NBC CAPITAL CORP
Form 10-K
March 30, 2001

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

For the fiscal year ended December 31, 2000

Commission File Number 0-12885

NBC Capital Corporation
(Exact name of registrant as specified in its charter)

Mississippi	64-0694755
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

NBC Plaza, Starkville, Mississippi	39760-1187
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code:
(662) 323-1341

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

Title of each class: Common stock, $1 par value
Name of each exchange on which registered: American Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to the Form 10-K. ( )

Aggregate market value of the voting stock held by nonaffiliates as of March 23, 2001, was approximately:

$106,345,000
(based on most recent sale)

Indicate the number of shares outstanding of each of the issuers' classes of common stock as of the latest practicable date:

Common Stock, $1 par value - 6,222,632 shares outstanding as

of March 23, 2001.

Documents incorporated by reference -

Portions of the Proxy Statement dated April 9, 2001, are incorporated by reference into Part III.

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PART I

ITEM 1 - BUSINESS

Forward Looking Statements

From time to time, NBC Capital Corporation (the Company) may publish forward-looking statements relating to such matters as anticipated financial performance, business prospects, technological developments, new products and similar matters. The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements. In order to comply with terms of the safe harbor, the Company notes that a variety of

factors could cause the Company's actual results and experience to differ materially from the anticipated results or other expectations expressed in the Company's forward-looking statements. The risks and uncertainties that may affect the operations, performances, development and results of the Company's business include, but are not limited to, the following: risks from changes in economic and industry conditions; changes in interest rates; risks inherent in making loans including repayment risks and value of collateral; dependence on senior management; and recently-enacted or proposed legislation. Statements contained in this filing regarding the demand for the Company and its subsidiaries' products and services, changing economic conditions, interest rates, and numerous other factors, may be forward-looking statements and are subject to uncertainties and risks.

NBC Capital Corporation

The Company is a bank holding company which was organized under the laws of the State of Mississippi. On July 2, 1984, the Company acquired all of the outstanding common stock of the National Bank of Commerce (NBC), a national banking corporation. For the year ended December 31, 2000, the Company's subsidiaries accounted for approximately 99% of the Company's consolidated income and consolidated expenses.

National Bank of Commerce

NBC was originally formed through a series of mergers which began in 1972 and concluded on October 1, 1974. In March, 1991, NBC acquired the assets and assumed the liabilities of the Bank of Philadelphia. In 1994, the Company acquired NBC of Tuscaloosa (formerly First State Bank of Tuscaloosa). On December 31, 1998, the Company acquired all the outstanding common stock of First National Corporation of West Point ("FNC") in exchange for 864,736 shares of the Company's common stock. The acquisition was accounted for as a pooling of interest. FNC was merged into the Company and FNC's wholly-owned subsidiary banks, First National Bank of West Point and National Bank of the South, were merged into NBC. Concurrently, the Company's subsidiary, NBC of Tuscaloosa, was merged into NBC (formerly NBC of Mississippi). As a result of the acquisition and reorganization, NBC was the resulting financial institution. Also, First National Finance Company, a wholly-owned finance company subsidiary of FNC became a wholly-owned subsidiary of the Company. On August 31, 1999, the Company acquired all the outstanding stock of FFBS Bancorp, Inc. (FFBS). FFBS was the holding company of its wholly-owned savings bank, First Federal Bank for Savings (First Federal), Columbus, Mississippi. The Company exchanged 1,396,162 shares of its common stock and a nominal amount of cash in lieu of fractional shares for each common share of FFBS. First Federal was merged into NBC with NBC as the surviving institution. The transaction was accounted for as a pooling of interests and historical financial statements of the Company were restated to give effect of the acquisition. On September 30, 1999, NBC acquired the insurance agencies of Galloway-Wiggers Insurance Agency, Inc., Kyle Chandler Insurance Agency, Inc., Galloway-Chandler-McKinney, Inc., and Napier Insurance Agency, Inc. NBC exchanged 173,184 of the Company's common stock for all of the issued and outstanding stock of the insurance agencies. The insurance agencies were combined into a wholly-owned subsidiary of NBC, Galloway-Chandler-McKinney Insurance Agency, Inc. (GCM). The acquisition was accounted for as a pooling of interests. The historical financial statements of the Company were not restated as the changes would have been immaterial. On April 28, 2000, GCM acquired Heritage Insurance Agency, Ltd., an independent insurance agency located in Starkville, Mississippi, for $47,025 in cash and 14,028 shares of the Company's common stock. The acquisition was accounted for as a purchase.

