

ALABAMA NATIONAL BANCORPORATION
Form 424B3
January 14, 2004
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Filed Pursuant to Rule 424 (B)(3)

Registration No.: 333-111417

INDIAN RIVER BANKING COMPANY

MERGER PROPOSED YOUR VOTE IS

VERY IMPORTANT

Indian River Banking Company Shareholders:

The Board of Directors of Indian River Banking Company has agreed to a merger of Indian River with Alabama National Bancorporation. Before we can complete this merger, the merger agreement must be approved by Indian River's shareholders. We are sending you this proxy statement-prospectus to ask you to vote in favor of the merger.

If the merger is completed, for each share of Indian River common stock that you own before the merger you will receive in exchange either (1) 0.9408 shares of common stock in Alabama National, subject to increase based on the average trading price of Alabama National common stock prior to the merger, or (2) at your option, but subject to certain limitations, an amount in cash in lieu of stock, determined based on an average trading price of Alabama National common stock prior to the merger. For a description of the possible increase in the exchange ratio of shares of Alabama National common stock to be received for your Indian River common stock, see **APPROVAL OF THE MERGER AGREEMENT Merger Consideration *Stock Consideration*** at page 19. For a description of the calculation of optional cash consideration, the procedures for electing cash and the limitations on your ability to receive cash instead of Alabama National common stock in the merger, see **APPROVAL OF THE MERGER AGREEMENT Merger Consideration *Election to Receive Cash Consideration in Lieu of Common Stock*** and **Procedures for Making a Cash Election** at page 20. Shares of Alabama National common stock are quoted on the Nasdaq Stock Market under the symbol **ALAB**.

The merger cannot be completed unless holders of a majority of Indian River's common stock approve it. We have scheduled a special shareholders meeting for you to vote on the merger.

Your vote is very important. Whether or not you plan to attend our special shareholders meeting, please take the time to vote by completing and mailing the enclosed proxy card. If you sign, date and mail your proxy card without indicating how you want to vote, we will vote your proxy in favor of the merger.

The date, time and place of the special meeting is:

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Date: February 25, 2004
Time: 7:00 p.m.
Place: Courthouse Executive Center

2145 14th Street

Vero Beach, Florida 32960

This proxy statement-prospectus provides you with detailed information about the proposed merger. You can also get information about Alabama National from documents Alabama National has filed with the Securities and Exchange Commission. We encourage you to read this entire document carefully.

In particular, please see the section entitled Risk Factors beginning on page 13.

We are very enthusiastic about this merger and the strength and capabilities we expect to achieve from it.

Sincerely,

Paul A. Beindorf
President and Chief Executive Officer
Indian River Banking Company

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the securities to be issued under this proxy statement-prospectus or determined if this proxy statement-prospectus is accurate or adequate. Any representation to the contrary is a criminal offense. These securities are not savings or deposit accounts or other obligations of any bank or non-bank subsidiary of any of the parties, and they are not insured by the Federal Deposit Insurance Corporation, the Bank Insurance Fund or any other governmental agency.

This proxy statement-prospectus is dated January 13, 2004

and was first mailed to shareholders on or about January 14, 2004

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We have not been authorized to give any information or make any representation about the merger or Indian River or Alabama National that differs from, or adds to, the information in this proxy statement-prospectus or in documents that are publicly filed with the Securities and Exchange Commission. Therefore, if anyone gives you different or additional information, you should not rely on it.

REFERENCES TO ADDITIONAL INFORMATION

This proxy statement-prospectus incorporates important business and financial information about Alabama National and Indian River that is not included or delivered with this document. This information is available to you without charge upon your written or oral request. You can obtain documents related to Alabama National and Indian River that are incorporated by reference in this document through the Securities and Exchange Commission website at <http://www.sec.gov> or by requesting them in writing or by telephone from: Alabama National BanCorporation, 1927 First Avenue North, Birmingham, Alabama 35203, (205) 583-3600 or Indian River Banking Company, 958 20th Place, Vero Beach, Florida 32960, (772) 569-9200. If you would like to request documents, please do so by February 18, 2004 to receive them before Indian River's special shareholders meeting. Instructions regarding how to obtain this information are contained on page 59 under the caption **WHERE YOU CAN FIND MORE INFORMATION**.

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INDIAN RIVER BANKING COMPANY

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

To be held on February 25, 2004

Indian River Banking Company will hold a special meeting of shareholders at Courthouse Executive Center, 2145 14th Street, Vero Beach, Florida 32960 at 7:00 p.m. local time on Wednesday, February 25, 2004 to vote on:

1. The Agreement and Plan of Merger, dated as of October 22, 2003 (the merger agreement), by and between Alabama National Bancorporation and Indian River Banking Company and the transactions contemplated by the merger agreement. These transactions include the merger of Indian River with Alabama National and the issuance of Alabama National common stock and the payment of optional cash consideration to Indian River's shareholders. After the merger, Indian River National Bank will be a wholly owned subsidiary of Alabama National. This proposal is more fully described in the enclosed proxy statement-prospectus. You can find a copy of the merger agreement in Appendix A to this document.
2. Any other matters that properly come before the special meeting, or any adjournments or postponements of the special meeting.

Record holders of Indian River common stock at the close of business on January 2, 2004, will receive notice of and may vote at the special meeting, including any adjournments or postponements of the special meeting. Florida law requires approval by a majority of the outstanding shares of Indian River to approve the merger agreement.

A holder of Indian River common stock who complies with the provisions of Florida law relating to appraisal rights applicable to the merger is entitled to assert appraisal rights under the Florida appraisal rights law, a copy of which is attached as Appendix B to this document.

You are cordially invited to attend the special meeting in person, but regardless of whether you plan to attend, please return the enclosed proxy card.

*Paul A. Beindorf
President and Chief Executive Officer
Indian River Banking Company*

January 13, 2004

Please mark, sign, date and return your proxy promptly, whether or not you plan to attend the special meeting.

Your Board of Directors unanimously recommends that you vote *FOR* approval of the merger agreement and the merger.

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Questions and Answers About the Merger

Q: What is this proxy statement-prospectus and why am I receiving it?

A: This proxy statement-prospectus describes in detail the proposed merger between Indian River Banking Company and Alabama National BanCorporation. Because you are a shareholder of Indian River, you are being asked to vote on the merger agreement at a special shareholders meeting to be held on February 25, 2004. This proxy statement-prospectus should answer any questions you may have about the merger.

Q: What will happen if the shareholders of Indian River approve the merger agreement?

A: If the Indian River shareholders approve the merger agreement, then shortly following the special meeting, subject to certain regulatory approvals and satisfaction of conditions, Indian River Banking Company will merge with Alabama National BanCorporation. The combined company will operate under the name of Alabama National BanCorporation. For each share of Indian River common stock that you own, you will be entitled to receive 0.9408 shares of common stock in Alabama National, subject to increase based on the average trading price of Alabama National common stock prior to the merger. If you so elect, you have the option to receive an amount in cash in lieu of stock, determined based on the average trading price of Alabama National common stock prior to the merger, subject to limitations on the aggregate amount of cash which Alabama National is obligated to pay. For a description of the possible increase in the exchange ratio of shares of Alabama National common stock to be received for your Indian River common stock, refer to page 19. The procedure for electing cash, and the limitations on such election, are described in greater detail at page 20.

Q: What will happen to Indian River National Bank following the merger?

A: Immediately following the merger of Indian River into Alabama National, Indian River National Bank will become a wholly owned subsidiary of Alabama National and will continue operating under the name Indian River National Bank.

Q: What should I do now?

A: Send in your proxy card. After reviewing this document, indicate on your proxy card how you want to vote, and sign, date and mail it in the enclosed envelope addressed to Registrar and Transfer Company, Indian River's transfer agent, at 10 Commerce Drive, Cranford, New Jersey 07016, as soon as possible to ensure that your shares will be represented at the special meeting.

If you sign, date and send in your proxy and do not indicate how you want to vote, your proxy will be voted in favor of the merger agreement and the merger. If you do not sign and send in your proxy, and if you do not attend and cast your vote in person at the special meeting, it will have the same effect as a vote against the merger.

Send in your election form if you want to receive cash for your shares. If you wish to receive cash instead of Alabama National common stock for any or all of your shares of Indian River common stock, follow the instructions for making a cash election that we describe on pages 20 and 21 of this document and on the cash election form enclosed. Please note, however, that you may not be able to exchange all of your shares for cash even if you make a proper cash election, because the total amount of cash Alabama National is obligated to pay in the merger is limited. **The cash election form should be returned to SunTrust Bank at one of the addresses set forth on the form. Cash election forms should not be returned with your proxy card.**

If your shares are held in street name by your broker, you must contact your broker if you want to receive cash for your shares.

Q: If my shares are held in street name by my broker, will my broker vote my shares for me?

A: Your broker will vote your shares of Indian River common stock only if you provide your broker with instructions on how to vote. You should instruct your broker how to vote your shares by following the directions your broker provides. If you do not provide instructions to your broker, your shares will not be voted on the merger. Please see the voting form provided by your broker for additional information regarding the voting of your shares.

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Q: Can I revoke my proxy and change my mind?

A: Yes. You may revoke your proxy up to the time of the special meeting by taking any of the actions explained under GENERAL INFORMATION Proxies and Other Matters on page 17 of this proxy statement-prospectus, including by giving a written notice of revocation, signing and delivering a new later-dated proxy, or by attending the special meeting and voting in person.

Q: Can I vote my shares in person?

A: Yes. You may attend the special meeting and vote your shares in person rather than signing and mailing your proxy card. If your shares are held in the name of your bank or broker, you will need additional documentation to vote in person at the meeting.

Q: Can I change or revoke my cash election once I have mailed my signed form of election?

A: Yes. You can change or revoke your cash election in writing at any time prior to the election deadline of 5:00 p.m., Eastern Time, on February 24, 2004.

Q: Should I send in my stock certificates now?

A: No. Hold all of your stock certificates and send them in with the transmittal materials you will receive from the exchange agent after we complete the merger.

Q: Whom can I call with questions?

A: If you want additional copies of this document, or if you want to ask any questions about the merger, you should contact:

Paul A. Beindorf

President and Chief Executive Officer

Indian River Banking Company

958 20th Place

Vero Beach, Florida 32960

Telephone: (772) 569-9200

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SUMMARY

This summary highlights selected information from this proxy statement-prospectus. It may not contain all of the information that is important to you. You should carefully read this entire document and the other documents to which we refer. These will give you a more complete description of the transactions we are proposing. For more information about Alabama National and Indian River, see WHERE YOU CAN FIND MORE INFORMATION (page 59). Each item in this summary refers to the pages where that subject is discussed more fully.

Parties to the Merger (Pages 56 and 57)

Alabama National Bancorporation

1927 First Avenue North

Birmingham, Alabama 35203

(205) 583-3600

Alabama National is a bank holding company headquartered in Birmingham, Alabama. Alabama National operates 69 locations through twelve bank subsidiaries in Alabama, Florida and Georgia. Through its subsidiary banks, Alabama National provides full banking services to individuals and small businesses. As of September 30, 2003, Alabama National had total assets of about \$3.85 billion, total deposits of about \$2.75 billion, and total shareholders' equity of about \$272.1 million.

Indian River Banking Company

958 20th Place

Vero Beach, Florida 32960

(772) 569-9200

Indian River Banking Company is a bank holding company, providing commercial banking services through its bank subsidiary, Indian River National Bank, a national banking association headquartered in Vero Beach, Florida and operating through eight banking offices in Vero Beach, Sebastian, Melbourne, Palm Bay and Rockledge, Florida. As of September 30, 2003, Indian River had total assets of about \$518.8 million, deposits of about \$410.2 million and shareholders' equity of about \$36.3 million.

Shareholders Meeting to Approve Merger (Page 17)

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We will hold the special meeting of Indian River shareholders at 7:00 p.m. local time, on Wednesday, February 25, 2004, at Courthouse Executive Center, 2145 14th Street, Vero Beach, Florida 32960. At this important meeting, we will ask Indian River's shareholders to (1) consider and vote upon approval of the merger agreement, and (2) act on any other matters that may properly be put to a vote at the Indian River special meeting. You may vote at the Indian River meeting if you owned Indian River shares at the close of business on January 2, 2004. As of such date, there were 2,212,233 shares of Indian River common stock issued and outstanding and entitled to be voted at the special meeting.

Approval of the Merger Agreement (Page 19)

Terms of the Merger (Page 19). The merger agreement is the document that governs the merger of Indian River with Alabama National and the issuance of shares of Alabama National common stock and optional cash consideration to Indian River's shareholders in connection with the merger. We encourage you to read the merger agreement that is attached to this proxy statement-prospectus as Appendix A. The merger agreement provides for the merger of Indian River with Alabama National BanCorporation. The surviving entity following the merger will be Alabama National. Indian River National Bank will become a wholly owned subsidiary of Alabama National upon consummation of the merger.

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Merger Consideration (Page 19). The merger agreement provides that Indian River shareholders who do not exercise their appraisal rights will receive either (1) 0.9408 shares of Alabama National common stock, subject to increase, or (2) optional cash in lieu of Alabama National common stock, subject to certain limitations, for each share of Indian River common stock. These two options are described in more detail below.

Stock Consideration (Page 19)

Absent a cash election, each share of Indian River common stock issued and outstanding at the effective time of the merger will be converted into and exchanged for 0.9408 shares of Alabama National common stock (the Exchange Ratio). The Exchange Ratio may be increased, however, depending upon the average trading price of Alabama National common stock prior to the merger, as described below.

The price per share of Alabama National's common stock fluctuates from day-to-day. On the fifth business day prior to the effective time of the merger, an average price of Alabama National's stock price will be calculated based on the averages of the high and low sales prices of Alabama National's common stock reported on the Nasdaq Stock Market for the previous ten business days. If the average price is less than \$48.00, then the Exchange Ratio will be increased as follows:

<u>Average Price</u>	<u>Adjusted Exchange Ratio</u>
Less than \$48.00, and equal to or greater than \$47.00	0.9493
Less than \$47.00, and equal to or greater than \$46.00	0.9578
Less than \$46.00, and equal to or greater than \$45.00	0.9663
Less than \$45.00	0.9748

If the average price falls below \$44.00 per share, the Indian River board of directors has the option to terminate the merger agreement. Alabama National, however, may elect to cancel the termination by either (1) increasing the Exchange Ratio to an amount equal to the quotient of \$42.89 divided by the average price, or (2) paying with respect to each share of Indian River common stock additional consideration in an amount of cash equal to the difference of (A) \$42.89 minus (B) the product of the average price and 0.9748. For example, if the average price were \$42.00, Indian River's board of directors provided a notice of termination, and Alabama National elected to void such termination, Alabama National would be required to either increase the Exchange Ratio to at least 1.021 (i.e., the quotient of \$42.89 divided by \$42.00) or make a cash payment of \$1.95 (i.e., the difference in \$42.89 and \$40.94) for each share of Indian River common stock.

Election to Receive Cash Consideration In Lieu of Common Stock (Page 20)

A shareholder may elect to receive cash instead of the shares of Alabama National common stock that he or she would otherwise receive in exchange for some or all of his or her shares of Indian River common stock. Any such cash election must be made in accordance with the election procedures described in this proxy statement-prospectus. See APPROVAL OF THE MERGER AGREEMENT Procedures for Making a Cash Election on page 20. The number of Indian River shares that an Indian River shareholder may exchange for cash under a cash election will be subject to the allocation procedures described below. In our discussion we may refer to the amount of cash to be received for each share of Indian River common stock converted in connection with the cash election as the per share cash election consideration.

