

ALABAMA NATIONAL BANCORPORATION
Form 11-K
June 29, 2006
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 11-K

ANNUAL REPORT

PURSUANT TO SECTION 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

(Mark One):

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the fiscal year ended December 31, 2005

OR

TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the transition period from _____ to _____

Commission file number 0-25160

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:
Alabama National BanCorporation Employee Capital Accumulation Plan

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:
Alabama National BanCorporation

1927 First Avenue North

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Alabama National BanCorporation
Employee Capital Accumulation Plan
Financial Statements and Supplemental Schedule
December 31, 2005

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Alabama National BanCorporation

Employee Capital Accumulation Plan

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Note: Other schedules required by Section 2520.103-10 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 have been omitted because they are not applicable.

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Report of Independent Registered Public Accounting Firm

To the Participants and Administrator of

Alabama National BanCorporation Employee Capital Accumulation Plan

In our opinion, the accompanying statements of net assets available for benefits and the related statement of changes in net assets available for benefits present fairly, in all material respects, the net assets available for benefits of the Alabama National BanCorporation Employee Capital Accumulation Plan (the Plan) at December 31, 2005 and 2004 and the changes in net assets available for benefits for the year ended December 31, 2005, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Plan 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 the standards of the Public Company Accounting Oversight Board (United States). Those standards 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.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental Schedule of Assets (Held at End of Year) is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan s management. The supplemental schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ PricewaterhouseCoopers LLP

Birmingham, Alabama

June 28, 2006

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Alabama National BanCorporation

Employee Capital Accumulation Plan

Statements of Net Assets Available for Benefits

December 31, 2005 and 2004

	2005	2004
Assets		
Investments, at fair value (Note 3)	\$ 39,026,811	\$ 33,281,216
Dividend and interest receivable	196,180	61,900
Employer contributions receivable	218,844	151,946
Employee contributions receivable	167,391	122,125
Total assets	\$ 39,609,226	\$ 33,617,187
Net Assets Available for Benefits		
Net assets available for benefits	\$ 39,609,226	\$ 33,617,187

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

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Alabama National BanCorporation

Employee Capital Accumulation Plan

Statement of Changes in Net Assets Available for Benefits

Year Ended December 31, 2005

Additions

Investment income	
Cash dividends on Alabama National BanCorporation common stock	\$ 199,505
Dividend and interest income	979,451
Net appreciation in fair value of investments (Note 3)	1,038,908
Net investment income	2,217,864
Employer contributions	2,729,680
Employee contributions	4,054,383
Rollover contributions	381,686
Total additions	9,383,613

Deductions

Payments to participants	3,391,574
Total deductions	3,391,574
Net additions	5,992,039
Net Assets Available for Benefits	
Beginning of year	33,617,187
End of year	\$ 39,609,226

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

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Alabama National BanCorporation

Employee Capital Accumulation Plan

Notes to Financial Statements

December 31, 2005

1. Plan Description

The following description of the Alabama National BanCorporation Employee Capital Accumulation Plan (the Plan) provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

General

The Plan was established by Alabama National BanCorporation (the Employer) to provide retirement benefits for eligible employees of the Employer. The Plan is a defined contribution plan subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). Employees are eligible to participate in the Plan after completing one year of service, as defined in the Plan agreement, and the employee's attainment of age 21.

Contributions

Contributions to the Plan may consist of employee elective deferral contributions, employee in-service contributions, rollover contributions, and employer matching contributions. Employee elective deferral contributions are made by payroll deduction in amounts not less than 1% nor more than 15% of their compensation. The Employer contributes an equal amount not to exceed 5.5% of the participant's compensation. The Employer has the discretion to increase the employer matching contribution percentage. Effective January 1, 2006, the Employer elected to increase the employer matching contribution percentage to 6%.

During the year ended December 31, 2005, the Employer elected to change the Plan Trustee from First American Bank (a subsidiary of the Employer) to Fidelity Management Trust Company (Fidelity). In addition to acting as Plan Trustee, Fidelity also acts as the recordkeeper of the Plan. Accordingly, all investment transactions involving funds sponsored and/or managed by the Trustee or its affiliates qualify as party-in-interest transactions.

Participants' Accounts/Benefits

An account is maintained for each participant in the Plan. The accounts are credited with the employees' elective deferral contributions, employee in-service contributions, rollover contributions, and their allocated portion of the employer matching contributions and investment earnings. Distributions, withdrawals, and allocated expenses are subtracted from the account balances. Participants' vested account balances represent the benefits available to the participants upon retirement, disability, death, or termination of service.