NBC is the largest commercial bank domiciled in the north central area of the state known as the Golden Triangle. A total of twenty-six banking facilities and an operation/administration center serves the communities of Aberdeen, Amory, Brooksville, Columbus, Hamilton, Maben, New Hope, Philadelphia, West Point and Starkville. This area extends into six Mississippi counties with a radius of approximately 65 miles from the home office in Starkville. The Bank also serves the Tuscaloosa, Alabama, area with a main office and four branch locations.

NBC is engaged in the general banking business and activities closely related to banking as authorized by the banking laws and regulations of the United States. There were no significant changes in the business activities of NBC during 2000.

NBC provides a complete line of wholesale and retail services including mortgage loans and trusts. The customer base is well diversified and consists of business, industry, agriculture, government, education and individual accounts. Profitability and growth have been consistent throughout the history of the bank.

NBC utilizes a written Asset/Liability Management Policy which calls for a static gap position of no more than a plus or minus 10% of aggregate assets over a 24-month period.

NBC is operated in a conservative fashion while meeting the needs of the community. There has been no disposition of any material amounts of assets nor has there been a material change in the mode of conducting business. No major changes in operations are planned for the near future.

NBC Service Corporation

NBC Service Corporation (Service) is a wholly-owned subsidiary of NBC and was formed to provide additional financial services that otherwise might not be provided by NBC. For the years 2000 and 1999, its primary activity was limited to its investment in Commerce National Insurance Company (CNIC) of which Service owns 79%. Commerce National Insurance Company is a credit life insurance company whose primary source of income is from premiums on credit life insurance on loans issued by NBC.

Galloway-Chandler-McKinney Insurance Agency, Inc.

Galloway-Chandler-McKinney Insurance Agency, Inc. (GCM) is a wholly-owned subsidiary of NBC. GCM operates as an independent insurance agency with its primary source of revenue coming from commissions and premiums on the sale of property and casualty insurance, life insurance, annuities, and other commercial lines. GCM is the result of the insurance agencies acquired on September 30, 1999, and April 28, 2000, as previously described. GCM has locations in Columbus, West Point, Amory, Starkville, and Aberdeen, Mississippi. At December 31, 2000, GCM had total assets of approximately $2.4 million, and for the year ended December 31, 2000, reported gross revenues of approximately $3.6 million.

NBC Insurance Services of Alabama, Inc.

NBC Insurance Services of Alabama is a wholly-owned subsidiary of NBC and was formed in 1999 for the purpose of selling annuity products in the State of Alabama. For the years ended December 31, 2000 and 1999, its activities were not significant. Management anticipates significant revenues from this activity, but is uncertain as to anticipated results since activities remain in the development stage.

First National Finance

First National Finance (Finance), a wholly-owned subsidiary of the Company, is a finance company that provides lending and financing services to consumers. It engages in consumer financing, and its loans are of a smaller amount and a higher interest rate than those of NBC. Its loan portfolio totaled approximately $1.3 million at December 31, 2000. Finance is located in West Point, Mississippi. Finance was acquired as part of the FNC acquisition previously mentioned.

Competition

NBC and its subsidiaries currently serve six counties and ten municipalities in North Central Mississippi. Over this same area, the bank competes directly with approximately 16 competing banking institutions, numerous credit unions, finance companies, brokerage firms, mortgage companies and insurance companies. The competing banking institutions range in asset size from approximately $150 million to in excess of $45 billion. NBC is the largest bank domiciled in its immediate service area. Asset size of competitive banks depends on whether the reference is made to the branch banks or to their parent banks. Several other competitors are branches or divisions of nationwide and regional companies with more resources than the Company and its subsidiaries.

