,251
Total assets	$194,904	$159,756
Liabilities and stockholders' equity:		
Accounts payable	$ 4,590	$ 4,899
Accrued interest payable	411	213
Short and long-term debt	27,439	16,389
Total liabilities	32,440	21,501
Stockholders' equity:		
Common stock	11,187	11,187
Additional paid-in capital	85,998	81,939
Retained earnings	69,648	54,897
Treasury stock	(3,431)	(3,226)
Accumulated other comprehensive loss, net of taxes	(938)	(6,542)
Total stockholders' equity	162,464	138,255
Total liabilities and stockholders' equity	$194,904	$159,756

	2000	1999	1998
Statements of Income			
Income:			
Dividends from subsidiaries	$ 8,566	$11,909	$ 7,496
Securities gains	1	148	139
Other	40	36	41
	8,607	12,093	7,676
Expenses:			
Interest expense	1,527	816	870
Other expenses	3,089	2,771	3,797
Total expenses	4,616	3,587	4,667
Income before equity in undistributed earnings of subsidiaries and taxes	3,991	8,506	3,009
Equity in undistributed earnings of subsidiaries	18,803	12,578	13,059

Income before income taxes	22,794	21,084	16,068
Income tax benefit	1,598	1,187	1,304
Net income	$24,392	$22,271	$17,372

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NOTES TO FINANCIAL STATEMENTS--(Continued)

	2000	1999	1998
Statements of Cash Flows			
Cash flows from operating activities:			
Net income	$ 24,392	$ 22,271	$ 17,372
Adjustments to reconcile net income to net cash provided by operating activities:			
Amortization of investment in consolidated subsidiaries in excess of net assets acquired and core deposits	342	338	334
Equity in undistributed earnings of subsidiaries	(18,777)	(12,578)	(13,059)
Deferred tax benefit	(1,014)	(87)	(474)
Other	601	285	222
Increase (decrease) in other assets and liabilities	2,355	(2,620)	4,147
Net cash provided by operating activities	7,899	7,609	8,542
Cash flows from investing activities:			
Additional investment in subsidiaries	(10,200)		(1,500)
Decrease in securities available for sale		256	62
Net cash (used in) provided by investing activities	(10,200)	256	(1,438)
Cash flows from financing activities:			
Dividends on common stock	(9,289)	(7,958)	(5,626)
Change in other liabilities	9	(303)	
Exercise of stock options	63	215	1,858
Net (decrease) increase in borrowings	11,050	4,889	(3,837)
Purchase of treasury stock	(588)		
Treasury stock acquired for purchase business combination		(3,226)	
Net cash provided by (used in) financing activities	1,245	(6,383)	(7,605)
Net (decrease) increase in cash	(1,056)	1,482	(501)
Cash, beginning of year	3,964	2,482	2,983
Cash, end of year	$ 2,908	$ 3,964	$ 2,482

17. Regulatory

The subsidiary banks are required by law to maintain reserves in cash or deposits with the Federal Reserve Bank or other banks. At December 31, 2000, the required reserves totaled $22,983,000.

At December 31, 2000 and 1999, securities with carrying values of $241,577,000 and $178,398,000, respectively, were pledged to secure U.S. government deposits and other public funds for purposes as required or permitted by law.

The Company has a policy of collecting amounts from its subsidiaries sufficient to cover expenses of the Company and to service Company debt. Such amounts have been received in the form of dividends declared by the subsidiaries. Payment of dividends is subject to the financial condition of the subsidiaries and the Company's judgment as to the desirability of utilizing alternative sources of funds. The payment of dividends by the subsidiary banks is also subject to various regulatory requirements. At December 31, 2000, $41,214,000 of the retained earnings of the subsidiary banks are available for payment of dividends to the Company under the various regulatory requirements, without special approval from the applicable regulators.

The Company is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory--and possibly additional

discretionary--actions by regulators that, if undertaken, could have a direct material effect on the Company's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company must meet specific capital guidelines that involve quantitative measures of the Company's assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The Company's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Company maintain minimum amounts and ratios (set forth in the table below) of total qualifying capital and Tier I capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier I capital (as defined) to average assets (as defined). Management believes, as of December 31, 2000, that the Company meets all capital adequacy requirements to which it is subject.

As of December 31, 2000, the most recent notification from the Federal Reserve Bank categorized the Company as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized the Company must maintain minimum total risk-based, Tier I risk-based, and Tier I leverage ratios as set forth in the table. There are no conditions or events since that notification that management believes have changed the institution's category.

The actual capital amounts and ratios of the Company are presented in the table below (in thousands):

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2000:						
Total qualifying capital (to risk-weighted assets)..................	$170,632	10.04%	$135,962	8.00%	$ 169,952	10.00%
Tier I capital (to risk-weighted assets).........	$149,765	8.82%	$ 67,921	4.00%	$ 101,851	6.00%
Tier I capital (to average assets)..................	$149,765	6.80%	$ 88,097	4.00%	$ 110,121	5.00%
As of December 31, 1999:						
Total qualifying capital (to risk-weighted assets)................	$152,790	10.62%	$115,096	8.00%	$ 143,870	10.00%
Tier I capital (to risk-weighted assets).......	$134,922	9.38%	$ 57,536	4.00%	$ 86,304	6.00%
Tier I capital (to average assets)........	$134,922	7.18%	$ 75,165	4.00%	$ 93,957	5.00%

The actual capital amounts and ratios of National Bank of Commerce, the Company's most significant subsidiary, are presented in the table below (in thousands):