Vesting

Employee elective deferral contributions, employee in-service contributions, and rollover contributions become fully vested upon receipt. Employer matching contributions that have not vested at the time a covered employee ceases to participate in the Plan are forfeited and are used to reduce subsequent employer contributions to the Plan. For the year ending December 31, 2005, unused forfeitures amounted to \$10,848. A participant's account becomes fully vested upon the participant's death, total disability, attaining normal retirement age, or according to the following schedule for years of service as a plan member:

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Years of Service	Vesting
Less than 1	0%
1	20%
2	40%
3	60%
4	80%
5	100%

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Notes to Financial Statements

December 31, 2005

The employees of the Millennium Bank 401(k) Profit Sharing Plan and Trust (the Millennium Plan) who were participants on or before June 19, 2003 will retain the vesting schedule of the Millennium Plan, but only to the extent that the vesting schedule of the Millennium Plan is more favorable than the Plan s vesting schedule. Thus, the Plan s vesting schedule shall apply in any event in which it is more favorable. The Millennium Plan s vesting schedule is as follows:

Years of Service	Vesting
1	0%
2	0%
3	100%

The employees of the Coquina Bank 401(k) Retirement Savings Plan (the Coquina Plan) who were participants on or before July 8, 2004 will retain the immediate 100% vesting provision of the Coquina Plan.

Investment Options

The Plan provides for separate investment programs which allow participants to direct their investing among different investment options. The Plan offers twenty-four investment options, including one money market fund, twenty-two mutual funds, and Employer s common stock.

2. Summary of Significant Accounting Policies

Basis of Financial Statements

The financial statements of the Plan are maintained on the accrual basis and have been prepared in conformity with accounting principles generally accepted in the United States of America.

Investments

Employer s common stock is valued at fair value based on quoted market prices. Quoted market prices are based on the last reported sales price on the last business day of the year as reported by the principal securities exchange on which the security is traded. Mutual funds are reported at fair value based on the quoted net asset value of shares of the fund. The money market fund is valued based on historical cost, which approximates fair value.

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Alabama National BanCorporation

Employee Capital Accumulation Plan

Notes to Financial Statements

December 31, 2005

The Plan presents in the statement of changes in net assets available for benefits, the net appreciation (depreciation) in the fair value of its investments which consists of the realized gains or losses and the unrealized appreciation (depreciation) on those investments.

Purchases and sales of investments are reflected as of the settlement date. There were no material unsettled trades at December 31, 2005 or 2004. Dividend income is recorded on the ex-dividend date. Investment income is recorded when earned.

Contributions

Contributions to the Plan from employee elective deferral contributions and employer matching contributions are recorded in the period in which the Employer makes the deductions from the participants' pay. Contributions receivable from elective deferrals of salary are accrued based on unremitted deductions from participating employees' pay.

Payment of Benefits

Benefits are recorded when paid.

Administrative Fees

The Employer provides certain administrative and accounting services to the Plan at no cost and also pays other administrative expenses on behalf of the Plan.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of net assets available for benefits and changes therein. Actual results could differ from those estimates.

Risks and Uncertainties

The Plan provides for various investment options which, in turn, invest in any combination of stocks, mutual funds, and other investment securities. Generally, all investments are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investments and the level of uncertainty related to changes in the value of investments, it is at least reasonably possible that changes in risks in the near term could materially affect participants' account balances, the amounts reported in the statements of net assets available for benefits, and the amounts reported in the statement of changes in net assets available for benefits.

Table of Contents**Alabama National BanCorporation****Employee Capital Accumulation Plan****Notes to Financial Statements****December 31, 2005****3. Investments**

Investments held by the Plan at December 31, 2005 and 2004 are summarized as follows:

	Fair Value	
	2005	2004
Employer common stock	\$ 10,599,859	\$ 9,047,674
Money market fund	6,685,470	6,710,120
Mutual funds	21,741,482	17,523,422
	\$ 39,026,811	\$ 33,281,216

The Plan's investments (including investments bought and sold, as well as those held during the year) had net appreciation in fair value of \$1,038,908 during the year ended December 31, 2005 as follows:

Employer common stock	\$ 51,689
Mutual funds	987,219
	\$ 1,038,908

The following individual investments represent 5% or more of the net assets available for benefits at December 31, 2005 and 2004:

	Fair Value	
	2005	2004
Alabama National BanCorporation Common Stock	\$ 10,599,859	\$ 9,047,674
FA Retirement Money Market Fund	\$ 6,685,470	*
FA Equity Income Fund	\$ 4,466,420	*
FA Mid Cap II Fund	\$ 3,088,385	*
FA New Insights Fund	\$ 2,774,724	*
FA Diversified International Fund	\$ 2,400,149	*
Federated Cash Management Trust Fund	*	\$ 6,710,120
Federated Stock Trust Fund	*	\$ 3,009,882
Federated MidCap Growth Strategies Fund	*	\$ 2,642,445
Federated Max Cap Fund	*	\$ 1,889,921
Janus Fund	*	\$ 1,689,282
Federated Kaufmann Fund	*	\$ 2,225,822

* -During 2005 the plan trustee and investment options changed.

4. Income Tax Status

The Plan obtained its latest determination letter on February 5, 2002, in which the Internal Revenue Service stated that the Plan, as then designed, was in compliance with the applicable requirements of the Internal Revenue Code (IRC) and was, therefore, exempt from federal income taxes. The Plan has been amended since receiving the determination letter. However, the Plan administrator and the Plan s tax counsel believe that the Plan is currently designed and being operated in compliance with the applicable requirements of the IRC. Therefore, no provision for income taxes has been included in the Plan s financial statements.

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Alabama National BanCorporation

Employee Capital Accumulation Plan

Notes to Financial Statements

December 31, 2005

5. Termination Priorities

The Employer expects to continue the Plan indefinitely. However, the Employer retains the right to amend or terminate the Plan at any time. Should the Plan be terminated, all accounts would become fully vested and the net assets available for benefits would be distributed to the participants.

6. Related Party Transactions

Plan investments include certain shares of investment funds managed by Fidelity Management and Research Company, an affiliated company of Fidelity. Plan investments also include shares of the Employer's common stock.

Table of Contents**Alabama National BanCorporation****Employee Capital Accumulation Plan****Schedule H, Line 4i - Schedule of Assets (Held at End of Year)****December 31, 2005**

(a)	(b) Identity of issue, borrower, lessor or similar party	(c) Description of investment including maturity date, rate of interest, collateral, par, or maturity value	(e) Current Value
*	Alabama National BanCorporation	Common stock	\$ 10,599,859
*	FA Retirement Money Market Fund	Money market fund	6,685,470
	Dreyfus Appreciation Fund	Mutual fund	1,872,552
	American Century Ultra Fund	Mutual fund	1,892,529
	AllianceBernstein Balanced Shares Fund	Mutual fund	54,537
*	FA Equity Income Fund	Mutual fund	4,466,420
*	FA Small Cap Fund	Mutual fund	1,077,834
*	FA High Income Advisor Fund	Mutual fund	125,742
*	FA Government Fund	Mutual fund	1,427,834
*	FA Diversified International Fund	Mutual fund	2,400,149
*	FA Real Estate Fund	Mutual fund	169,693
*	FA Freedom Income Fund	Mutual fund	84,068
*	FA Value Fund	Mutual fund	134,635
*	FA Mid Cap II Fund	Mutual fund	3,088,385
*	FA Small Cap Value Fund	Mutual fund	166,005
*	FA New Insights Fund	Mutual fund	2,774,724
*	FA Freedom 2005 Fund	Mutual fund	295
*	FA Freedom 2010 Fund	Mutual fund	505,270
*	FA Freedom 2015 Fund	Mutual fund	124,972
*	FA Freedom 2020 Fund	Mutual fund	683,633
*	FA Freedom 2025 Fund	Mutual fund	147,862
*	FA Freedom 2030 Fund	Mutual fund	258,862
*	FA Freedom 2035 Fund	Mutual fund	100,160
*	FA Freedom 2040 Fund	Mutual fund	185,321
			\$ 39,026,811

* Denotes party-in-interest to the Plan.

Note: Information for Column (d) is not required due to all investments being participant-directed.

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SIGNATURE

The Plan. Pursuant to the requirements of the Securities Exchange Act of 1934, the Plan Administrator has duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: June 29, 2006

ALABAMA NATIONAL BANCORPORATION
EMPLOYEE CAPITAL ACCUMULATION PLAN

By: ALABAMA NATIONAL BANCORPORATION,
PLAN ADMINISTRATOR

By: /s/ William E. Matthews, V
William E. Matthews, V

Its Executive Vice President and
Chief Financial Officer

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Exhibit Index

Exhibit 23 Consent of Independent Registered Public Accounting Firm