NBC also serves the City of Tuscaloosa, Alabama, with a main office and four branch locations. The bank competes with approximately eight other financial institutions, most of which are larger. The other institutions range in size from approximately $150 million to $45 billion. Asset size of the competitive banks depends on whether reference is made to the branch banks or to their parent bank. In Tuscaloosa, NBC also competes with numerous credit unions, finance companies, etc., many of which are branches of nationwide companies.

Supervision and Regulation

The Company and its subsidiary bank are subject to state and federal banking laws and regulations which impose specific requirements or restrictions on and provide for general regulatory oversight with respect to virtually all aspects of operations. These laws and regulations are generally intended to protect depositors, not shareholders. To the extent that the following summary describes statutory or regulatory provisions, it is qualified in its entirety by reference to the particular statutory and regulatory provisions. Any change in applicable laws or regulations may have a material effect on the business and prospects of the Company. Beginning with the enactment of the Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("FIRREA") and following with Federal Deposit Insurance Corporation Improvement Act (FDICIA), which was enacted in 1991, numerous additional regulatory requirements have been placed on the banking industry, and additional changes have been proposed. The operations of the Company and its subsidiaries may be affected by legislative changes and the policies of various regulatory authorities. The Company is unable to predict the nature or the extent of the effect on its business and earnings that fiscal or monetary policies, economic control, or new federal or state legislation may have in the future.

The Company is a bank holding company within the meaning of the Bank Holding Company Act of 1956 (the Act) and is registered as such with the Board of Governors of the Federal Reserve System (the Federal Reserve Board). As a bank holding company, the Company is required to file with the Federal Reserve Board an annual report and such other information as may be required. The Federal Reserve Board may also

make examinations of the Company. In addition, the Federal Reserve Board has the authority to regulate provisions of certain bank holding company debt.

The Act requires every bank holding company to obtain the prior approval of the Federal Reserve Board before acquiring substantially all the assets of or direct or indirect ownership or control of more than 5% of the voting shares of any bank which is not already majority-owned. The Act also prohibits a bank holding company, with certain exceptions, from engaging in or acquiring direct or indirect control of more than 5% of the voting shares of any company engaged in non-banking activities. One of the principal exceptions to these prohibitions is for engaging in or acquiring shares of a company engaged in activities found by the Federal Reserve Board by order or regulation to be so closely related to banking or managing banks as to be a proper incident thereto. The Act prohibits the acquisition by a bank holding company of more than 5% of the outstanding voting shares of a bank located outside the state in which the operations of its banking subsidiaries are principally conducted, unless such an acquisition is specifically authorized by statute of the state in which the bank to be acquired is located. The Act and regulations of the Federal Reserve Board also prohibit a bank holding company and its subsidiaries from engaging in certain tie-in arrangements in connection with any extension of credit or provision of any property or services.

In addition, and subject to certain exceptions, the Bank Holding Company Act and the Change in Bank Control Act require Federal Reserve approval prior to any person or company acquiring "control" of a bank holding company. Control is conclusively presumed to exist if an individual or company acquires 25% or more of any class of voting securities of a bank holding company. Control is rebuttably presumed to exist if a person acquires 10% or more, but less than 25%, of any class of voting securities and either the company has registered securities under Section 12 of the Securities Exchange Act of 1934 or no other person owns a greater percentage of that class of voting securities immediately after the transaction.

In accordance with Federal Reserve Board policy, the Company is expected to act as a source of financial strength to the subsidiaries. The Federal Reserve Board may require a bank holding company to terminate any activity or relinquish control of a nonbank subsidiary (other than a nonbank subsidiary of a bank) upon the Federal Reserve Board's determination that such activity or control constitutes a serious risk to the financial soundness or stability of any subsidiary depository institution of the bank holding company. Further, federal bank regulatory authorities have additional discretion to require a bank holding company to divest itself of any bank or nonbank subsidiary if the agency determines that divestiture may aid the depository institution's financial condition.