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2000:						
Total qualifying capital (to risk-weighted assets).......	$83,688	10.97%	$61,030	8.00%	$ 76,288	10.00%
Tier I capital (to risk-weighted assets)............	$74,678	9.79%	$30,512	4.00%	$ 45,768	6.00%
Tier I capital (to average assets).....................	$74,678	7.78%	$38,395	4.00%	$ 47,994	5.00%
As of December 31, 1999:						
Total qualifying capital (to risk-weighted assets).......	$71,854	10.01%	$57,426	8.00%	$ 71,782	10.00%
Tier I capital (to risk-weighted assets)............	$63,454	8.84%	$28,712	4.00%	$ 43,068	6.00%
Tier I capital (to average assets).....................	$63,454	7.26%	$34,961	4.00%	$ 43,701	5.00%

ALABAMA NATIONAL BANCORPORATION AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS--(Continued)

18. Segment Reporting

In addition to traditional commercial and consumer retail banking products, the Company offers trust services, mortgage lending services, investment services, securities brokerage services and insurance services to its customers. The trust division manages the assets of both corporate and individual customers located primarily in the markets served by the Company. The mortgage lending division makes home loans to individuals throughout the state of Alabama. The majority of the loans made are sold to corporate investors, who also service the loans. The investment services division sells fixed income securities and provides trading services to both individual and corporate customers. The securities brokerage division is a full service broker-dealer operation. The insurance division offers a full line of insurance products including life, property and casualty insurance to individual and corporate customers primarily in the state of Alabama. These five divisions, along with the commercial and retail banking division, are considered the Company's reportable segments for financial disclosure purposes.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies except that certain overhead expenses are not allocated among the segments. Additionally, the fixed assets utilized by the various divisions are not separately identified by management. Accordingly, the results of operations for the trust, mortgage lending, investment services, securities brokerage, and insurance segments are not indicative of the results which would be achieved if each of the segments were a separate company. Intersegment transactions are accounted for at fair market value.

ALABAMA NATIONAL BANCORPORATION AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS--(Continued)

The Company's reportable segments represent the distinct major product lines the Company 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 the Company's consolidated totals (in thousands):

	Investment Services Division	Securities Brokerage Division	Trust Division	Mortgage Lending Division(2)	Insurance Division	Retail and Commercial Banking	Corporate Overhead((
Year ended December 31, 2000:							
Interest income.......	$	$3,700	$	$ 424	$ 23	$159,133	$ (61)
Interest expense......		1,805		315	14	84,592	1,527

Net interest income...		1,895		109	9	74,541	(1,588)
Provision for loan losses..............						2,003	
Noninterest income....	5,867	5,413	2,279	3,866	2,099	13,115	41
Noninterest expense...	5,377	6,271	1,308	2,746	1,837	49,807	3,028
Net income before provision for income taxes and minority interest............	$ 490	$1,037	$ 971	$1,229	$ 271	$ 35,846	$(4,575)
Year ended December 31, 1999:							
Interest income.......	$	$2,053	$	$ 527	$ 16	$123,904	$ (93)
Interest expense......		955		348	9	57,894	816
Net interest income...		1,098		179	7	66,010	(909)
Provision for loan losses..............						1,954	
Noninterest income....	6,624	3,707	2,190	4,240	1,068	12,544	184
Noninterest expense...	5,957	4,281	1,149	3,043	875	44,472	2,678
Net income before provision for income taxes and minority interest............	$ 667	$ 524	$1,041	$1,376	$ 200	$ 32,128	$(3,403)
Year ended December 31, 1998:							
Interest income.......	$	$1,497	$	$ 649		$114,448	$ (94)
Interest expense......		401		395		55,685	870
Net interest income...		1,096		254		58,763	(964)
Provision for loan losses..............						1,796	
Noninterest income....	9,230	2,307	2,101	4,405		11,128	179
Noninterest expense...	7,557	2,943	1,169	2,666		43,117	3,702
Net income before provision for income taxes and minority interest............	$1,673	$ 460	$ 932	$1,993		$ 24,978	$(4,487)

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(1) Corporate overhead is comprised primarily of compensation and benefits for certain members of management, merger related costs, interest expense on parent company debt, amortization of intangibles and other expenses.

(2) Mortgage lending includes allocated intercompany income totaling $335,000, $247,000 and $102,000 at December 31, 2000, 1999 and 1998, respectively.

19. Related Party Transactions

In addition to the previously disclosed related party transactions, the Company received trust fees from related parties of approximately $631,000 in 2000, $629,000 in 1999, and $700,000 in 1998.

20. Treasury Stock Repurchase Plan

In the second quarter of 2000, the Board of Directors of the Company authorized the repurchase of up to 250,000 shares of the Company's common stock. On October 10, 2000, this stock repurchase program was rescinded by the Board of Directors. A total of 30,000 shares were repurchased prior to the rescission of this plan.

21. Subsequent Event

On October 10, 2000, the Company entered into a merger agreement with Peoples State Bank, located in Groveland, Florida. Under the terms of the merger agreement, Peoples State Bank merged with a newly formed subsidiary of the Company, whereby Peoples State Bank became a wholly owned subsidiary of the Company. The Company issued approximately 735,000 shares of its common stock to existing Peoples State Bank shareholders at an exchange ratio of 1.164 shares of the Company's common stock for each share of Peoples State Bank common stock. The merger was completed on January 31, 2001. As of December 31, 2000, Peoples State Bank had assets of approximately $122.6 million (unaudited) and net income of $1.1 million (unaudited) for the year ended December 31, 2000. The merger is expected to be accounted for as a pooling of interests.