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Shareholders who choose to receive cash consideration will receive an amount in cash for each share of Indian River stock covered by the election equal to the product of (1) the average price of Alabama National common stock (calculated as described above) multiplied by (2) the Exchange Ratio.

Under the merger agreement, the maximum amount of cash consideration that Alabama National is required to pay in connection with the merger is 10% of the aggregate merger consideration. If the number of shareholders who

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elect to receive cash instead of shares of Alabama National common stock would cause the total amount of cash to be paid by Alabama National to exceed the maximum cash amount, Alabama National is permitted to allocate and proportionately reduce the cash elections made by Indian River shareholders. Alternatively, Alabama National, in its discretion, may increase the amount of cash consideration to an amount not to exceed 25% of the aggregate merger consideration. See APPROVAL OF THE MERGER AGREEMENT Procedures for Making a Cash Election on page 20. Indian River shareholders who elect, but do not receive, cash for all or a portion of their shares will automatically receive Alabama National common stock.

Regulatory Approvals; Effective Time (Pages 38 and 24). We cannot complete the merger without the approval of the Board of Governors of the Federal Reserve System. By letter dated December 23, 2003, the Federal Reserve approved the merger.

The merger will become effective as of the date and at the time that the later of the following occurs:

- (1) the articles of merger reflecting the merger are accepted for filing by the Secretary of State of Florida;
- (2) the certificate of merger reflecting the merger is accepted for filing by the Secretary of State of Delaware; or
- (3) such later date and time as agreed upon in writing by Alabama National and Indian River and specified in the articles of merger and certificate of merger.

We will not file the articles of merger and the certificate of merger until all conditions contained in the merger agreement have been satisfied or waived.

Recommendation of Indian River's Board of Directors; Opinion of The Carson Medlin Company (Pages 18 and 28). Indian River's board of directors believes that the merger is fair to you and in your best interests, and recommends that you vote FOR the proposal to approve the merger and the merger agreement. In deciding to approve the merger, Indian River's board of directors considered, among other things, the opinion of The Carson Medlin Company, an investment banking and financial advisory firm with significant experience in evaluating merger transactions in the financial services industry. Carson Medlin provided an opinion to Indian River's board of directors that, as of the date of the opinion, the consideration to be received by Indian River's shareholders, as provided in the merger agreement, was fair from a financial point of view to Indian River's shareholders. We have attached as Appendix C the written opinion of Carson Medlin dated January 7, 2004. You should read it and the disclosure entitled Opinion of The Carson Medlin Company beginning on page 28 carefully to understand the assumptions made, matters considered and limitations of the review undertaken by Carson Medlin in providing its opinion.

Votes Required (Page 17). In order to approve the merger agreement, Indian River's shareholders holding a majority of the outstanding shares of Indian River common stock must vote for the merger agreement. The directors and director emeritus of Indian River beneficially owned, as of January 2, 2004, a total of 740,300 shares (33.46%) of Indian River's outstanding common stock. Each of these persons has agreed, subject to certain conditions, to vote his or her shares of Indian River common stock in favor of the merger agreement.

Surrender of Certificates (Page 21). Following the merger, holders of Indian River stock certificates will need to exchange their certificates for new certificates of Alabama National common stock, or, if properly elected, for per share cash election consideration. Shortly after we complete the merger, Alabama National will send Indian River's shareholders detailed instructions on how to exchange their shares. Please do not send us any stock certificates until you receive these instructions.

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Conditions to Consummation of the Merger (Page 36). The completion of the merger depends on meeting a number of conditions, including the following: (1) Indian River's shareholders must approve the merger agreement, (2) we must receive all required regulatory approvals and any waiting periods required by law must have passed, (3) we must receive consents of third parties necessary to the consummation of the merger, and (4) we must receive certain opinions of counsel.

Effect on Certain Employee Benefit Plans of Indian River (Page 35)

401(k) Plan. Indian River National Bank's 401(k) plan will be terminated prior to the merger, and all participants will become fully vested. Alabama National will offer each eligible employee of Indian River the opportunity to enroll in Alabama National's 401(k) plan.

Treatment of Indian River Stock Options. At the time we complete the merger, all outstanding stock options granted by Indian River under its stock option plans will be converted automatically into options to purchase Alabama National common stock. Alabama National will assume these options subject to their existing terms, including any acceleration in vesting that will occur as a consequence of the merger. Each option to purchase Indian River common stock will be proportionately adjusted as provided in the merger agreement.

Federal Income Tax Consequences (Page 43). We expect that you will not recognize gain for U.S. federal income tax purposes in the merger when you exchange all of your shares of Indian River common stock for shares of Alabama National common stock, except in connection with any cash received instead of fractional shares. If you receive cash for all or part of your shares of Indian River common stock by invoking a cash election or the exercise of appraisal rights, you generally will recognize gain or loss measured by the difference between the amount of cash received and your adjusted basis in the Indian River common stock surrendered. Indian River and Alabama National have received a legal opinion that this will be the case. This legal opinion is filed as an exhibit to the Registration Statement of which this proxy statement-prospectus forms a part.

This tax treatment may not apply to some Indian River shareholders. Determining the actual tax consequences of the merger to you as an individual taxpayer can be complicated. The tax treatment will depend on your specific situation and many variables not within our control. You should consult your own tax advisor for a full understanding of the tax consequences of this merger to you.

Management and Operations after the Merger (Page 42). Following the merger, the combined company will operate under the name Alabama National Bancorporation, and Indian River National Bank will become a subsidiary of Alabama National. The board of directors of Indian River National Bank will consist of the 10 current directors of Indian River National Bank plus one or more officers of Alabama National. Following the merger, Paul A. Beindorf will continue to serve as President and Chief Executive Officer of Indian River National Bank, and Jeffrey R. Morton will continue to serve as Senior Vice President and Head of Residential Lending. Phillip Tasker will continue to serve as Senior Vice President and Chief Financial Officer. Alabama National has also agreed to attempt to reach mutually acceptable employment terms with four other officers of Indian River National Bank. It is not expected that any significant change in employees will be made as a result of the merger.

All current Alabama National officers and directors will continue to serve in their current positions after the completion of the merger. In addition, Griffin A. Greene, the Chairman of the Board of Indian River, will become a member of the Alabama National Board of Directors after the merger.

Interests of Certain Persons in the Merger that are Different from Yours (Page 42). Certain directors and officers of Indian River have interests in the merger that are different from your interests. Certain officers and directors of Indian River National Bank will continue to serve as officers and directors of Indian River National Bank following the merger. In addition, Paul A. Beindorf, Chief Executive Officer of Indian River National Bank, will enter into a new employment agreement with Indian River National Bank upon the completion of the

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merger that will provide Mr. Beindorf a salary of at least \$167,000 per year for up to three years following the merger, plus the opportunity to earn annual bonuses.

Furthermore, Jeffrey R. Morton, Senior Vice President and Head of Residential Lending, and Phillip Tasker, Senior Vice President and Chief Financial Officer, will also enter into new employment agreements with Indian River National Bank upon the completion of the merger that will provide each officer an annual salary of at least \$113,000 and \$108,000, respectively, for up to three years following the merger, plus the opportunity to earn annual bonuses.

Each of Messrs. Beindorf, Morton and Tasker will receive a payment of \$10,000 as consideration for the non-compete restrictions of their new employment agreements.

Messrs. Beindorf, Morton and Tasker will also receive at closing payments in the amounts of \$73,500, \$46,500 and \$44,000, respectively, that will be paid in connection with the termination of their current employment agreements with Indian River. Four other officers of Indian River National Bank will receive payments in the aggregate amount of \$173,500 in consideration for the termination of their change of control agreements.

Griffin A. Greene, the Chairman of the Board of Indian River, will become a member of the Alabama National Board of Directors after the merger.

In addition, the directors and officers of Indian River hold stock options that will be converted at the time we complete the merger into options to purchase Alabama National common stock. These options will be subject to immediate vesting because of the merger.

Accounting Treatment (Page 45). The merger will be accounted for as a purchase by Alabama National of Indian River under generally accepted accounting principles. Under the purchase method of accounting, the assets and liabilities of the company not surviving a merger are, as of completion of the merger, recorded at their respective fair values and added to those of the surviving company. To the extent the consideration paid exceeds the fair value of the net assets acquired, goodwill is recorded. Financial statements of the surviving company issued after consummation of the merger reflect these values, but are not restated retroactively to reflect the historical financial position or results of operations of the company not surviving.

Market Prices. The following table sets forth (1) the market value of Alabama National common stock, (2) the market value of Indian River common stock and (3) the price to be paid for each share of Indian River common stock on an equivalent per share basis determined as if the completion of the merger occurred on (A) October 21, 2003, the business day immediately preceding the announcement of the execution of the merger agreement and (B) January 8, 2004, the last day for which such information could be calculated prior to the printing and mailing of this proxy statement-prospectus:

Alabama National	Indian River	Equivalent Price Per Share
<u>Common Stock(1)</u>	<u>Common Stock(2)</u>	<u>of Indian River(3)</u>

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October 21, 2003	\$	52.37	N/A	\$	49.27
January 8, 2004	\$	53.00	N/A	\$	49.86

- (1) Determined on an historical basis with reference to the last sales price as reported on the Nasdaq Stock Market for each particular date.
- (2) There is no established public trading market for Indian River common stock on which an historical market value could be based.
- (3) Determined on an equivalent price per share basis by multiplying the Alabama National market value on each particular date by the Exchange Ratio of 0.9408.

Resales of Alabama National Stock (Page 45). The shares of Alabama National common stock issued to Indian River's shareholders in the merger will be freely transferable under federal securities law, except for

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shares issued to any shareholder who may be deemed an affiliate of Indian River for purposes of Rule 145 under the Securities Act (generally including directors, executive officers and beneficial owners of 10% of any class of capital stock of Indian River). Affiliates will be subject to certain restrictions on resales of newly acquired Alabama National shares.

Waiver and Amendment; Termination (Page 41). Either Alabama National or Indian River may waive or extend the time for performing the others obligations under the merger agreement. In addition, the boards of directors of each of Alabama National and Indian River may agree to amend the merger agreement. The merger agreement may be terminated at any time prior to completion of the merger by the agreement of Indian River and Alabama National.

Either company can also terminate the merger agreement under the following circumstances:

- (1) if any government body whose approval is necessary to complete the merger makes a final decision not to approve the merger;
- (2) if we do not or cannot complete the merger by June 30, 2004;
- (3) if Indian River's shareholders do not approve the merger agreement;
- (4) if Indian River or Alabama National, as the case may be, materially violates any of its representations, warranties or obligations under the merger agreement; or
- (5) by either Indian River or Alabama National if there is a material adverse change to the business of the other party.

Indian River may terminate the merger agreement in certain circumstances if it decides to enter into a superior acquisition proposal with another potential business combination partner. Alabama National may terminate the merger agreement if (1) the board of directors of Indian River withdraws, adversely modifies or fails upon request to reconfirm its recommendation of the merger, (2) the board of directors of Indian River approves another acquisition proposal or recommends approval of another acquisition proposal to its shareholders, (3) the board of directors of Indian River fails to call the special meeting of shareholders or (4) any person or entity becomes the beneficial owner of 50% or more of the outstanding shares of Indian River common stock. In either such event, Indian River has agreed to pay Alabama National a termination fee of \$2.0 million.

Alabama National also can terminate the merger agreement if holders of more than 5% of the outstanding Indian River shares have properly asserted appraisal rights under Florida law.

In addition, Indian River can terminate the merger agreement if the average price of Alabama National common stock calculated as described above is less than \$44.00. In this event, however, Alabama National has the opportunity to void such termination by increasing the consideration payable to the Indian River shareholders.

Effect of Merger on Rights of Shareholders (Page 51). As an Indian River shareholder, your rights are currently governed by Indian River's Articles of Incorporation and Bylaws and by Florida law. As a result of the merger, if you do not exercise your appraisal rights and do not elect

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to receive cash for your shares of Indian River common stock (or if you elect cash consideration where the limitation on the maximum cash consideration payable in the merger is exceeded), you will automatically become an Alabama National shareholder. Your rights as an Alabama National shareholder will be determined by Alabama National's Restated Certificate of Incorporation and Bylaws and by the Delaware General Corporation Law. The rights of Alabama National's shareholders differ from the rights of Indian River's shareholders in certain important respects.

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Appraisal Rights (Page 22). As an Indian River shareholder, you are entitled to assert appraisal rights in the merger and receive cash in respect of the fair value of your shares of Indian River common stock. To do this, you must follow the procedures required by Florida law, including filing a notice with Indian River prior to the vote on the merger and **not voting in favor of the merger**. The procedures to be followed by shareholders with respect to their appraisal rights are summarized under APPROVAL OF THE MERGER AGREEMENT Appraisal Rights at page 22. A copy of Florida's statutory provisions regarding appraisal rights is set forth in Appendix B to this proxy statement-prospectus. **Failure to precisely follow such provisions will result in the loss of your appraisal rights.**

The merger agreement may be terminated by Alabama National if the holders of more than 5% of the outstanding shares of Indian River common stock properly assert their appraisal rights. Further, assertion of appraisal rights by holders of a significant number of shares of Indian River common stock could cause the merger not to qualify as a tax-free reorganization for federal income tax purposes.

Alabama National Selected Consolidated Financial Data

The table on the following page presents selected consolidated financial data and ratios on an historical basis for Alabama National. This information is based on the consolidated financial statements of Alabama National that it has presented in its filings with the Securities and Exchange Commission and should be read in conjunction with the information in such consolidated financial statements.