Dividends paid by the Company are substantially provided from dividends from NBC. Generally, the approval of the OCC is required if the total of all dividends declared by a bank in any calendar year exceeds the total of its net profits for that year combined with its retained net profits of the preceding two years. At December 31, 2000, NBC had available for payment of dividends to the Company, without prior approval of its regulator, approximately $17.5 million.

The Federal Reserve Board, FDIC and OCC have established risk-based capital guidelines for holding companies, such as the Company, and its subsidiary bank. The capital-based regulatory framework contains five categories of compliance with regulatory capital requirements, including

"well capitalized," "adequately capitalized," "undercapitalized," "significantly undercapitalized," and "critically undercapitalized." The Company's strategy related to risk-based capital is to maintain capital levels which will be sufficient to qualify the Company's bank subsidiary for the "well capitalized" category under the guidelines set forth by the FDICIA. Maintaining capital ratios at the "well capitalized" level avoids certain restrictions which, for example, could impact the Company's bank subsidiary's FDIC assessment, trust services and asset/liability management. At December 31, 2000, the Tier 1 and total capital ratios, respectively, of the Company (consolidated) and NBC (individually) were well above the minimum 6% and 10% levels required to be categorized as a "well capitalized" insured depository institution.

The FDIC, OCC and Federal Reserve Board have historically had common capital adequacy guidelines involving minimum (a) leverage capital and (b) risk-based capital requirements:

(a) The first requirement establishes a minimum ratio of capital as a percentage of total assets. The FDIC, OCC, and Federal Reserve Board require institutions to maintain a minimum leverage ratio of Tier 1 capital (as defined) to total average assets based on the institution's rating under the regulatory CAMELS rating system. Institutions with CAMELS ratings of one that are not anticipating or experiencing significant growth and have well-diversified risk are required to maintain a minimum leverage ratio of 3 percent. An additional 100 to 200 basis points are required for all but these most highly rated institutions. At December 31, 2000, the Company's leverage capital ratio was 12.1%.

(b) The second requirement also establishes a minimum ratio of capital as a percentage of total assets, but gives weight to the relative risk of each asset. The FDIC, OCC, and Federal Reserve Bank require institutions to maintain a minimum ratio of Tier 1 capital to risk-weighted assets of 3.0 percent. Banks must also maintain a minimum ratio of total capital to risk-weighted assets of 8.0 percent. At December 31, 2000, the Company's Tier 1 and total capital ratios were 18.1% and 19.4%, respectively.

The primary supervisory authority of NBC is the OCC. The OCC regulates or monitors virtually all areas of operations, including security devices and procedures, adequacy of capitalization and loss reserves, loans, investments, borrowings, deposits, mergers, issuances of securities, payment of dividends, interest rates payable on deposits, interest rates or fees chargeable on loans, establishment of branches, corporate reorganizations, maintenance of books and records, and adequacy of staff training to carry on safe lending and deposit gathering practices. The OCC also imposes limitations on the aggregate investment in real estate, bank premises, and furniture and fixtures. In addition to regular examinations, the institution must furnish to its regulator quarterly reports containing a full and accurate statement of its affairs.

Banks are subject to the provisions of Section 23A of the Federal Reserve Act, which place limits on the amount of loans or extensions of credit to, or investments in, or certain other transactions with, affiliates and on the amount of advances to third parties collateralized by the securities or obligations of affiliates. The aggregate of all covered transactions is limited in amount, as to any one affiliate, to 10% of the bank's capital and surplus and, as to all affiliates combined, to 20% of the bank's capital and surplus. Furthermore, within the foregoing limitations as to amount, each covered transaction must meet specified collateral requirements. Compliance is also required with certain provisions designed to avoid the taking of low quality assets.

Banks are also subject to the provisions of Section 23B of the Federal Reserve Act which, among other things, prohibit an institution from engaging in certain transactions with certain affiliates unless the transactions are on terms substantially the same, or at least as favorable to such institution or its subsidiaries, as those prevailing at the time for comparable transactions with non-affiliated companies. The Bank is subject to certain restrictions on extensions of credit to executive officers, directors, certain principal shareholders, and their related interests. Such extensions of credit (i) must be made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with third parties and (ii) must not involve more than the normal risk of repayment or present other unfavorable features.

