

ALABAMA NATIONAL BANCORPORATION

Form 10-Q

November 09, 2006

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

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**FORM 10-Q**

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**QUARTERLY REPORT**

**PURSUANT TO SECTION 13 or 15(d)**

**OF THE SECURITIES EXCHANGE ACT OF 1934**

**FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2006**

**0-25160**

(Commission File No.)

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**ALABAMA NATIONAL BANCORPORATION**

(Exact Name of Registrant as Specified in Its Charter)

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**Delaware**  
(State of incorporation)

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

**205-583-3600**

(Registrant's Telephone Number)

**63-1114426**  
(IRS employer identification number)

**35203-4009**  
(Zip Code)

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The registrant has 20,553,526 shares of common stock, par value \$1.00 per share, outstanding at November 8, 2006.

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Statements contained in this Quarterly Report on Form 10-Q that are not historical facts are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. In addition, Alabama National Bancorporation (Alabama National or the Company), through its senior management, from time to time makes forward-looking public statements concerning its expected future operations and performance and other developments. Such forward-looking statements are necessarily estimates reflecting Alabama National's best judgment based upon current information and involve a number of risks and uncertainties, and various factors could cause results to differ materially from those contemplated by such forward-looking statements. Such factors could include those identified from time to time in Alabama National's Securities and Exchange Commission filings and other public announcements, including the factors described in Alabama National's Annual Report on Form 10-K for the year ended December 31, 2005. With respect to the adequacy of the allowance for loan and lease losses for Alabama National, these factors include the rate of growth in the economy, especially in the Southeast, the relative strength and weakness in the consumer and commercial credit sectors and in the real estate markets and the performance of the stock and bond markets. The forward-looking statements contained in this Quarterly Report speak only as of the date of this report, and Alabama National undertakes no obligation to revise these statements following the date of this Quarterly Report on Form 10-Q.

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

	September 30, 2006	December 31, 2005
<b>Assets</b>		
Cash and due from banks	\$ 195,474	\$ 189,256
Interest-bearing deposits in other banks	11,669	19,428
Federal funds sold and securities purchased under resell agreements	64,395	70,472
Trading securities, at fair value	1,295	402
Investment securities (fair values of \$682,025 and \$576,424)	697,574	591,153
Securities available for sale, at fair value	510,345	545,334
Loans held for sale	24,184	14,940
Loans and leases	4,878,945	4,147,739
Unearned income	(4,701)	(3,644)
Loans and leases, net of unearned income	4,874,244	4,144,095
Allowance for loan and lease losses	(61,354)	(52,815)
Net loans and leases	4,812,890	4,091,280
Property, equipment and leasehold improvements, net	143,603	114,159
Goodwill	214,151	148,071
Other intangible assets, net	15,221	9,358
Cash surrender value of life insurance	99,502	74,593
Receivable from investment division customers	4,628	7,166
Other assets	75,887	56,061
Totals	\$ 6,870,818	\$ 5,931,673
<b>Liabilities and Stockholders Equity</b>		
Deposits:		
Noninterest bearing	\$ 743,150	\$ 729,045
Interest bearing	4,047,832	3,614,219
Total deposits	4,790,982	4,343,264
Federal funds purchased and securities sold under repurchase agreements	711,258	545,337
Accrued expenses and other liabilities	48,338	61,361
Payable for securities purchased for investment division customers	5,923	5,886
Short-term borrowings	229,635	34,700
Long-term debt	378,569	369,246
Total liabilities	\$ 6,164,705	\$ 5,359,794
Commitments and contingencies (Note B)		
	18,650	17,124

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Common stock, \$1 par; 50,000,000 shares authorized; 18,650,179 and 17,124,316 shares issued at September 30, 2006 and December 31, 2005, respectively		
Additional paid-in capital	443,134	347,434
Retained earnings	252,447	216,144
Accumulated other comprehensive loss, net of tax	(8,118)	(8,823)
<b>Total stockholders' equity</b>	<b>706,113</b>	<b>571,879</b>
Total liabilities and stockholders' equity	\$ 6,870,818	\$ 5,931,673