Table of Contents**ALABAMA NATIONAL BANCORPORATION SELECTED CONSOLIDATED FINANCIAL DATA (HISTORICAL)**

(Amounts in thousands, except ratios and per share data)

	Nine Months		Year ended December 31,				
	Ended						
	September 30,						
	2003	2002	2002	2001(1)	2000(1)	1999(1)	1998(1)
Income Statement Data:							
Interest income	\$ 132,612	\$ 134,409	\$ 178,147	\$ 179,537	\$ 171,222	\$ 133,106	\$ 121,713
Interest expense	44,154	49,567	65,313	90,393	90,987	62,307	59,064
Net interest income	88,458	84,842	112,834	89,144	80,235	70,799	62,649
Provision for loan and lease losses	3,911	4,726	7,956	3,946	2,506	2,107	1,796
Net interest income after provision for loan and lease losses	84,547	80,116	104,878	85,198	77,729	68,692	60,853
Net securities gains (losses)	43	35	35	246	(119)	196	187
Noninterest income	62,110	42,741	61,129	48,461	33,466	31,120	29,963
Noninterest expense	101,432	84,193	113,577	92,233	74,111	65,860	64,401
Income before income taxes	45,268	38,699	52,465	41,672	36,965	34,148	26,602
Provision for income taxes	14,977	12,269	16,735	13,232	11,421	10,817	8,504
Income before minority interest in earnings of consolidated subsidiary	30,291	26,430	35,730	28,440	25,544	23,331	18,098
Minority interest in earnings of consolidated subsidiary	21	22	28	25	26	25	23
Net income	\$ 30,270	\$ 26,408	\$ 35,702	\$ 28,415	\$ 25,518	\$ 23,306	\$ 18,075
Balance Sheet Data:							
Total assets	\$ 3,852,941	\$ 3,229,836	\$ 3,316,168	\$ 2,843,467	\$ 2,358,285	\$ 2,025,503	\$ 1,751,724
Earning assets	3,465,292	2,910,247	3,034,980	2,612,806	2,140,562	1,811,312	1,563,967
Securities	823,526	627,607	700,333	567,688	386,059	353,923	333,898
Loans held for sale	37,744	48,835	51,030	36,554	5,226	8,615	19,047
Loans and leases, net of unearned income	2,548,353	2,170,400	2,191,394	1,964,169	1,710,810	1,403,489	1,147,100
Allowance for loan and lease losses	36,979	32,674	32,704	28,519	22,368	19,111	17,465
Deposits	2,752,516	2,270,032	2,330,395	2,066,759	1,807,095	1,529,251	1,345,017
Short-term debt	61,150	77,100	152,100	68,350	91,439	24,389	21,700
Long-term debt	315,040	189,074	240,065	209,631	83,926	124,005	32,328
Stockholders' equity	272,139	228,585	234,492	207,886	171,604	146,280	138,515
Weighted Average Shares Outstanding							
Diluted (2)	12,875	12,668	12,683	12,141	11,973	12,008	11,908
Per Common Share Data:							
Net income diluted	\$ 2.35	\$ 2.08	\$ 2.81	\$ 2.34	\$ 2.13	\$ 1.94	\$ 1.52
Book value (period end)	21.23	18.48	18.95	16.84	14.56	12.40	11.83
Tangible book value (period end)	18.38	16.84	17.28	15.31	13.34	11.49	11.13
Dividends declared	0.855	0.75	1.00	0.92	0.84	0.72	0.60

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Performance Ratios:

Return on average assets	1.14%	1.18%	1.18%	1.12%	1.17%	1.26%	1.09%
Return on average equity	16.07	16.07	16.01	15.40	16.29	16.11	13.57
Net interest margin (3)	3.63	4.15	4.07	3.83	4.03	4.23	4.28
Net interest margin (taxable equivalent) (3)	3.67	4.19	4.11	3.88	4.08	4.30	4.35

Asset Quality Ratios:

Allowance for loan and lease losses to period end loans (4)	1.45%	1.47%	1.49%	1.45%	1.31%	1.36%	1.52%
Allowance for loan and lease losses to period end nonperforming loans (5)	581.71	442.74	318.07	377.09	614.17	431.11	330.78
Net charge-offs to average loans and leases (4)	0.04	0.04	0.18	0.09	0.04	0.04	0.01
Nonperforming assets to period end loans and leases and foreclosed property (4)(5)	0.35	0.42	0.59	0.47	0.30	0.38	0.57

Capital and Liquidity Ratios:

Average equity to average assets	7.10%	7.37%	7.36%	7.28%	7.16%	7.80%	8.03%
Leverage (4.00% required minimum) (6)	7.58	7.19	7.52	7.61	6.83	7.23	7.51
Risk-based capital							
Tier 1 (4.00% required minimum) (6)	10.35	9.41	10.00	9.92	8.86	9.46	10.18
Total (8.00% required minimum) (6)	11.59	10.66	11.26	11.17	10.11	10.70	11.43
Average loans and leases to average deposits	93.79	95.54	96.44	97.74	94.04	89.00	83.00

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- (1) On January 31, 2001, Peoples State Bank of Groveland (PSB) merged with a newly formed subsidiary of Alabama National, where-by PSB became a wholly owned subsidiary of Alabama National. On December 31, 1998, Community Bank of Naples, N.A. (Naples) merged with and into a subsidiary of Alabama National. On October 2, 1998, Community Financial Corporation (CFC) merged with and into Alabama National. On May 29, 1998, Public Bank Corporation (PBC) merged with and into Alabama National. Because these mergers were accounted for as poolings of interest, the historical Selected Consolidated Financial Data for all periods have been restated to include the results of operations of PSB, Naples, CFC, and PBC from the earliest period presented, except for dividends per common share.
- (2) The weighted average common share and common equivalent shares outstanding are those of PSB, Naples, CFC and PBC 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.

Table of Contents**Indian River Selected Consolidated Financial Data**

The table below presents selected consolidated financial data and ratios on an historical basis for Indian River. This information is based on the consolidated financial statements of Indian River that it has presented in its filings with the Securities and Exchange Commission and should be read in conjunction with the information in such consolidated financial statements.

	Nine Months Ended September 30,		Year Ended December 31,				
	2003	2002	2002	2001	2000	1999	1998
(Dollars in thousands, except per share amounts)							
Results of operations:							
Total interest income	\$ 18,017	\$ 19,242	\$ 25,509	\$ 26,041	\$ 24,008	\$ 17,946	\$ 15,341
Total interest expense	6,342	7,085	9,213	12,716	12,523	8,025	7,135
Net interest income	11,675	12,157	16,296	13,325	11,485	9,921	8,206
Provision for loan losses	355	440	620	600	660	590	375
Net interest income after provision for loan losses	11,320	11,717	15,676	12,725	10,825	9,331	7,831
Other income	4,603	3,758	5,009	3,932	2,552	2,455	2,217
Other expenses	10,036	8,681	11,831	10,864	9,318	8,641	6,740
Income before income taxes	5,887	6,794	8,854	5,793	4,059	3,145	3,308
Income tax expense	2,177	2,552	3,323	2,111	1,428	1,143	1,209
Net income	3,710	4,242	5,531	3,682	2,631	2,003	2,099
Earnings per share:							
Basic earnings per common share(1)	\$ 1.71	\$ 1.98	\$ 2.57	\$ 1.72	\$ 1.37	\$ 1.08	\$ 1.13
Diluted earnings per common share(1)	1.65	1.94	2.51	1.69	1.34	1.07	1.13
Period-ending balances:							
Total loans, including loans held for sale	\$ 243,865	\$ 227,502	\$ 246,033	\$ 216,662	\$ 200,052	\$ 168,550	\$ 144,364
Total assets	518,796	427,113	458,197	389,145	337,075	271,236	223,116
Total deposits	410,151	334,070	364,893	318,806	284,545	238,846	200,397
Stockholders' equity	36,298	33,122	34,849	27,704	23,200	13,591	13,784
Stockholders' equity per share(1)	16.67	15.41	16.11	12.96	12.12	7.33	7.43
Weighted average shares outstanding							
Basic(1)	2,169,915	2,145,781	2,148,300	2,137,370	1,914,829	1,855,283	1,854,897
Diluted(1)	2,245,097	2,197,435	2,200,651	2,178,384	1,958,339	1,865,769	1,860,102
Asset Quality Ratios:							
Allowance for loan losses to loans	1.38%	1.39%	1.40%	1.30%	1.24%	1.13%	1.05%
Nonperforming loans to loans	0.15	0.36	0.32	0.13	0.07	0.06	0.28
Allowance for loan losses to nonperforming loans	943.06	386.63	441.00	972.26	1916.56	1796.23	594.60
Nonperforming assets to loans and other real estate	0.15	0.36	0.32	0.14	0.07	0.06	0.28
Net loan charge-offs to average loans	0.09	0.05	0.08	0.11	0.06	0.13	0.15
Capital Ratios:							
Tier I risk-based capital ratio	13.32%	14.84%	14.98%	9.60%	10.60%	8.40%	9.40%
Total risk-based capital ratio	14.36	16.07	16.21	10.70	11.70	9.50	10.50
Leverage ratio	8.50	9.12	9.09	7.00	7.10	5.90	6.20

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Selected ratios:

Return on average total assets(2)	1.00%	1.37%	1.31%	1.02%	0.85%	0.84%	1.05%
Yield on average earning assets(2)	5.07	6.56	6.41	7.40	8.20	8.03	8.31
Return on average stockholders equity(2)	13.79	18.73	17.76	14.57	16.02	14.34	16.42
Average stockholders equity to average total assets	7.23	7.31	7.39	6.96	5.32	5.89	6.41

- (1) Per share data and average weighted shares have been adjusted to reflect 10% stock dividends in each year through 2003, and to reflect a two-for-one stock split in the form of a dividend paid in March 2000.
- (2) Annualized for nine month periods.

Table of Contents**Comparative Per Share Data**

The following table shows information about Alabama National's and Indian River's net income per share, dividends per share and book value per share, and similar information reflecting the merger of Alabama National and Indian River, and is referred to as "pro forma" information. In presenting the comparative pro forma information for certain time periods we assumed that Alabama National and Indian River had been merged throughout those periods.

The information listed as "pro forma equivalent" was computed by multiplying the pro forma amounts by the exchange ratio of 0.9408. This ratio is intended to reflect that each Indian River stockholder will receive 0.9408 shares of Alabama National common stock for each share Indian River common stock. This may not be the actual exchange ratio, since the actual exchange ratio could fluctuate depending on the market value of Alabama National common stock.

The pro forma and pro forma equivalent information were calculated assuming that no Indian River shareholders will elect to receive cash for their Indian River shares pursuant to the merger agreement.

The pro forma information, while helpful in illustrating the financial attributes of the combined company under one set of assumptions, does not attempt to predict or suggest future results. Also, the information we have set forth for the nine month period ended September 30, 2003 does not indicate what the results will be for the full 2003 fiscal year.

The information in the following table is based on the historical financial information of Alabama National and Indian River. See "WHERE YOU CAN FIND MORE INFORMATION" on page 59.

COMPARATIVE PER SHARE DATA

	As of / For the Nine Months Ended September 30, 2003	As of / For the Year Ended December 31, 2002
Earnings per common share		
<i>Basic</i>		
Alabama National historical	2.39	2.89
Indian River historical	1.71	2.57
Pro forma combined (1)	2.31	2.87
Indian River pro forma equivalent (2)	2.17	2.70
<i>Diluted</i>		
Alabama National historical	2.35	2.81
Indian River historical	1.65	2.51
Pro forma combined (1)	2.27	2.79
Indian River pro forma equivalent (2)	2.13	2.63

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Cash dividends declared

Alabama National historical	.855	1.00
Indian River historical		
Pro forma combined	.855	1.00
Indian River pro forma equivalent (3)	.80	.94

Shareholders equity per common share (4)

Alabama National historical	21.23	18.95
Indian River historical	16.67	16.11
Pro forma combined (1)	25.67	23.82
Indian River pro forma equivalent (2)	24.15	22.41

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- (1) Represents the combined results of Alabama National and Indian River as if the merger had been completed on January 1, 2002 (or September 30, 2003 and December 31, 2002, in the case of Book Value Per Share Data), and accounted for as a purchase.
- (2) Represents pro forma combined information multiplied by the exchange ratio of 0.9408. The exchange ratio is subject to change depending on the price of Alabama National common stock. The pro forma equivalent information would be affected if the average price of Alabama National common stock prior to the merger is less than or equal to \$48.00.
- (3) Represents historical dividends declared per share by Alabama National multiplied by the exchange ratio of 0.9408.
- (4) Based on an assumed purchase price using the average price of Alabama National common stock for the ten-day period prior to December 10, 2003. The actual purchase price cannot be determined until the effective time of the merger.

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RISK FACTORS

In addition to the other information included in this proxy statement-prospectus, shareholders of Indian River are urged to consider carefully the following factors in determining whether to approve the merger agreement:

Combining our two companies may be more difficult, costly or time-consuming than we expect.

Alabama National and Indian River have operated, and, until the completion of the merger, will continue to operate, independently. It is possible that the integration process could result in the loss of key employees, the disruption of each company's ongoing business or inconsistencies in standards, controls, procedures and policies that adversely affect our ability to maintain relationships with clients and employees or to achieve the anticipated benefits of the merger. As with any merger of banking institutions, there also may be disruptions that cause us to lose customers or cause customers to take their deposits out of our banks.

Alabama National cannot guarantee that it will pay dividends to shareholders in the future.

The principal business operations of Alabama National are conducted through its subsidiary banks. Cash available to pay dividends to shareholders of Alabama National is derived primarily, if not entirely, from dividends paid by the banks. After the merger, the ability of the banks to pay dividends to Alabama National as well as Alabama National's ability to pay dividends to its shareholders will continue to be subject to and limited by certain legal and regulatory restrictions. Further, any lenders making loans to Alabama National may impose financial covenants that may be more restrictive than regulatory requirements with respect to the payment of dividends by Alabama National. There can be no assurance of whether or when Alabama National may pay dividends after the merger.

There can be no assurance as to the value of the merger consideration Indian River shareholders may receive.

The value of shares of Alabama National common stock fluctuates on a daily basis, and the number of shares, or amount of cash, which Indian River shareholders who do not exercise their appraisal rights will receive in the merger is based on such fluctuating prices. There can be no assurance as to the value the shares of Alabama National common stock will have at the effective time of the merger, or the price at which they will trade after the effective time of the merger. There can be no assurance that the per share cash election consideration will, at the effective time of the merger, equal the value of the Alabama National common stock into which Indian River shares are converted.

Alabama National and its subsidiary banks operate in a heavily regulated environment.

The banking industry is heavily regulated. Subsequent to the merger, Alabama National and its subsidiary banks will be subject, in certain respects, to regulation by the Federal Reserve, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, the Alabama State Banking Department, the Florida Department of Financial Services and the Georgia State Banking Department. The success of Alabama National depends not only on competitive factors but also on state and federal regulations affecting banks and bank holding companies. The regulations are primarily intended to protect depositors, not shareholders. The ultimate effect of recent and proposed changes to the

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regulation of the financial institution industry cannot be predicted. Regulations now affecting Alabama National and Indian River may be modified at any time, and there is no assurance that such modification will not adversely affect the business of Alabama National and its subsidiary banks.

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Changes in the policies of monetary authorities could adversely affect Alabama National's profitability.

The results of operations of Alabama National and Indian River are affected by credit policies of monetary authorities, particularly the Federal Reserve. The instruments of monetary policy employed by the Federal Reserve include open market operations in U.S. government securities, changes in the discount rate or the federal funds rate on bank borrowings and changes in reserve requirements against bank deposits. In view of changing conditions in the national economy and in the money markets, particularly in light of the September 11, 2001 terrorist attacks in New York City and Washington, D.C. and the current military operations in Iraq, no prediction can be made as to possible future changes in interest rates, deposit levels, loan demand or the business and earnings of Alabama National and Indian River. Furthermore, the actions of the United States government and other governments in responding to such terrorist attacks or the military operations in Iraq may result in currency fluctuations, exchange controls, market disruption and other adverse effects.

Changes in the allowances for loan losses of Alabama National's subsidiary banks could affect the profitability of those banks and Alabama National.

Management of each of Alabama National's subsidiary banks and of Indian River maintains an allowance for loan losses based upon, among other things, (1) historical experience, (2) an evaluation of local and national economic conditions, (3) regular reviews of delinquencies and loan portfolio quality, (4) current trends regarding the volume and severity of past due and problem loans, (5) the existence and effect of concentrations of credit and (6) results of regulatory examinations. Based upon such factors, management makes various assumptions and judgments about the ultimate collectibility of the respective loan portfolios. Although each of Alabama National and Indian River believes that the allowance for loan losses at each of their companies is adequate, there can be no assurance that such allowances will prove sufficient to cover future losses. Future adjustments may be necessary if economic conditions differ or adverse developments arise with respect to nonperforming or performing loans of Alabama National and Indian River. Material additions to the allowance for loan losses of Alabama National and Indian River would result in a material decrease in Alabama National's net income, and possibly its capital, and could result in its inability to pay dividends, among other adverse consequences.

Certain directors and officers of Indian River have interests in the transaction that differ from your interests.