National banks are required by the National Bank Act to adhere to branch office banking law. NBC may open branches throughout Mississippi or Alabama with the prior approval of the OCC. In addition, with prior regulatory approval, the subsidiary bank is able to acquire existing banking operations in Mississippi and Alabama. Furthermore, federal legislation permits interstate branching. The law also permits out of state acquisitions by bank holding companies (subject to veto by new state law), interstate branching by banks if allowed by state law, interstate merging by banks, and de novo branching by national banks if allowed by state law. Effective June 1, 1997, the Interstate Banking Act allows banks with different home states to merge, unless a particular state opts out of the statute. In addition, beginning June 1, 1997, the Interstate Banking Act permitted national and state banks to establish de novo branches in another state if there is a law in that state which applies equally to all banks and expressly permits all out-of-state banks to establish such branches.

The Community Reinvestment Act (CRA) requires that, in connection with examinations of financial institutions within their respective jurisdictions, the Federal Reserve, the FDIC, or the OCC shall evaluate the record of the financial institutions in meeting the credit needs of their local communities, including low and moderate income neighborhoods, consistent with the safe and sound operation of those institutions. These factors are also considered in evaluating mergers, acquisitions, and applications to open a branch or facility.

Interest and certain other charges collected or contracted by Banks are often subject to state usuary laws and certain federal laws concerning interest rates. The loan operations are also subject to certain federal laws applicable to credit transactions. These include but are not limited to the federal Truth-In-Lending Act, governing disclosures of credit terms to consumer borrowers; the Home Mortgage Disclosure Act of 1975, requiring financial institutions to provide information to enable the public and public officials to determine whether a financial institution will be fulfilling its obligation to help meet the housing needs of the community it serves; the Equal Credit Opportunity Act, prohibiting discrimination on the basis of race, creed or other prohibited factors in extending credit; and the rules and regulations of the various federal agencies charged with the responsibility of implementing such federal laws. The deposit operations also are subject to certain laws and regulations, included but not limited to, the Right to Financial Privacy Act, which imposes a duty to maintain confidentiality of consumer financial records and prescribes procedures for complying with administrative subpoenas of financial records, and the Electronic Funds Transfer Act and Regulation E issued by the Federal Reserve Board to implement that act, which governs automatic deposits to and withdrawals from deposit accounts and customers' rights and liabilities arising from

the use of automated teller machines and other electronic banking services.

A subsidiary bank of a bank holding company is subject to certain restrictions imposed by the Federal Reserve Act on any extensions of credit to the bank holding company or its subsidiary, on investments in stock or other securities thereof and on the taking of such stock or securities as collateral for loans to any borrower.

The bank subsidiary is a member of the FDIC and its deposits are insured as provided by law.

CNIC, GCM, and NBC Insurance Services of Alabama, Inc., are subject to regulation by the applicable state agencies. These agencies set reserve requirements, reporting standards, and establish regulations, all of which affect business operations.

The Company's common stock is registered with the SEC under the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Consequently, the Company is subject to the information, proxy solicitation, insider trading, and other restrictions and requirements of the SEC under the Exchange Act.

Recent Regulatory Developments

The Gramm-Leach-Bailey Act was signed into law in November, 1999, and allows banks to engage in a wider range of nonbanking activities, including greater authority to engage in securities and insurance activities through the use of "financial holding companies." The expanded powers, which became effective March 11, 2001, generally are available to banks only if the bank and its bank subsidiaries remain well-capitalized and well-managed, and have a satisfactory CRA rating. Under the Act, a national bank may engage in expanded financial activities through a "financial subsidiary," provided the aggregate assets of all of its financial subsidiaries do not exceed the lesser of 45 percent of the bank's assets or $50 billion. A financial subsidiary may underwrite any financial product other than insurance and may sell any financial product, including title insurance. A national bank itself may not sell title insurance, however, unless the state in which the bank is located permits state banks to sell title insurance.