*See accompanying notes to unaudited consolidated financial statements*

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

	<b>For the Three Months Ended September 30,</b>	
	<b>2006</b>	<b>2005</b>
<b>Interest income:</b>		
Interest and fees on loans and leases	\$ 97,279	\$ 67,831
Interest on securities	13,275	11,985
Interest on deposits in other banks	225	66
Interest on trading securities	15	7
Interest on federal funds sold and securities purchased under resell agreements	806	798
<b>Total interest income</b>	<b>111,600</b>	<b>80,687</b>
<b>Interest expense:</b>		
Interest on deposits	\$ 38,019	\$ 20,690
Interest on federal funds purchased and securities sold under repurchase agreements	8,142	4,519
Interest on short-term borrowings	2,117	754
Interest on long-term debt	5,126	3,365
<b>Total interest expense</b>	<b>53,404</b>	<b>29,328</b>
Net interest income	58,196	51,359
Provision for loan and lease losses	1,130	2,440
Net interest income after provision for loan and lease losses	57,066	48,919
<b>Noninterest income:</b>		
Service charges on deposit accounts	\$ 4,042	\$ 4,181
Investment services income	1,292	1,086
Wealth management income	5,371	4,641
Gain on sale of mortgages	2,774	3,565
Commercial mortgage banking income	518	24
Insurance commissions	963	825
Bank owned life insurance	988	737
Gain (loss) on disposition of assets	13	(21)
Other	3,748	3,060
<b>Total noninterest income</b>	<b>19,709</b>	<b>18,098</b>
<i>See accompanying notes to unaudited consolidated financial statements</i>		

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

	<b>For the Three Months Ended September 30,</b>	
	<b>2006</b>	<b>2005</b>
<b>Noninterest expense:</b>		
Salaries and employee benefits	\$ 24,262	\$ 21,680
Commission based compensation	4,586	4,051
Occupancy and equipment expenses	5,264	4,540
Amortization of intangibles	1,306	766
Other	10,769	9,953
<b>Total noninterest expense</b>	<b>46,187</b>	<b>40,990</b>
Income before provision for income taxes	30,588	26,027
Provision for income taxes	10,475	8,944
Net income	\$ 20,113	\$ 17,083
<b>Weighted average common shares outstanding:</b>		
Basic	18,834	17,198
Diluted	19,012	17,412
<b>Earnings per common share:</b>		
Basic	\$ 1.07	\$ 0.99
Diluted	\$ 1.06	\$ 0.98
Cash dividends per common share	\$ 0.3750	\$ 0.3375

*See accompanying notes to unaudited consolidated financial statements*

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

	<b>For the Nine Months Ended September 30,</b>	
	<b>2006</b>	<b>2005</b>
<b>Interest income:</b>		
Interest and fees on loans and leases	\$ 266,374	\$ 184,051
Interest on securities	38,329	36,311
Interest on deposits in other banks	450	191
Interest on trading securities	34	16
Interest on federal funds sold and securities purchased under resell agreements	2,531	2,035
<b>Total interest income</b>	<b>307,718</b>	<b>222,604</b>
<b>Interest expense:</b>		
Interest on deposits	\$ 99,059	53,085
Interest on federal funds purchased and securities sold under repurchase agreements	21,207	10,148
Interest on short-term borrowings	3,238	2,030
Interest on long-term debt	14,500	9,990
<b>Total interest expense</b>	<b>138,004</b>	<b>75,253</b>
Net interest income	169,714	147,351
Provision for loan and lease losses	4,293	5,975
Net interest income after provision for loan and lease losses	165,421	141,376
<b>Noninterest income:</b>		
Service charges on deposit accounts	\$ 11,753	\$ 12,265
Investment services income	3,122	3,089
Wealth management income	16,102	14,082
Gain on sale of mortgages	8,046	9,652
Commercial mortgage banking income	1,534	24
Insurance commissions	2,873	2,453
Bank owned life insurance	2,528	2,136
Securities (losses) gains	(1,250)	72
Gain on disposition of assets	552	690
Other	12,188	8,647
<b>Total noninterest income</b>	<b>57,448</b>	<b>53,110</b>
<i>See accompanying notes to unaudited consolidated financial statements</i>		



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

	<b>For the Nine Months Ended September 30,</b>	
	<b>2006</b>	<b>2005</b>
<b>Noninterest expense:</b>		
Salaries and employee benefits	\$ 71,038	\$ 63,086
Commission based compensation	13,143	11,556
Occupancy and equipment expenses	15,154	13,021
Amortization of intangibles	3,422	2,360
Other	32,678	30,343
<b>Total noninterest expense</b>	<b>135,435</b>	<b>120,366</b>
Income before provision for income taxes and cumulative effect of accounting change	87,434	74,120
Provision for income taxes	30,179	25,362
Net income before cumulative effect of accounting change	57,255	48,758
Cumulative effect of accounting change (net of tax)	48	
Net income	\$ 57,303	\$ 48,758
<b>Weighted average common shares outstanding:</b>		
Basic	18,336	17,185
Diluted	18,521	17,404
<b>Earnings per common share before cumulative effect of accounting change:</b>		
Basic	\$ 3.12	\$ 2.84
Diluted	\$ 3.09	\$ 2.80