Certain of the directors and officers of Indian River (and certain of their family members and related interests) have personal interests in the merger that may present them with conflicts of interest in connection with the merger. The Boards of Directors of Alabama National and Indian River are aware of this and have considered the personal interests disclosed in this proxy statement-prospectus in their evaluation of the merger. Reference should be made to "APPROVAL OF THE MERGER AGREEMENT Background of and Reasons for the Merger" at page 24 and "APPROVAL OF THE MERGER AGREEMENT Interests of Certain Persons in the Merger" at page 42, for a description of such potential conflicts of interest.

Changes in interest rates could have an adverse effect on Alabama National's income.

Alabama National's profitability depends to a significant extent upon its net interest income. Net interest income is the difference between interest income on interest-earning assets, such as loans and investments, and interest expense on interest-bearing liabilities, such as deposits and borrowings. Alabama National's net interest income will be adversely affected if market interest rates change such that the interest Alabama National pays on deposits and borrowings increases faster than the interest earned on loans and investments. Changes in interest rates could also adversely affect the income of certain of Alabama National's non-interest income businesses. For example, if mortgage interest rates increase, the demand for residential mortgage loans will likely decrease, and this would have an adverse effect on Alabama National's mortgage origination

fee income.

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Competition in the banking industry is intense.

Competition in the banking and financial services industry is intense. In their primary market areas, Alabama National's subsidiary banks compete with other commercial banks, savings and loan associations, credit unions, finance companies, mutual funds, insurance companies and brokerage and investment banking firms operating locally and elsewhere. Many of these competitors have substantially greater resources and lending limits than Alabama National's subsidiary banks and may offer certain services that Alabama National's subsidiary banks do not or cannot provide. The profitability of Alabama National depends upon its subsidiary banks' continued ability to compete effectively in their market areas.

Alabama National's success depends upon local economic conditions.

Alabama National's success depends to a certain extent on the general economic conditions of the geographic markets served by Alabama National's subsidiary banks in the states of Alabama, Georgia and Florida. The local economic conditions in these areas have a significant impact on Alabama National's subsidiary banks' commercial, real estate and construction loans, the ability of borrowers to repay these loans and the value of the collateral securing these loans. Adverse changes in the economic conditions of the southeastern United States in general or any one or more of these local markets could negatively impact the financial results of Alabama National's banking operations and have a negative effect on its profitability.

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A WARNING ABOUT FORWARD-LOOKING STATEMENTS

Alabama National and Indian River make forward-looking statements in this document that are subject to risks and uncertainties. These forward-looking statements include information about possible or assumed future results of our operations or the performance of the combined company after the merger. Also, when any of the words believes, expects, anticipates or similar expressions are used, forward-looking statements are being made. Many possible events or factors could affect the future financial results and performance of each of Alabama National and Indian River and the combined company after the merger. This could cause results or performance to differ materially from those expressed in those forward-looking statements. You should consider these risks when you vote on the merger. These possible events or factors include the following:

1. Alabama National's revenues after the merger are lower than expected, Alabama National's merger-related charges are higher than it expects, the combined company loses more deposits, customers or business than we expect, or our operating costs and/or loan losses after the merger are greater than we expect;
2. competition among depository and other financial institutions increases significantly;
3. we have more trouble obtaining regulatory approvals for the merger than we expect;
4. we have more trouble integrating our businesses or retaining key personnel than we expect;
5. our cost savings from the merger are less than we expect, or we are unable to obtain those cost savings as soon as we expect;
6. changes in the interest rate environment reduce our margins or adversely affect our service business lines;
7. general economic or business conditions are worse than we expect;
8. legislative or regulatory changes, including changes in accounting standards, adversely affect our business;
9. technological changes and systems integration are harder to make or more expensive than we expect;
10. adverse changes occur in the securities markets;
11. the impact of terrorist activities on the national economy and money markets, particularly in light of the September 11, 2001 terrorist attacks in New York City and Washington, D.C.; or
12. the impact of the current military operations in Iraq.

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GENERAL INFORMATION

Meeting, Record Date and Votes Required

A special meeting of the shareholders of Indian River Banking Company will be held at 7:00 p.m. local time, on Wednesday, February 25, 2004 (the Special Meeting), at Courthouse Executive Center, 2145 14th Street, Vero Beach, Florida 32960. The purpose of the meeting is to consider and vote upon a proposal to approve the Agreement and Plan of Merger, dated October 22, 2003 between Indian River and Alabama National (the Merger Agreement), which provides for, among other things, the merger of Indian River with Alabama National (the Merger). Following the Merger, Indian River National Bank will be a subsidiary of Alabama National. Only holders of record of Indian River common stock at the close of business on January 2, 2004 (the Record Date), will be entitled to notice of and to vote at the Special Meeting. As of the Record Date, there were 2,212,233 shares of Indian River common stock issued, outstanding and entitled to be voted. There were 892 Indian River shareholders of record on the Record Date. Each share of Indian River common stock will be entitled to one vote at the Special Meeting.

The presence, in person or by proxy, of holders of a majority of the issued and outstanding shares of Indian River common stock entitled to vote at the Special Meeting is necessary to constitute a quorum at such meeting. A quorum must be present before a vote on the Merger can be taken at the Special Meeting. For these purposes, shares of Indian River common stock that are present, or represented by proxy, at the Special Meeting will be counted for quorum purposes regardless of whether the holder of the shares or proxy fails to vote on the Merger Agreement for any reason, including broker nonvotes. Generally, a broker who holds shares of Indian River common stock in street name on behalf of a beneficial owner lacks authority to vote such shares in the absence of specific voting instructions from the beneficial owner.

Approval of the Merger Agreement on behalf of Indian River, under Florida law, will require the affirmative vote of the holders of a majority of the outstanding shares of Indian River common stock entitled to be voted thereon. Failures to return proxy cards, broker nonvotes and abstentions will not be counted as votes for or against the proposal to approve the Merger Agreement, and, as a result, such nonvotes will have the same effect as votes cast against the proposal.

Approval of any other matters that may be properly presented at the meeting will be determined by a majority of the votes cast.

In order to vote for the Merger Agreement, Indian River's shareholders must vote for its approval on the enclosed proxy or attend the Special Meeting and vote for these proposals. As of the Record Date, 740,300 shares of Indian River common stock, or 33.46% of the total shares of Indian River common stock outstanding, were beneficially owned and entitled to be voted by the directors and director emeritus of Indian River. Each of these persons has entered into agreements with Alabama National whereby he or she has agreed to vote in favor of the Merger Agreement, subject to certain conditions.

Appraisal rights may be demanded by Indian River's shareholders who follow the procedures specified by Florida law. See APPROVAL OF THE MERGER AGREEMENT Appraisal Rights on page 22.

Proxies and Other Matters

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The enclosed Indian River proxies are solicited on behalf of the Board of Directors of Indian River for use in connection with the Special Meeting and any adjournment or adjournments thereof. **Holders of Indian River common stock are requested to complete, date and sign the accompanying proxy and return it promptly to Indian River in the enclosed envelope. Indian River's shareholders *should not* forward any stock certificates with their proxies.**

An Indian River shareholder who has executed and delivered a proxy may revoke it at any time before such proxy is voted (a) by giving a later written proxy, (b) by giving written revocation to the Secretary of Indian

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River, provided such later proxy or revocation is actually received by Indian River before the vote of the shareholders, or (c) by voting in person at the Special Meeting. Any shareholder attending the Special Meeting may vote in person whether or not a proxy has been previously filed. Attendance at the Special Meeting will not, in itself, revoke a proxy. If your shares are held in the name of your bank or broker, you will need additional documentation to vote in person at the Special Meeting. Please see the voting form provided by your recordholder for additional information regarding the voting of your shares.

Many shareholders whose shares are held in an account at a brokerage firm or bank will have the option to submit their proxies or voting instructions electronically through the Internet or by telephone. Shareholders should check the voting form or instructions provided by their recordholder to see which options are available. Shareholders submitting proxies or voting instructions electronically should understand that there may be costs associated with electronic access, such as usage charges from Internet access providers and telephone companies, that would be borne by the shareholder. To revoke a proxy previously submitted electronically, a shareholder may simply submit a new proxy at a later date before the taking of the vote at the Special Meeting, in which case, the later submitted proxy will be recorded and the earlier proxy will be revoked.

The shares represented by all properly executed proxies received in time for the Special Meeting, unless said proxies are revoked, will be voted in accordance with the instructions therein. **If instructions are not given, properly executed proxies received will be voted FOR approval of the Merger Agreement.**

Indian River will bear the costs of solicitation of proxies for the Special Meeting. Such solicitation will be made by mail but also may be made by telephone, facsimile or in person by the directors, officers and employees of Indian River. As of the date of this proxy statement-prospectus Indian River has not retained a proxy solicitation firm to assist it in obtaining proxies, but it may elect to do so before the Special Meeting.

If a quorum is not obtained, or if fewer shares of Indian River common stock are voted in favor of approval of the Merger Agreement than the number required for approval, it is expected that the Special Meeting will be postponed or adjourned for the purpose of allowing additional time for obtaining additional proxies or votes. At any subsequent reconvening of such Special Meeting, all proxies will be voted in the same manner as such proxies would have been voted at the original convening of the meeting (except for any proxies which have been effectively revoked), even though they might have been effectively voted on the same or any other matter at a previous meeting.

The management of Indian River is not aware of any business to be acted upon at the Special Meeting other than the proposal to approve the Merger Agreement. If other matters are properly brought before the Special Meeting or any adjournment of such meeting, the enclosed proxy, if properly signed, dated and returned, will be voted in accordance with the recommendation of Indian River's management or, if there is no such recommendation, in the discretion of the individuals named as proxies therein.

Recommendation of Board of Directors

The Board of Directors of Indian River unanimously recommends that the shareholders of Indian River vote FOR the proposal to approve the Merger Agreement. See APPROVAL OF THE MERGER AGREEMENT Background of and Reasons for the Merger.

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APPROVAL OF THE MERGER AGREEMENT

The following information concerning the Merger is qualified in its entirety by reference to the Merger Agreement, which is attached hereto as Appendix A and incorporated herein by reference. The information contained herein with respect to the opinion of the financial advisor to Indian River is qualified in its entirety by reference to the opinion of such financial advisor, which is attached hereto as Appendix C and incorporated herein by reference.

Terms of the Merger

At the date and time when the Merger becomes effective (the **Effective Time**), Indian River will merge with Alabama National, and Alabama National will be the surviving corporation. After the merger, Indian River National Bank will be a subsidiary of Alabama National. If the Merger is consummated, assuming no Indian River shareholders elect to receive cash and assuming the Alabama National stock price used to determine the merger consideration is above \$48.00 per share, Alabama National will issue 2,081,269 shares of its common stock, and approximately 16.2% of the shares of Alabama National common stock outstanding after the Merger will be beneficially owned by former Indian River shareholders. This percentage reflects Alabama National's and Indian River's current number of outstanding shares and does not reflect any share issuances by Alabama National or Indian River prior to the Effective Time.

Merger Consideration

The Merger Agreement provides that Indian River shareholders who do not exercise their appraisal rights will receive either (1) 0.9408 shares of Alabama National common stock or (2) cash as consideration, subject to certain limitations, in exchange for each share of Indian River common stock. These two options are described in more detail below.

Stock Consideration

Absent a cash election, each share of Indian River common stock issued and outstanding at the Effective Time will be converted into and exchanged for 0.9408 shares of Alabama National common stock (the **Exchange Ratio**). The Exchange Ratio may be increased, however, depending upon the average trading price of Alabama National common stock prior to the Merger, as described below.

The price per share of Alabama National's common stock fluctuates from day-to-day. On the fifth business day prior to the Effective Time, an **average price** of Alabama National's stock price will be calculated based on the averages of the high and low sales prices of Alabama National's common stock reported on the Nasdaq Stock Market for the previous ten business days. If the **average price** is equal to or less than \$48.00, then the Exchange Ratio will be increased as follows:

<u>Average Price</u>	<u>Adjusted Exchange Ratio</u>
Less than \$48.00, and equal to or greater than \$47.00	0.9493

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Less than \$47.00, and equal to or greater than \$46.00	0.9578
Less than \$46.00, and equal to or greater than \$45.00	0.9663
Less than \$45.00	0.9748

If the average price falls below \$44.00 per share, the Indian River board of directors has the option to terminate the Merger Agreement. Alabama National, however, may elect to cancel the termination by either (1) increasing the Exchange Ratio to an amount equal to the quotient of \$42.89 divided by the average price, or (2) paying with respect to each share of Indian River common stock additional cash consideration equal to the difference of (A) \$42.89 minus (B) the product of the average price and 0.9748. For example, if the average price were \$42.00, Indian River's board of directors provided a notice of termination, and Alabama National elected to

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void such termination, Alabama National would be required to either increase the Exchange Ratio to at least 1.021 (i.e., the quotient of \$42.89 divided by \$42.00) or make a cash payment of \$1.95 (i.e., the difference in \$42.89 and the product of \$42.00 multiplied by 0.9748, or \$40.94) for each share of Indian River common stock.

Election to Receive Cash Consideration in Lieu of Common Stock

Instead of receiving Alabama National common stock as described above, Indian River shareholders may elect to receive cash consideration in exchange for their shares of Indian River common stock, in accordance with the election procedures described below. Shareholders who choose to receive all cash consideration will receive an amount in cash equal to the product of (1) the average price of Alabama National common stock calculated as described above, and (2) the Exchange Ratio, for each share of Indian River common stock that is converted. Indian River shareholders may make the cash election with respect to all or any portion of their shares of Indian River common stock, subject to the cash allocation procedures described below. In our discussion we may refer to the amount of cash to be received for each share of Indian River common stock converted in connection with the cash election as the per share cash election consideration.

Alabama National will be required to pay cash consideration to Indian River shareholders who elect to receive cash consideration. The maximum amount of cash consideration that Alabama National is required to pay in connection with the Merger, however, cannot exceed 10% of the aggregate merger consideration. Therefore, if the number of shareholders who elect to receive cash instead of shares of Alabama National common stock would cause the total amount of cash to be paid by Alabama National to exceed the maximum cash amount, Alabama National is permitted to allocate and proportionately reduce the cash elections made by Indian River shareholders as described below. Alternatively, Alabama National, in its discretion, may increase the amount of cash consideration to an amount not to exceed 25% of the aggregate merger consideration. See Procedures for Making a Cash Election.

No assurance can be given that the current fair market value of Alabama National common stock will be equivalent to the fair market value of Alabama National common stock on the date that stock is received by an Indian River shareholder or at any other time. The fair market value of Alabama National common stock received by an Indian River shareholder may be greater or less than the current fair market value of Alabama National common stock due to numerous market factors.

If Indian River changes the number of shares of Indian River common stock issued and outstanding prior to the Effective Time as a result of a stock split, stock dividend, recapitalization or otherwise, the Exchange Ratio will be proportionately adjusted. If Alabama National changes the number of shares of Alabama National common stock issued and outstanding prior to the Effective Time as a result of a stock split, stock dividend or similar recapitalization, appropriate adjustments will be made in the consideration payable to the Indian River shareholders.

Procedures for Making a Cash Election

An election form is being delivered with this proxy statement-prospectus to each holder of record of Indian River common stock. Each election form permits a holder (or the beneficial owner through appropriate and customary documentation and instructions) of Indian River common stock to elect to receive cash with respect to all or a portion of such holder's Indian River common stock, subject to the limitation of the maximum cash amount of 10% of the aggregate merger consideration (the maximum cash amount). **If your shares of Indian River common stock are held in the name of a bank or broker or other nominee, you must contact that bank, broker or other nominee in order to make your cash election.**

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Any shares of Indian River common stock with respect to which the holder has not made a valid cash election on or before 5:00 p.m. Eastern Time on February 24, 2004, the election deadline, will be converted at the Effective Time into shares of Alabama National common stock based on the Exchange Ratio.

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A cash election will be properly made only if SunTrust Bank, acting in its capacity as exchange agent for Alabama National (the Exchange Agent) receives a properly completed election form by the election deadline. Any election form may be revoked or changed by the person submitting such election form at or prior to the election deadline. If an election form is revoked and a replacement election form is not submitted prior to the election deadline, the shares of Indian River common stock represented by such election form will be treated like other shares of Indian River common stock with respect to which no cash election has been made. Subject to the terms of the Merger Agreement and of the election form, the Exchange Agent will have reasonable discretion to determine whether any election, revocation or change has been properly or timely made and to disregard immaterial defects in the election forms, and any good faith decisions of the Exchange Agent regarding such matters will be binding and conclusive. Neither Alabama National nor the Exchange Agent will be under any obligation to notify any person of any defect in an election form.

If you wish to receive cash for any or all of your shares of Indian River common stock, the Exchange Agent must RECEIVE your election form prior to the election deadline. Please do not send in your stock certificates with your cash election form. Please do not send your cash election form with your proxy card.

Within five business days after the election deadline, unless the Merger has not been completed, in which case as soon as practicable after the Merger is completed, Alabama National will cause the Exchange Agent to allocate the right to receive cash consideration among the holders of Indian River common stock in accordance with the election forms as follows:

If the amount of cash that would be paid for shares of Indian River common stock covered by a cash election is less than or equal to the maximum cash amount, then:

- (1) all shares of Indian River common stock with respect to which shareholders have elected to receive cash will be converted into the right to receive the per share cash election consideration; and
- (2) all other shares of Indian River common stock will be converted into the right to receive the shares of Alabama National common stock based on the Exchange Ratio.

If the amount of cash that would be paid for shares of Indian River common stock covered by a cash election is greater than the maximum cash amount, then:

- (1) the number of shares electing to receive cash will be automatically reduced on a pro rata basis, based on the total number of shares electing to receive cash, so that the amount of cash that will be issued in the Merger equals as closely as practicable the maximum cash amount;
- (2) all shares of Indian River common stock with respect to which shareholders have elected to receive cash remaining after the adjustment described in paragraph (1) above will be converted into the right to receive the per share cash election consideration;
- (3) the shares of Indian River common stock that would have received cash, but for the adjustment described in paragraph (1) above will be converted into the right to receive shares of Alabama National common stock based on the Exchange Ratio; and
- (4) all shares with respect to which no election to receive cash was made will be converted into the right to receive shares of Alabama National common stock based on the Exchange Ratio.

Surrender of Certificates

Promptly after the Effective Time, the Exchange Agent will mail to each former holder of record of Indian River common stock a form letter of transmittal, together with instructions and a return mailing envelope (collectively, the Exchange Materials), for the exchange of such holders Indian River common stock certificates for either certificates representing shares of Alabama National common stock and cash payable in lieu of fractional shares or cash in respect of accepted cash elections. **You should not send in your certificates until you receive the Exchange Materials from the Exchange Agent.**

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Upon receipt of the Exchange Materials, former holders of Indian River common stock should complete the letter of transmittal in accordance with the instructions and mail the letter of transmittal together with all stock certificates representing shares of Indian River common stock to the Exchange Agent in the return envelope provided. Upon receipt of the certificates and related documentation, Alabama National will issue, and the Exchange Agent will mail, to such holder of Indian River common stock a certificate representing the number of shares of Alabama National common stock to which such holder is entitled, and/or a check in the amount of cash payable to such shareholder as a result of a cash election and any cash payment in lieu of fractional shares of Alabama National common stock, all as described in the Merger Agreement. No certificates of Alabama National common stock and no cash payment will be delivered to a holder of Indian River common stock unless and until such holder has delivered to the Exchange Agent certificates representing the shares of Indian River common stock owned by such holder and in respect of which such holder claims payment is due, or such documentation and security in respect of lost or stolen certificates as may be required by the Exchange Agent.

After the Effective Time, a former shareholder of record of Indian River will be entitled to vote at any meeting of Alabama National shareholders the number of whole shares of Alabama National common stock into which such holder's shares of Indian River common stock are converted, regardless of whether such holder has exchanged his or her certificates representing Indian River common stock for certificates representing Alabama National common stock.

Beginning six months after the Effective Time, no dividend or other distribution payable after the Effective Time with respect to Alabama National common stock issued to replace Indian River common stock will be paid to the holder of an unsurrendered Indian River common stock certificate until the holder surrenders such certificate, at which time such holder will be entitled to receive all previously withheld dividends and distributions, without interest.

After the Effective Time, there will be no transfers on Indian River's stock transfer books of shares of Indian River common stock issued and outstanding at the Effective Time. If certificates representing shares of Indian River common stock are presented for transfer after the Effective Time, they will be returned to the presenter together with a form of letter of transmittal and exchange instructions.

Neither Alabama National nor the Exchange Agent will be liable to a holder of Indian River common stock for any amounts paid or properly delivered in good faith to a public official under any applicable abandoned property law.

No fractional shares of Alabama National common stock will be issued in respect of Indian River common stock, and cash will be paid by Alabama National in lieu of issuance of such fractional shares. The amount paid in lieu of fractional shares will be calculated by multiplying such fractional part of a share of Alabama National common stock by the average price of Alabama National common stock, calculated as described above. No holder of Indian River common stock who would otherwise have been entitled to a fractional share of Alabama National common stock will be entitled to dividends, voting rights or any right as a shareholder with respect to such fractional shares.

Appraisal Rights

Under Florida law, each shareholder of Indian River entitled to vote on the Merger who complies with the procedures set forth in Section 607.1301 to 607.1333 of the Florida Business Corporation Act (the "FBCA") relating to appraisal rights is entitled to receive in cash the fair value of his or her shares of Indian River common stock. **An Indian River shareholder must comply strictly with the procedures set forth in Florida law relating to appraisal rights. Failure to follow any such procedures will result in a termination or waiver of his or her appraisal rights.**

To perfect appraisal rights, a holder of Indian River common stock must not vote in favor of the Merger Agreement and must provide written notice to Indian River before the vote is taken at the Special Meeting

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indicating that such shareholder intends to demand payment if the Merger is effectuated. Such written notification should be delivered either in person or by mail (certified mail, return receipt requested, being the recommended form of transmittal) to Indian River Banking Company, 958 20th Place, Vero Beach, Florida 32960, Attention: Secretary. All such notices must be signed in the same manner as the shares are registered on the books of Indian River. If a shareholder has not provided written notice of intent to demand fair value before the vote is taken at the Special Meeting, the shareholder will be deemed to have waived his or her appraisal rights.

Within 10 days after the date the Merger becomes effective, Alabama National, as successor to Indian River in the Merger, will provide each former Indian River shareholder who has properly provided a notice of intent to demand payment of fair value a written appraisal notice and form, which will indicate Alabama National's estimate of the fair value of Indian River common stock, as well as a copy of Indian River's financial statements and a copy of sections 607.1301 to 607.1333 of the FBCA.

A shareholder asserting appraisal rights must execute and return the form and deposit the shareholder's certificates in accordance with the terms of the notice, before the date specified in the appraisal notice, which will not be fewer than 40 or more than 60 days after the appraisal notice and form were sent to the shareholder. A shareholder who deposits shares in accordance with the assertion of appraisal rights has no further rights as a shareholder, but only has the right to receive fair value for the shares in accordance with the appraisal procedures, unless the appraisal demand is withdrawn.

A shareholder who does not execute and return the form and deposit his or her certificates by the date set forth in the appraisal notice, will no longer be entitled to appraisal rights, will be bound by the terms of the Merger Agreement, and will receive shares of Alabama National common stock. A shareholder who complies with the requirements and wishes to withdraw from the appraisal process may do so by notifying Alabama National in writing before the date set forth in the appraisal notice as the due date to execute and return the form. A shareholder who fails to withdraw from the appraisal process may not thereafter withdraw without Alabama National's written consent.

A shareholder must demand appraisal rights with respect to all of the shares registered in his or her name, except that a record shareholder may assert appraisal rights as to fewer than all of the shares registered in the record shareholder's name but which are owned by a beneficial shareholder, if the record shareholder objects with respect to all shares owned by the beneficial shareholder. A record shareholder must notify Indian River in writing of the name and address of each beneficial shareholder on whose behalf appraisal rights are being asserted. A beneficial shareholder may assert appraisal rights as to any shares held on behalf of the shareholder only if the shareholder submits to Indian River the record shareholder's written consent to the assertion of such rights before the date specified in the appraisal notice, and does so with respect to all shares that are beneficially owned by the beneficial shareholder.

If a shareholder timely accepts the offer to pay the fair value of the shares as set forth in the appraisal notice, payment will be made within 90 days after Alabama National receives the form from the shareholder. A shareholder who is dissatisfied with the offer must include in his or her returned form a demand for payment of that shareholder's estimate of the fair value of the shares plus interest, otherwise the shareholder will be entitled to payment of only the amount offered. Interest is to be calculated at the interest rate on judgments in Florida on the effective date of the Merger. Once Alabama National has made payment of an agreed upon value, the shareholders will cease to have any interest in the shares.

Currently, because of an inadvertent error by the Florida legislature during the 2003 revision of the appraisal rights law, the FBCA is silent as to what would happen during the appraisal process if Alabama National and the dissenting shareholder are unable to agree on the fair value of the shares. Although there is no official guidance as to what actions to take in such situation, it is likely that a Florida court would continue to apply the provisions of the former Section 607.1320 of the FBCA. Under this former provision, Alabama National would be required to file an appraisal action in a court of competent jurisdiction in the county in which Indian River maintained its

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registered office, requesting that the fair value of the shares of Indian River common stock be determined. If Alabama National fails to file such proceedings, any dissenting shareholder may do so in the name of Indian River. All dissenting shareholders, except for those that have agreed upon a value with Alabama National, are deemed to be parties to the proceeding. In such proceeding, the court may, if it so elects, appoint one or more persons as appraisers to receive evidence and recommend a decision on the question of fair value. Alabama National shall pay each dissenting shareholder the amount found to be due within 10 days after final determination of the proceedings. Upon payment of such judgment, the dissenting shareholder will cease to have any interest with respect to his or her Indian River shares.

The court in any appraisal proceeding will determine the cost and expense of any appraisal proceeding and such costs and expenses will be assessed against Alabama National. However, all or any part of such cost and expense may be apportioned and assessed against all or some of the dissenting shareholders, in such amount as the court deems equitable, if the court determines that such shareholders acted arbitrarily, vexatiously or not in good faith with respect to their appraisal rights. The court may also assess the fees and expenses of counsel and experts for the respective parties in the amounts the court finds equitable against Alabama National if the court finds that Alabama National did not substantially comply with its requirements under Sections 607.1320 and 607.1322 of the FBCA, or, against any party which the court finds acted arbitrarily, vexatiously, or not in good faith with respect to the appraisal rights provided by the FBCA. In the event Alabama National fails to make any required payments, the shareholders may sue directly for the amount owed, and to the extent successful, will be entitled to recover all costs and expenses of the suit, including attorney's fees.

The foregoing does not purport to be a complete statement of the provisions of the FBCA relating to statutory appraisal rights and is qualified in its entirety by reference to the appraisal rights provisions, which are reproduced in full in Appendix B to this proxy statement-prospectus and which are incorporated herein by reference.

Effective Time

Articles of Merger will be filed with the Secretary of State of Florida and a Certificate of Merger will be filed with the Delaware Secretary of State as soon as practicable after all conditions contained in the Merger Agreement have been satisfied or lawfully waived, including receipt of all regulatory approvals, and expiration of all statutory waiting periods, and the approval of the Merger Agreement by the shareholders of Indian River. The Effective Time of the Merger will be the later of the time the Articles of Merger are accepted for filing by the Secretary of State of Florida and the Certificate of Merger is accepted for filing the Secretary of State of Delaware (or such later time as the parties may agree).

Background of and Reasons for the Merger

In connection with its normal strategic planning process, Indian River continuously reviews its strategic business alternatives, including devoting attention to the continuing consolidation and increasing competition in the banking and financial services industries in Florida. In recent years, competition in the local banking and financial services industries has intensified and required increased efforts to enhance Indian River's ability to remain competitive in this environment.

From time to time over the past several years, the directors of Indian River had discussions regarding the prospects of Indian River National Bank, conditions in the community banking market in Florida, and the merger activity among financial institutions in the state. Also during this time, Indian River had periodically received inquiries from other parties regarding the possible interest of Indian River in pursuing a sale transaction. None of the inquiries had resulted in Indian River entering into any letter of intent or agreement for sale of the company.

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In early 2003, Indian River's board of directors surveyed the views of its individual directors and director emeritus with respect to the potential merger of the company, and the criteria that a potential acquiror would have to meet in order to be perceived favorably. As a result of that informal survey, the board of directors determined that Indian River should commence a measured, deliberate process through which it would identify companies which appear to satisfy the criteria identified by the board, and which might have an interest in a

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merger or strategic combination with Indian River. These criteria included, without limitation or indication of the relative weight or importance placed upon any factor, management and business philosophies and values comparable to and compatible with those held by Indian River; a record of successfully completing acquisitions, or the capacity to do so; commitment to the communities and customers which the company serves; commitment to employees; and a transaction structured to allow shareholders to engage in tax and financial planning with respect to their shares of Indian River common stock, in addition to providing enhanced liquidity and dividend and capital appreciation potential for Indian River shareholders.

Paul Andy Beindorf, Indian River's President and Chief Executive Officer, along with the executive committee of the board, consisting of Robert Grice, Mary Rogers, John Minton, Keith Morgan and the Chairman of the Board, Griffin A. Greene, were delegated the responsibility to review the landscape of likely potential acquirors, and to determine, based on a review of their acquisition history, reputation in the banking community and available financial information, which companies appeared to meet the criteria established by the board of directors. This process resulted in Indian River inquiring of a small number of companies, including Alabama National, as to whether they would be interested in entering into a transaction with Indian River, but did not result in any expressions of interest on terms which the board of directors deemed acceptable.

Alabama National management came into contact with Indian River management through Alabama National's investment department. John H. Holcomb, III, Alabama National's Chairman and Chief Executive Officer, often travels with officers of Alabama National's investment department as they visit banks in the Southeast. Indian River has been a customer of the investment department since 2002. During a July 17, 2003 trip to Florida with Alabama National's investment department, Mr. Holcomb met informally with Mr. Beindorf. At that meeting, Mr. Holcomb described Alabama National, its history, strategy, and operating structure. He also expressed an interest in expanding Alabama National's presence in the Treasure Coast market with a partner like Indian River should they decide to consider a merger.

In early August 2003, Mr. Beindorf arranged for Mr. Holcomb to meet informally with those directors whose schedule permitted to further discuss Alabama National's strategy and operating structure. Those directors attending were Mr. Greene, Mr. Minton, Mrs. Rogers and Mr. Grice. During that meeting, Mr. Holcomb invited Mr. Beindorf and several members of the Indian River board of directors to come to Birmingham for an overnight visit to meet Alabama National's senior management team. Indian River's board authorized these representatives to make this visit at its regular board meeting on August 13, 2003. During this visit to Birmingham, which took place on August 14 and 15, 2003, Alabama National management provided the Indian River representatives with additional insight into the company's operating structure, management philosophy, strategic plans, and goals for the future.

After returning to Indian River and reflecting upon the meetings in Birmingham, Mr. Beindorf and Mr. Greene met individually to discuss the meeting and to share the information they had learned with those directors who had not traveled to Birmingham. After these discussions, there was a consensus that further exploratory discussions with Alabama National were warranted.

At the regularly scheduled August 20, 2003 meeting of the Alabama National board of directors, Mr. Holcomb presented information on Indian River and discussed management's interest in further pursuing a merger. William E. Matthews V, Alabama National's Executive Vice President and CFO, presented information on Indian River, including its history, its management team, and its markets. Mr. Matthews also presented information on its financial condition and historical growth in various balance sheet and income statement categories. Mr. Holcomb then commented upon the appeal of the Indian River franchise, his assessment of its management team and their fit in the Alabama National operating culture. He recommended to the board their approval of continued negotiations with Indian River in an attempt to reach mutually acceptable terms for a merger. The Alabama National board approved the continued negotiations with Indian River for a potential business combination.

Subsequently, Mr. Holcomb, Richard Murray IV, Alabama National's President and COO, and Mr. Matthews traveled to Vero Beach to meet with the Indian River board on August 26, 2003. At that meeting,

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the Indian River board inquired about a number of issues pertaining to Alabama National's operating philosophy and plans for the Treasure Coast market should a merger between the parties proceed. Messrs. Holcomb, Murray and Matthews met on August 27, 2003 with Mr. Beindorf and Mr. Greene to discuss pricing parameters for a potential merger. Mr. Beindorf and Mr. Greene reported on the discussions to the Executive Committee at a meeting on September 4, 2003. The Executive Committee authorized Mr. Beindorf, Mr. Greene, Mr. Grice and director emeritus Barnette Greene to continue discussions with Alabama National. This group met with Mr. Holcomb in Vero Beach on September 10, 2003. Following that meeting, the two parties had a series of telephone conversations over the following days during which an agreement on pricing parameters was reached.

The parties agreed that the next steps in the process were to execute a Confidentiality Agreement and for Alabama National to perform due diligence on Indian River's books and records.

Alabama National representatives performed a due diligence review at Indian River's Vero Beach headquarters from September 29 through October 3, 2003. After reviewing and analyzing the information gathered, Alabama National confirmed its desire to consummate the transaction. Indian River representatives then visited Alabama National's Birmingham headquarters on October 6, 2003 for a due diligence review and also confirmed its intention to proceed.

Indian River engaged The Carson Medlin Company to review the transaction for fairness from its and its shareholders' perspectives. During October 2003, Carson Medlin conducted due diligence on Alabama National on behalf of Indian River by analyzing its public records and through interviews with Alabama National management.

Following the conclusion of due diligence, the parties began the negotiation of a definitive agreement for the merger of Alabama National and Indian River. The Indian River board met on October 15, 2003 to discuss and vote upon the then current form of Merger Agreement and the Merger. At that meeting, the Indian River board discussed the terms of the proposed transaction. Legal counsel reviewed with the board of directors the fiduciary obligations of directors in sales of financial institutions and commented on the form of Merger Agreement, the status of proposed changes, the voting agreements to be entered into between Indian River directors and Alabama National, the new employment agreements to be entered into with Messrs. Beindorf, Morton and Tasker in connection with the merger and related issues. In addition, Carson Medlin, in its capacity as financial advisor to Indian River, presented the Indian River board with a verbal opinion that the consideration in the Merger as provided in the Merger Agreement was fair to Indian River shareholders from a financial standpoint. Indian River's board then unanimously approved the Merger Agreement and the transactions contemplated thereby, subject to the satisfactory resolution of outstanding comments on the form of Merger Agreement and related documents, review of all schedules to be provided by Alabama National and receipt of the final written opinion of Carson Medlin. Indian River's management also was authorized to sign the Merger Agreement, which was signed by Alabama National and Indian River on October 22, 2003 after the close of business.

At the regularly scheduled October 15, 2003 meeting of the Alabama National board, Mr. Holcomb made a presentation relating to the Indian River transaction including a summary of the terms of the proposed Merger and the results of management's due diligence review of Indian River. The Alabama National board formally approved the Merger and authorized Alabama National's officers to execute the Merger Agreement and to take all other action necessary to consummate the transaction.

Alabama National's Reasons for the Merger. In approving the Merger Agreement and the Merger, the Alabama National board of directors considered a number of factors concerning the benefits of the Merger. Without assigning any relative or specific weights to the factors, the Alabama National board of directors considered the following material factors:

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- (a) the information presented to the directors by the management of Alabama National concerning the business, operations, earnings, asset quality and financial condition of Indian River, including the composition of the earning assets portfolio of Indian River;
- (b) the financial terms of the Merger, including the relationship of the value of the consideration issuable in the Merger to the market value, tangible book value and earnings per share of Indian River;

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- (c) the non-financial terms of the Merger, including the treatment of the Merger as a tax-free reorganization under Section 368(a) of the Internal Revenue Code;
- (d) the likelihood of the Merger being approved by applicable regulatory authorities without undue conditions or delay;
- (e) the opportunity for increasing the noninterest income of the operations of Indian River and the ability of the operations of Indian River after the Effective Time to contribute to the earnings of Alabama National;
- (f) the attractiveness of the Indian River franchise, the management team of Indian River, the market position of Indian River in the markets in which it operates, and the compatibility of the franchise of Indian River in Indian River County and Brevard County, Florida with the operations of Alabama National in its market areas; and
- (g) the compatibility of the management philosophies and community banking orientation of the operation of Indian River to that of Alabama National and the subsidiary banks of Alabama National.

Indian River's Reasons for the Merger. In approving the Merger Agreement and the Merger, the board of directors of Indian River considered a number of factors and criteria regarding the potential benefits of the Merger. Without assigning relative or specific weights to those factors, the Indian River board of directors considered the following material factors:

- (a) the financial terms of the Merger, including, among other things, the opinion of The Carson Medlin Company as to the fairness of the consideration to be received by the Indian River shareholders, as provided in the Merger Agreement, from a financial point of view, to the shareholders of Indian River;
- (b) the interests of shareholders in obtaining greater liquidity for their investment, and the fact that Alabama National common stock is traded on the Nasdaq Stock Market;
- (c) the fact that the Merger qualifies as a tax-free reorganization for Indian River shareholders except to the extent of any cash received by Indian River shareholders, which will enable Indian River shareholders to exercise control over their own tax and financial planning;
- (d) a comparison of the prospects of Indian River as an independent entity and as a component of Alabama National after the Merger, including the prospects of an independent Indian River to achieve growth in investment value equal to or in excess of that which Alabama National may achieve;
- (e) certain financial and other information concerning Alabama National, including, among other things, information with respect to the business, operations, condition and future prospects of Alabama National, as well as the market performance of its common stock, and its dividend payment history and capacity;
- (f) the compatibility of management and the business philosophies of Indian River and Alabama National, and the reputation and record of Alabama National as an acquirer of other banks;
- (g) the fact that the Merger would result in Indian River National Bank continuing as a separate subsidiary of Alabama National, with substantial local decision making authority and responsibility, minimizing the adverse impact on Indian River's employee base, and enabling Indian River National Bank to continue serving its customers and communities;

- (h) the level of interest expressed by other potential acquirors, and the value of other expressions of interest of potential acquirors of Indian River, the potential for increased shareholder value and benefits as a result of such other transactions, the probability of such other transactions being completed upon the terms proposed and in a timely manner, and the impact of such other transactions on the customers, employees and communities served by Indian River; and
- (i) the likelihood of the Merger being approved by the appropriate regulatory authorities without undue conditions or delay and in accordance with the terms initially proposed by Alabama National.

The Indian River board of directors unanimously recommends that Indian River shareholders vote FOR the approval of the Merger Agreement.

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Opinion of The Carson Medlin Company

Indian River Banking Company engaged The Carson Medlin Company (Carson Medlin) to serve as its financial adviser and to render its opinion to the shareholders of Indian River as to the fairness, from a financial point of view, of the consideration provided for in the merger agreement. Indian River selected Carson Medlin as its financial adviser on the basis of its experience in advising community banks in similar transactions. Carson Medlin is an investment banking firm which specializes in the securities of financial institutions located in the southeastern and western United States. As part of its investment banking activities, Carson Medlin is regularly engaged in the valuation of financial institutions and transactions relating to their securities, including mergers and acquisitions. Neither Carson Medlin nor any of its affiliates has a material relationship with Indian River or Alabama National or any material financial interest in Indian River or Alabama National.

Carson Medlin provided its analysis to Indian River's board of directors at a meeting held on October 15, 2003 during which the terms of the transaction were discussed. At that meeting, Carson Medlin delivered its verbal opinion to the effect that the consideration provided for in the merger agreement is fair, from a financial point of view, to the shareholders of Indian River. Carson Medlin subsequently delivered its written opinion, dated October 22, 2003, to Indian River's board of directors. Carson Medlin reconfirmed its October 22, 2003 written opinion by issuing a second written opinion dated as of January 7, 2004, the most recent practicable date prior to the printing of this proxy statement-prospectus, a copy of which is attached as Appendix C.

You should consider the following when reading the discussion of Carson Medlin opinion in this document:

The summary of the opinion of Carson Medlin set forth in this proxy statement is qualified in its entirety by reference to the full text of the opinion that is attached as Appendix C to this document. You should read the opinion in its entirety for a full discussion of the procedures followed, assumptions made, matters considered and qualification and limitation on the review undertaken by Carson Medlin in connection with its opinion.

Carson Medlin's opinion does not address the merits of the merger relative to other business strategies, whether or not considered by Indian River's board, nor does it address the decision by Indian River's board to proceed with the merger.

Carson Medlin's opinion to Indian River's board of directors rendered in connection with the merger does not constitute a recommendation to any Indian River shareholder as to how he or she should vote at the special meeting.

No limitations were imposed by Indian River's board of directors or its management upon Carson Medlin with respect to the investigations made or the procedures followed by Carson Medlin in rendering its opinion.

The preparation of a financial fairness opinion involves various determinations as to the most appropriate methods of financial analysis and the application of those methods to the particular circumstances. It is therefore not readily susceptible to partial analysis or summary description. In connection with rendering its opinion, Carson Medlin performed a variety of financial analyses. Carson Medlin believes that its analyses must be considered together as a whole and that selecting portions of its analyses and the facts considered in its analyses, without considering all other factors and analyses, could create an incomplete or inaccurate view of the analyses and the process underlying the rendering of Carson Medlin's opinion. Except as described below, none of the analyses performed by Carson Medlin was assigned a greater significance by Carson Medlin than any other. The relative importance or weight given to these analyses by Carson Medlin is not necessarily reflected by the order of presentation of the analyses herein (and the corresponding results). The summaries of financial analyses include information presented in tabular format. The tables, which alone do not constitute a complete description of the financial analyses, should be read together with the summaries of the financial analyses, including the methodologies and assumptions underlying the analyses.

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In performing its analyses, Carson Medlin made numerous assumptions with respect to industry performance, business and economic conditions, and other matters, many of which are beyond the control of Indian River and Alabama National and may not be realized. Any estimates contained in Carson Medlin's analyses are not necessarily predictive of future results or actual values, which may be significantly more or less favorable than the estimates. Estimates of values of companies do not purport to be appraisals or necessarily reflect the prices at which the companies or their securities may actually be sold, therefore these estimates are inherently subject to substantial uncertainty. In addition, the Carson Medlin opinion was among several factors taken into consideration by the Indian River board of directors in making its determination to approve the merger agreement and the merger. Consequently, the analyses described below should not be viewed as determinative of the decision of the Indian River board of directors or management with respect to the fairness of the consideration received.

Carson Medlin has relied, without independent verification, upon the accuracy and completeness of the financial and other information provided to or otherwise made available to Carson Medlin for the purpose of rendering its opinion. Carson Medlin did not undertake any independent evaluation or appraisal of the assets and liabilities of Indian River or Alabama National, nor was it furnished with any appraisals. The projections furnished to Carson Medlin and used by it in certain of its analyses were prepared by Indian River's senior management. Indian River does not publicly disclose internal management projections of the type provided to Carson Medlin in connection with its review of the merger. As a result, such projections were not prepared with a view towards public disclosure. The projections were based on numerous variables and assumptions which are inherently uncertain, including factors related to general economic and competitive conditions. Accordingly, actual results could vary significantly from those set forth in the projections.

Carson Medlin is not an expert in the evaluation of loan portfolios, including under-performing or non-performing assets, charge-offs or the allowance for loan losses; it has not reviewed any individual credit files of Indian River or Alabama National; and it has assumed that the allowances of Indian River and Alabama National are in the aggregate adequate to cover potential losses. Carson Medlin's opinion is necessarily based on economic, market and other conditions existing on the date of its opinion, and on information as of various earlier dates made available to it which is not necessarily indicative of current market conditions.

In rendering its opinion, Carson Medlin made the following assumptions:

that the merger will be accounted for as a purchase in accordance with generally accepted accounting principles;

that all material governmental, regulatory and other consents and approvals necessary for the consummation of the merger would be obtained without any adverse effect on Indian River, Alabama National or on the anticipated benefits of the merger;

that Indian River had provided it with all of the information prepared by Indian River or its other representatives that might be material to Carson Medlin in its review; and

that the financial projections it reviewed were reasonably prepared on a basis reflecting the best currently available estimates and judgment of the management of Indian River as to the future operating and financial performance of Indian River.

Carson Medlin's opinion is not an expression of an opinion as to the prices at which shares of Indian River's common stock or shares of Alabama National common stock will trade following the announcement of the merger or the actual value of the shares of common stock of the combined company when issued pursuant to the merger, or the prices at which the shares of common stock of the combined company will trade following the completion of the merger.

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In connection with its opinion dated October 22, 2003, Carson Medlin reviewed:

the merger agreement;

the audited financial statements and annual reports on Form 10-K of Alabama National for the five years ended December 31, 2002;

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the audited financial statements of Indian River for the five years ended December 31, 2002;

the unaudited interim financial statements of Alabama National for the nine months ended September 30, 2003;

the unaudited interim financial statements of Indian River for the nine months ended September 30, 2003;

certain financial and operating information with respect to the business, operations and prospects of Indian River and Alabama National.

In addition, Carson Medlin:

held discussions with members of management of Indian River and Alabama National regarding the historical and current business operations, financial condition and future prospects of their respective companies;

reviewed the historical market prices and trading activity for the common stock of Indian River and Alabama National and compared them with those of certain publicly-traded companies which it deemed to be relevant;

compared the results of operations of Indian River and Alabama National with those of certain banking companies which we deemed to be relevant;

compared the proposed financial terms of the merger with the financial terms, to the extent publicly available, of certain other recent business combinations of commercial banking organizations;

analyzed the pro forma financial impact of the merger on Alabama National; and

conducted such other studies, analyses, inquiries and examinations as Carson Medlin deemed appropriate.

Valuation Methodologies

The following is a summary of all material analyses performed by Carson Medlin in connection with its written opinion provided to Indian River's board of directors on October 22, 2003. The summary does not purport to be a complete description of the analyses performed by Carson Medlin but summarizes the material analyses performed and presented in connection with such opinion.

Summary of Merger Terms

Carson Medlin reviewed the terms of the proposed merger, including the form of consideration, the exchange ratio, the price per share of Alabama National's common stock and the resulting price paid to Indian River's shareholders pursuant to the merger agreement. Under the terms of the merger agreement, Alabama National will issue 0.9408 shares of Alabama National common stock for each of the outstanding shares of

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Indian River stock. The exchange ratio will increase if Alabama National's average price at closing is between \$44.00 and \$48.00 per share, ranging from 0.9493 to 0.9748.

Carson Medlin calculated that the indicated consideration received by Indian River's shareholders represented:

\$48.09 per share (based on Alabama National's 10-day average price as of October 22, 2003 of \$51.12 per share);

288.8% of Indian River's stated book value at September 30, 2003;

21.0 times Indian River's earnings for the trailing 12 months ended September 30, 2003;

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20.2% of Indian River's total assets at September 30, 2003;

25.6% of Indian River's total deposits at September 30, 2003; and

an 18.6% premium on Indian River's core deposits at September 30, 2003 (representing the premium paid over stated equity divided by total deposits excluding CDs greater than \$100,000).

Comparable Transaction Analysis

Carson Medlin reviewed certain information related to selected merger transactions involving all banks in the United States announced since January 1, 2002 with assets between \$400 million and \$750 million, the National peer group. This peer group included 20 transactions. Carson Medlin also reviewed certain information related to merger transactions involving banks in the Southeast with assets between \$400 million and \$1 billion and announced since January 1, 2002, the Southeast peer group, which included 8 transactions.

In evaluating these peer groups, Carson Medlin considered, among other factors, capital levels, asset size and quality of assets of the acquired financial institutions. Carson Medlin compared the price to trailing twelve months' earnings, price to book value, price to total assets, price to total deposits and core deposit premium for the two peer groups to the proposed merger at the time it was announced. These comparisons are discussed below.

Comparable Transaction Analysis National Peer Group

Other Pricing Multiples	IRBC	Comparable Transactions		
	Indicator	Median	High	Low
Purchase Price % of Stated Book Value	288.8%	230.7%	429.7%	131.3%
Purchase Price as a Multiple of LTM Earnings	21.0	20.3	24.1	7.0
Purchase Price % of Total Assets	20.2%	17.5%	26.2%	11.1%
Purchase Price % of Total Deposits	25.6%	23.5%	38.1%	14.7%
Core Deposit Premium	18.6%	18.2%	34.8%	4.5%

Comparable Transaction Analysis Southeast Peer Group

Other Pricing Multiples	IRBC	Comparable Transactions		
	Indicator	Median	High	Low
Purchase Price % of Stated Book Value	288.8%	295.6%	506.5%	206.1%
Purchase Price as a Multiple of LTM Earnings	21.0	21.8	23.8	18.2
Purchase Price % of Total Assets	20.2%	22.9%	32.9%	15.6%

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Purchase Price % of Total Deposits	25.6%	27.8%	38.6%	19.0%
Core Deposit Premium	18.6%	22.2%	43.4%	16.0%

Based on this analysis, Carson Medlin observed that the consideration to be received by Indian River's shareholders represented 288.8% of the stated book value of \$16.65 per share, which exceeded the median indicator for the National peer group and was slightly below the median indicator for the Southeast peer group. On a price to earnings basis, Indian River's indicator of 21.0 times trailing 12 months earnings of \$2.29 per share exceeded the median indicator for the National peer group and was slightly below the median indicator for the Southeast peer group. Based on Indian River's total assets of \$519.0 million, the indicated price to assets ratio was 20.2% which was above the median indicator for the National peer group and below the median indicator for the Southeast peer group. The price as a percentage of total deposits (\$410.2 million) implied by the merger is 25.6%, which is higher than the National peer group median but below the Southeast peer group median. The core deposit premium implied by the merger is 18.6%, which is higher than the median for the National peer group and below the Southeast peer group median.

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Carson Medlin also determined an implied value for Indian River based on the median indicator for each of the peer groups as shown in the following table.

Value Per Share Indicated by Median Valuations in Comparable Transactions

	<u>Book Value</u>	<u>Trailing 12 Months EPS</u>	<u>Total Assets</u>	<u>Total Deposits</u>	<u>Core Deposit Premium</u>	<u>Average Price</u>
Purchase Price	\$ 48.09	\$ 48.09	\$ 48.09	\$ 48.09	\$ 48.09	\$ 48.09
Indicated Pricing Multiple	288.8%	21.0	20.2%	25.6%	18.6%	
Southeast Peer Group	\$ 49.22	\$ 49.91	\$ 54.43	\$ 52.36	\$ 54.20	\$ 52.02
Indicated Median Multiple	295.6%	21.8	22.9%	27.8%	22.2%	
National Peer Group	\$ 38.41	\$ 46.56	\$ 41.67	\$ 44.29	\$ 47.47	\$ 43.68
Indicated Median Multiple	230.7%	20.3	17.5%	23.5%	18.2%	

This analysis indicated that Indian River's shares had a potential value from \$49.22 per share to \$54.43 per share, with an average of \$52.02 per share, based on the median indicators for the Southeast peer group. The indicated values range from \$38.41 per share to \$47.47 per share with an average of \$43.68 per share based on the median indicators for the National peer group. The indicated value of the Indian River offer was \$48.09 per share which was above the midpoint of the range of indicated values.

No transaction used as a comparison in the above analysis is identical to Alabama National, Indian River or the merger. Accordingly, an analysis of these results is not purely mathematical. Rather, it involves complex considerations and judgments concerning differences in financial and operating characteristics of the companies and other factors that could affect the value of the companies to which they are being compared.

Contribution Analysis

Carson Medlin analyzed the relative contribution of each of Indian River and Alabama National to the pro forma balance sheet and income statement items as of September 30, 2003 to the pro forma combined entity, including assets, loans, net of unearned income, deposits, equity, and net income. This analysis excluded any purchase accounting adjustments. The pro forma ownership analysis assumed 100% of the aggregate deal value is in the form of Alabama National stock and was based on an exchange ratio of 0.9408. The results of Carson Medlin's analysis are set forth in the following table:

<u>Category</u>	<u>Alabama National</u>	<u>Indian River</u>
Assets	88.1%	11.9%
Loans, net of unearned income	91.3%	8.7%
Deposits	87.0%	13.0%
Tangible Equity	88.2%	11.8%
Net Income (Nine months ended 9/30/03)	89.1%	10.9%
Estimated Pro Forma Ownership	86.2%	13.8%

Present Value Analysis

Carson Medlin calculated the present value of Indian River assuming that Indian River remained an independent bank. For purposes of this analysis, Carson Medlin utilized certain projections of Indian River's future growth of assets, earnings and dividends and assumed a terminal value for Indian River's stock at the end of the period by applying price to earnings multiples ranging from 18x to 22x and price to book value multiples ranging from 200% to 300%. Carson Medlin based their projections on Indian River's historic growth rates, management estimates, as well as expected industry trends over the period analyzed with an expected average annual growth rate of approximately 8.5%. The average return on assets (ROA) over the projected period is

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approximately 1.12% and is based on Indian River's estimates and Carson Medlin's estimates. The terminal multiples were based on Carson Medlin's experience in similar merger transactions over the past several years and those multiples observed in other transactions as exhibited by the comparable transactions described above. The values were then discounted to present value utilizing discount rates of 13% to 15%. These rates were selected because, in Carson Medlin's experience, they represent the rates that investors in securities such as Indian River's common stock would demand in light of the potential appreciation and risks as observed in expected returns for alternative investments.

Price to Earnings Ratios

	<u>18</u>	<u>19</u>	<u>20</u>	<u>21</u>	<u>22</u>
13.0%	\$ 37.10	\$ 39.04	\$ 40.97	\$ 42.90	\$ 44.84
14.0%	\$ 35.55	\$ 37.39	\$ 39.24	\$ 41.09	\$ 42.94
15.0%	\$ 34.07	\$ 35.84	\$ 37.61	\$ 39.38	\$ 41.15

On the basis of the terminal price to earning assumptions, Carson Medlin calculated that the present value of Indian River as an independent bank ranged from \$34.07 per share to \$44.84 per share. The indicated consideration to be paid to Indian River's shareholders was \$48.09 per share (based on Alabama National's 10-day average stock price of \$51.12 per share on October 22, 2003) which is higher than the top end of the range indicated under this present value analysis.

Price to Book Value Ratios

	<u>2.00</u>	<u>2.25</u>	<u>2.50</u>	<u>2.75</u>	<u>3.00</u>
13.0%	\$ 35.95	\$ 40.15	\$ 44.36	\$ 48.56	\$ 52.76
14.0%	\$ 34.44	\$ 38.46	\$ 42.48	\$ 46.51	\$ 50.53
15.0%	\$ 33.01	\$ 36.86	\$ 40.71	\$ 44.56	\$ 48.41

On the basis of the terminal price to book value assumptions, Carson Medlin calculated that the present value of Indian River as an independent bank ranged from \$33.01 per share to \$52.76 per share. The indicated consideration to be paid to Indian River's shareholders was \$48.09 per share (based on Alabama National's 10-day average stock price of \$51.12 per share on October 22, 2003) which is near the high end of this range.

Industry Comparative Analysis

In connection with rendering its opinion, Carson Medlin compared selected operating results of Alabama National to a peer group of banks in the Southeast with assets from \$1 billion to \$5 billion. The Alabama National selected peer group consists of First Charter Corporation, United Community Banks, Inc., Republic Bancshares, Inc., Main Street Banks, Inc., Capital City Bank Group, Inc., First Community Bancshares, Inc., Banc Corporation, Virginia Financial Group, Inc., First Bancorp, Seacoast Banking Corp. of Florida, Union Bankshares Corp., First National Corp., ABC Bancorp, and Fidelity Southern Corp. Carson Medlin compared, among other factors, profitability, capitalization, asset quality and operating efficiency of Alabama National to these financial institutions. Carson Medlin noted the following performance based on results at or for the nine months ended September 30, 2003 (or most recent available) and stock prices as of October 22, 2003.

Table of Contents**Selected Peer Group Financial Performance:**

	<u>Median</u>	<u>Low</u>	<u>High</u>	<u>Alabama National</u>
Return on Average Equity	13.66%	5.65%	16.21%	16.03%
Return on Average Assets	1.14	0.39	1.67	1.14
Net Interest Margin	4.07	2.97	5.34	3.66
Efficiency Ratio	62.8	51.7	82.2	66.8
Equity / Assets	8.84	6.14	10.73	7.06
Non-Performing Assets / Assets	0.49	0.21	2.63	0.23

Selected Peer Group Market Performance:

	<u>Median</u>	<u>Low</u>	<u>High</u>	<u>Alabama National</u>
Price / Stated Book Value Per Share	205.9%	152.7%	262.8%	244.8%
Price / Trailing 12 Months EPS	16.3x	14.1x	20.7x	16.2x
Price / Assets	18.7%	9.8%	27.8%	17.3%
Dividend Yield	2.1%	0.0%	3.5%	2.2%

Carson Medlin also compared selected operating results of Indian River to those of 54 publicly-traded community commercial banks in Alabama, Florida, Georgia, Maryland, Mississippi, North Carolina, South Carolina, Tennessee, Virginia and West Virginia, which are listed in the Southeastern Independent Bank Review, a proprietary research publication prepared by Carson Medlin quarterly since 1991.

The banks reviewed by Carson Medlin ranged in asset size from \$197 million to \$1.9 billion and in shareholders' equity from approximately \$16 million to \$196 million. Carson Medlin considers this group of financial institutions more comparable to Indian River than larger, more widely traded regional financial institutions. Carson Medlin compared, among other factors, profitability, capitalization, asset quality and operating efficiency of Indian River to these financial institutions. Carson Medlin noted the following performance based on results at or for the six months ended June 30, 2003 (most recent available):

	<u>IRBC</u>	<u>Average for Peer Group</u>
Return on Average Assets	1.00%	1.15%
Return on Average Equity	13.7%	12.4%
Net Interest Margin	3.69%	4.25%
Equity to Assets	7.2%	9.4%
Efficiency Ratio	65.6%	61.9%
Non-Performing Assets (defined as 90 days past due, nonaccrual loans and other real estate) to Total Loans, net of unearned income and other real estate	0.17%	0.90%

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Carson Medlin noted that Indian River's financial performance was below the peer group for return on assets, net interest margin and operating efficiency. Its equity to assets ratio was also lower than the peer group. Indian River's return on equity and asset quality ratios were better than the peer group.

No company used as a comparison in the above analysis is identical to Alabama National, Indian River or the merger. Accordingly, an analysis of these results is not purely mathematical. Rather, it involves complex considerations and judgments concerning differences in financial and operating characteristics of the companies and other factors that could affect the value of the companies to which they are being compared.

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Historical Stock Trading Analysis

Carson Medlin reviewed and analyzed the historical trading price and volume of Alabama National common stock over recent periods. Alabama National's stock is listed on Nasdaq's National Market System. In the past year, Alabama National's stock has traded from a low of \$39.74 to a high of \$53.69 per share. Alabama National's stock was trading at \$51.00 per share one day prior to the merger announcement. Alabama National's stock trading volume has been active with average daily volume of approximately 14,000 shares.

Carson Medlin compared recent trading prices of Alabama National's stock to the recent market values of the selected peer group of Southeastern banks with assets from \$1 billion to \$5 billion. This comparison shows that Alabama National's stock currently trades, and has generally traded over the three year period examined, at a premium based on book value multiples. Alabama National's stock currently trades at a discount based on earnings multiples to the selected peer group and has generally traded at a discount for most of the last three years. At October 22, 2003, Alabama National's common stock traded at 244.8% of book value compared to an average of 210.3% for the selected peer group. On a price to trailing earnings basis, Alabama National's common stock traded at 17.3 times earnings compared to an average of 18.4 times earnings for the selected peer group.

Carson Medlin also analyzed the historical trading prices and volume of Indian River's common stock. However, Indian River's stock has not traded in volumes significant enough to be considered meaningful.

Other Analyses

Carson Medlin reviewed the relative financial performance of Alabama National and Indian River since 1999 and reviewed recent research coverage for Alabama National. Carson Medlin also compared the ownership of one share of Indian River's stock to the ownership of 0.9408 of a share of Alabama National common stock from the perspective of claims on various balance sheet and income statement variables, the shareholder claims analysis. In conducting these comparisons, Carson Medlin found that Indian River's shareholders would have more in the way of earnings per share, dividends, total assets and stated book value per share after the merger than if the merger had not occurred.

The opinion expressed by Carson Medlin was based upon market, economic and other relevant considerations as they existed and could be evaluated as of the date of the opinion. Events occurring after the date of issuance of the opinion, including but not limited to, changes affecting the securities markets, the results of operations or material changes in the assets or liabilities of Alabama National or Indian River, could materially affect the assumptions used in preparing the opinion.

In connection with its updated opinion, dated as of January 7, 2004, the latest practicable date prior to the printing of this proxy statement-prospectus, Carson Medlin confirmed the appropriateness of its reliance on the analyses used to render its October 22, 2003 opinion by performing procedures to update certain of such analyses and reviewing the assumptions on which its analyses were based and the factors considered in connection therewith. It was Carson Medlin's opinion, therefore, that the consideration to be received by Indian River's shareholders, as provided for in the merger agreement, was fair from a financial point of view, to the shareholders of Indian River.

Indian River and Carson Medlin have entered into an agreement relating to the services to be provided by Carson Medlin in connection with the Merger. Indian River has agreed to pay Carson Medlin at the time of closing a cash fee equal to \$95,000. Under the Carson Medlin engagement agreement, Indian River also agreed to reimburse Carson Medlin for reasonable out-of-pocket expenses and disbursements incurred in

connection with its retention and to indemnify Carson Medlin against certain liabilities, including liabilities under the federal securities laws.

Effect on Certain Employee Benefit Plans of Indian River

401(k) Plan. Indian River National Bank maintains a 401(k) defined contribution plan for its employees (the 401(k) Plan). Under the Merger Agreement, the 401(k) Plan will be terminated prior to the Effective Time, and

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each participant will become 100% vested in the 401(k) Plan. After the Merger, Alabama National will offer each employee of Indian River National Bank who was eligible to participate in Indian River's plan the opportunity to enroll in Alabama National's 401(k) defined contribution plan.

Treatment of Indian River Stock Options. The Merger Agreement provides that at the time we complete the Merger, all outstanding stock options granted by Indian River under its stock option plans will be converted automatically into options to purchase Alabama National common stock. Alabama National will assume these options, as proportionately adjusted to reflect the terms of the Merger, and as subject to their existing terms, including any acceleration in vesting that will occur as a consequence of the Merger. As a result of the Merger, all outstanding Indian River options will become fully vested.

The number of shares of Alabama National common stock that may be purchased upon exercise of each assumed option will equal the product of (A) the number of shares of Indian River common stock that were purchasable under the assumed option immediately before the Effective Time and (B) the Exchange Ratio, rounded to the nearest whole share. The per share exercise price for each assumed option will equal the quotient of (1) the per share exercise price of the assumed option in effect immediately before the Effective Time divided by (2) the Exchange Ratio, rounded to the nearest cent.

In order to permit holders of Indian River options to freely trade the shares issuable upon exercise, Alabama National has agreed that, as soon as practicable after the Effective Time of the Merger, it will file a registration statement with the Securities and Exchange Commission with respect to the shares of Alabama National common stock issuable upon the exercise of the converted Indian River options, and that it will use its reasonable efforts to maintain the effectiveness of that registration statement for so long as any such options remain outstanding.

The executive officers and directors of Indian River held an aggregate of 101,600 options to purchase shares of Indian River common stock as of the Record Date for the Special Meeting.

Conditions to Consummation of the Merger

The respective obligations of Alabama National and Indian River to effect the Merger are subject to the satisfaction of the following conditions prior to the Effective Time:

- (a) shareholder approval of Indian River shall have been received;
- (b) all regulatory approvals shall have been received and waiting periods shall have expired, and no such approval shall be conditioned or restricted in a manner which, in the opinion of the board of directors of Alabama National or Indian River, materially adversely impacts the Merger so as to render it inadvisable;
- (c) all consents necessary to consummate the Merger and avoid a material adverse effect on the relevant party shall have been obtained;
- (d) no court or regulatory authority shall have taken any action that restricts, prohibits or makes illegal the transactions provided for in the Merger Agreement, and no action shall have been instituted seeking to restrain the Merger which, in the opinion of the board of

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directors of Alabama National or Indian River, renders its consummation impossible or inadvisable; and

- (e) the Registration Statement on Form S-4 shall have become effective under the Securities Act of 1933, and no stop order suspending the effectiveness of the Registration Statement shall have been issued and no proceeding for that purpose shall have been commenced or threatened by the SEC.

The obligations of Alabama National to effect the Merger are further subject to the satisfaction or waiver of the following conditions:

- (a) the representations and warranties of Indian River in the Merger Agreement shall be true as if made at the Effective Time;

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- (b) the agreements and covenants of Indian River in the Merger Agreement and agreements provided for therein shall have been performed and complied with by the Effective Time;
- (c) Indian River shall have delivered to Alabama National certain certificates of its corporate officers provided for in the Merger Agreement;
- (d) Indian River shall have delivered to Alabama National an opinion of its counsel as provided in the Merger Agreement;
- (e) immediately prior to the Effective Time, Indian River and Indian River National Bank shall have a minimum net worth (as defined in the Merger Agreement) of \$35 million and \$34.5 million, respectively;
- (f) Alabama National shall have received from Hacker, Johnson & Smith, P.A., certified public accountants, a comfort letter dated as of the Effective Time with respect to such matters relating to the financial condition of Indian River as Alabama National may reasonably request;
- (g) the charge offs, reserves and accruals as Alabama National shall reasonably request to conform Indian River's accounting policies to Alabama National's accounting policies shall have been made;
- (h) Alabama National shall be satisfied in its sole discretion that Indian River has taken all reasonably necessary steps such that the Merger will not trigger any excess parachute payment (as defined in Section 280G of the Internal Revenue Code), that could be disallowed as a deduction or result in the payment of excise taxes under Section 280G or 162(m) of the Code;
- (i) the existing employment agreements with Paul A. Beindorf, Jeffrey Morton and Phillip Tasker shall be terminated as of the Effective Time without any penalty, fee or cost to Alabama National or Indian River (other than the termination payments described elsewhere in this proxy statement-prospectus, to which Alabama National has agreed), and Mr. Beindorf, Mr. Morton and Mr. Tasker shall have entered into new employment agreements with Indian River National Bank as approved by Alabama National;
- (j) no regulatory authority shall have asserted that Indian River or any of its subsidiaries is not in material compliance with such regulatory authority, revoked any material permits or issued any order or similar undertaking that restricts or impairs the conduct of Indian River's or any of its subsidiaries' business;
- (k) there shall have been no determination by Alabama National that any fact, event or condition exists or has occurred that would have a material adverse effect on Indian River or the Merger or that would render the Merger impractical;
- (l) Indian River shall have obtained the consent or approval of each person required to permit the succession by Alabama National to any contract obligation, right or interest of Indian River;
- (m) there shall not be any action taken by any regulatory authority which imposes any material adverse requirement upon Alabama National unless it is customary in connection with the acquisition of banks under similar circumstances;
- (n) subsequent to the execution of the Merger Agreement, there shall not have been any material increase in Indian River National Bank's nonperforming, classified or related party loans;
- (o) Alabama National shall have received documentation that the Indian River 401(k) Plan will be terminated as of the Effective Time;

- (p) Indian River shall have taken all reasonably necessary steps such that IRNB Insurance Services, LLC and Indian River Title Company, LLC shall have become wholly-owned financial subsidiaries of Indian River National Bank; and
- (q) Indian River shall have paid off in full and terminated its loan agreement with Colonial Bank without any penalty or other cost or expense to Alabama National, and all liens and collateral for such loan, including all shares of capital stock of Indian River National Bank, shall have been released in full.

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Indian River has previously issued debentures in the aggregate principal amount of \$7,217,000 to Indian River Capital Trust I in connection with the issuance of trust preferred securities by the Trust. As a condition to the Merger, Indian River is required to obtain all necessary consents and approvals related to the assumption of the trust preferred securities by Alabama National. Indian River has already obtained all necessary consents and approvals related to the trust preferred securities, subject to the completion of the Merger, and, therefore, has satisfied this condition.

The obligations of Indian River to effect the Merger are further subject to the satisfaction or waiver of the following conditions:

- (a) the representations and warranties of Alabama National in the Merger Agreement shall be true as if made at the Effective Time;
- (b) the agreements and covenants of Alabama National in the Merger Agreement and agreements provided for therein shall have been performed and complied with by the Effective Time;
- (c) Alabama National shall have delivered to Indian River certain certificates of its corporate officers provided for in the Merger Agreement;
- (d) Alabama National shall have delivered to Indian River an opinion of its counsel as provided in the Merger Agreement;
- (e) Indian River shall have received from PricewaterhouseCoopers, LLP, certified public accountants, a comfort letter dated as of the Effective Time with respect to such matters relating to the financial condition of Alabama National as Indian River may reasonably request;
- (f) the opinion received by Indian River from The Carson Medlin Company that the consideration to be received by the Indian River shareholders is fair from a financial point of view shall not have been withdrawn as of the Effective Time;
- (g) Alabama National common stock to be issued in the Merger shall have been qualified as a Nasdaq National Market System Security as defined by the SEC;
- (h) no regulatory authority shall have asserted that Alabama National or any of its subsidiaries is not in material compliance with such regulatory authority, revoked any material permits or issued any order or similar undertaking that restricts or impairs the conduct of Alabama National or any of its subsidiaries' business; and
- (i) Alabama National shall have assumed the obligations of Indian River with respect to its trust preferred securities. As described above, this condition has been satisfied subject to the completion of the Merger.

Regulatory Approvals

The Merger is conditioned upon receipt of the necessary regulatory approvals. Bank holding companies and banks are regulated extensively under both federal and state law. Alabama National and Indian River are subject to regulation by the Federal Reserve. The Bank Holding Company Act requires a bank holding company to obtain the prior approval of the Federal Reserve before it may acquire substantially all of the assets of any bank or ownership or control of any voting shares of any bank if, after such acquisition, it would own or control, directly or

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indirectly, more than five percent of the voting shares of any such bank. Accordingly, on November 21, 2003, Alabama National filed an application with the Federal Reserve in accordance with Section 3 of the Bank Holding Company Act. By letter dated December 23, 2003, the Federal Reserve approved the application by Alabama National to merge with Indian River.

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Conduct of Business Pending the Merger

The Merger Agreement requires that each of Indian River and Alabama National shall preserve its business organization, goodwill, relationships with depositors, customers and employees, and assets and maintain its rights and franchises and take no action that would adversely affect its ability to perform under the Merger Agreement. In addition, Indian River has agreed that, without the consent of Alabama National, it will not:

- (a) amend its Articles of Incorporation, Bylaws or other governing instruments or those of any of its subsidiaries;
- (b) incur additional debt obligations except in the ordinary course of business or allow any lien to exist on any share of the stock held by itself or any of its subsidiaries, other than those in place on the date of the Merger Agreement;
- (c) repurchase, redeem or otherwise acquire or exchange any shares, or any securities convertible into any shares of the stock of itself or any of its subsidiaries, other than in connection with the exercise of outstanding stock options, or declare or pay any dividend or make any other distribution in respect of its capital stock (except for a dividend of \$0.50 per share paid on November 17, 2003 to shareholders of record on October 31, 2003);
- (d) except as provided in the Merger Agreement and as required upon exercise of any Indian River stock options, issue, sell, pledge, encumber or enter into any contract to issue, sell, pledge or encumber, or authorize any of the foregoing, any additional shares of Indian River common stock or any other capital stock of Indian River or any subsidiary, or any stock appreciation rights, options, warrants, conversion or other rights to acquire any such stock;
- (e) adjust, split, combine or reclassify any of its capital stock or that of any of its subsidiaries, issue or authorize the issuance of any other securities or sell, lease, mortgage or otherwise encumber any shares of any of its subsidiaries or other asset other than in the ordinary course of business for reasonable and adequate consideration;
- (f) acquire any direct or indirect equity interest in any entities, other than in connection with foreclosures in the ordinary course of business, acquisitions of control by a depository institution subsidiary in a fiduciary capacity and stock of the Federal Home Loan Bank of Atlanta in the ordinary course of business;
- (g) grant any increase in compensation or benefits of the employees or officers of Indian River or any of its subsidiaries, except in accordance with past practice, grant or pay bonuses, except in accordance with past practice or pursuant to preexisting bonus plans or programs, enter into or amend severance agreements or grant any material increases in fees or other compensation to directors;
- (h) enter into or amend any employment contract without an unconditional right to terminate without liability, except for the renewal of employment agreements for Jeffrey Morton and Phillip Tasker;
- (i) adopt any new employee benefit plans or make any material changes to any existing employee benefit plans other than as required by law or that is necessary or advisable to maintain the tax qualified status of any such plan;
- (j) make any material change in any accounting methods or systems of internal accounting controls, except as appropriate to conform to changes in regulatory accounting requirements or generally accepted accounting principles;

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- (k) commence any litigation other than in accordance with past practice, settle any litigation involving any liability for material monetary damages or restrictions on the operations of Indian River or any of its subsidiaries or, except in the ordinary course of business, modify, amend or terminate any material contract or waive, release, compromise or assign any material rights or claims;
- (l) operate its business otherwise than in the ordinary course, or in a manner not consistent with safe and sound banking practices or applicable law;

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- (m) fail to file timely any report required to be filed with any regulatory authorities;
- (n) cancel without payment in full, or modify any contract relating to, any loan or other obligation receivable from any shareholder, director or officer of Indian River or any of its subsidiaries or any members of their immediate families;
- (o) enter into any contract for services or otherwise with any of the holders of 5% or more of Indian River common stock, or the directors, officers or employees of Indian River or any of its subsidiaries or any members of their immediate families;
- (p) modify, amend or terminate any material contract or waive, release, compromise or assign any material rights or claims, except in the ordinary course of business or for fair consideration;
- (q) file any application to relocate or terminate the operations of any of its banking offices or any of its subsidiaries;
- (r) except in accordance with applicable law, change its or any of its subsidiaries' lending, investment, liability management and other material banking policies in any material respect;
- (s) intentionally take any action reasonably expected to jeopardize or delay the receipt of any regulatory approval required to consummate the Merger;
- (t) take any action that would cause the transactions provided for in the Merger Agreement to be subject to requirements imposed by any anti-takeover laws;
- (u) make or renew any loan to any person or entity who or that owes, or would as a result of such loan or renewal owe, Indian River or any of its subsidiaries more than \$2 million of secured indebtedness or \$500,000 of unsecured indebtedness;
- (v) increase or decrease the rate of interest paid on time deposits or on certificates of deposit, except as consistent with past policies;
- (w) acquire any investment securities or asset-backed securities (with certain exceptions as described in the Merger Agreement);
- (x) dispose of any real property or interests therein having a book value in excess of or in exchange for consideration in excess of \$50,000 (with certain exceptions as described in the Merger Agreement); or
- (y) make any capital expenditures individually in excess of \$50,000, or in the aggregate in excess of \$100,000.

Alabama National has agreed that, without the consent of Indian River, it will not:

- (a) fail to file timely any report required to be filed with any regulatory authorities, including the SEC; or
- (b) take any action that would cause Alabama National common stock to cease to be traded on the Nasdaq Stock Market, except in a transaction where Alabama National common stock is converted into cash or another marketable security that is traded on a national securities exchange and the terms of any such transaction expressly provide for the consummation of the Merger in accordance with its terms and treats holders of Indian River common stock and options to purchase Indian River common stock in the same manner as

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they would be treated as holders of the same number of shares of Alabama National common stock or options into which the Indian River shares and options are converted.

Each party has also agreed to give written notice to the other promptly upon becoming aware of the occurrence of any event which is likely to constitute a Material Adverse Effect within the meaning given to such term in the Merger Agreement or constitute a material breach of any of its representations, warranties or covenants contained in the Merger Agreement and to use its reasonable efforts to remedy any such condition or breach.

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Indian River has also agreed to not solicit, initiate, discuss or knowingly encourage any acquisition proposal involving Indian River and any third party acquiror. Notwithstanding the foregoing, Indian River may discuss an acquisition proposal with a third party if the Indian River board of directors determines in good faith that such acquisition proposal is a superior proposal, as compared to the terms of the Merger. A superior proposal is generally described as a bona fide written acquisition proposal that the board of directors concludes in good faith to be more favorable from a financial point of view to the Indian River shareholders than the Merger.

Waiver and Amendment; Termination; Termination Fee

Prior to the Effective Time, either Alabama National or Indian River may waive any default in performance of any term of the Merger Agreement, waive or extend the time for the compliance or fulfillment by the other of any and all of its obligations under the Merger Agreement, waive any or all of the conditions precedent and may, to the extent permitted by law, amend the Merger Agreement in writing with the approval of the board of directors of each of Indian River and Alabama National.

The Merger Agreement may be terminated at any time prior to the Effective Time, as follows:

- (a) by mutual consent of Alabama National and Indian River;