Governmental Monetary Policies

As a bank chartered under the laws of the United States, NBC is a member of the Federal Reserve System. Its earnings are affected by the fiscal and monetary policies of the Federal Reserve System which regulates the national money supply in order to mitigate recessionary and inflationary pressures. The techniques used by the Federal Reserve System include setting the reserve requirements of depository institutions and establishing the discount rate on member bank borrowings. The Federal Reserve System also conducts open market operations in United States Government securities.

The policies of the Federal Reserve System and other regulatory agencies have a direct effect on the amount of bank loans and deposits, and the interest rates charged and paid thereon. While the impact these policies may have upon the future business and earnings of the financial institutions cannot be accurately predicted, such policies can materially affect the earnings of commercial banks.

Sources and Availability of Funds

The materials essential to the business of the Company and its

subsidiaries consist primarily of funds derived from deposits and other borrowings in the financial markets. The availability of funds is primarily dependent upon the economic policies of the government, the economy in general and the institution's ability to compete in the market place.

Seasonability

Neither the Company nor any of its subsidiaries are dependent upon any seasons.

Dependence Upon A Single Customer

Neither the Company nor any of its subsidiaries are dependent upon a single customer or very few customers.

Executive Officers

The executive officers of the Company and its bank subsidiary, NBC, are listed below. The title indicates a position held in the Company and the bank.

Name and Title	Age	Five Year Experience
L. F. Mallory, Jr. Chairman and Chief Executive Officer, NBC Capital Corporation and NBC	58	Chairman and Chief Executive Officer, NBC Capital Corporation and NBC
Bobby Harper Chairman of the Executive Committee, NBC Capital Corporation and Executive Vice President, Banking Center Administration, NBC	59	Chairman of Executive Committe, NBC Capital Corporation and Executive Vice President, Banking Center Administration, NBC
Hunter M. Gholson Secretary	68	Secretary of NBC Capital Corporation and NBC
Mark A. Abernathy President and Chief Operating Officer, NBC Capital Corporation and NBC	44	President and Chief Operating Officer, NBC Capital Corporation and NBC since December, 1997, Executive Vice President and Chief Operating Officer of NBC Capital Corporation and NBC from August, 1994 - December, 1997
Richard Haston Executive Vice President, CFO, and Treasurer, NBC Capital Corporation and Executive Vice President and Chief Financial Officer, NBC	54	Executive Vice President, Chief Financial Officer, and Treasurer, NBC Capital Corporation, and Executive Vice President and Chief Financial Officer, NBC, since January, 1997; Senior Vice President - Finance, NBC Capital Corporation and NBC from September, 1996 - December, 1996; Executive Vice President and Chief Financial Officer of Legacy Securities Corp., Memphis, Tennessee, April, 1996 - September, 1996; and President and Chief Financial Officer of Calibre Financial Group,

Name and Position	Age	Business Experience
		June, 1993 - March, 1996
Tommy M. Tomlinson Vice President, NBC Capital Corporation and Executive Vice President, Credit Administration, NBC	47	Vice President, NBC Capital Corporation and Executive Vice President, Credit Administration, NBC, since January, 1999; Executive Vice President and Senior Credit Officer of the Starkville Banking Center, NBC, from January, 1996 - December 1998
Clifton B. Fowler Vice President, NBC Capital Corporation and President, NBC, Starkville Banking Center	52	Vice President, NBC Capital Corporation and President, NBC, Starkville Banking Center
Thomas J. Prince, Jr. Vice President, NBC Capital Corporation and Executive Vice President, Division Manager of Consumer Financial Services, NBC	59	Vice President, NBC Capital Corporation and Executive Vice President, Division Manager of Consumer Financial Service, NBC, since April, 1998; Vice President, NBC Capital Corporation and President, NBC, Aberdeen Banking Center from January, 1985 - April, 1998
John Davis Vice President, NBC Capital Corporation and Senior Vice President and Trust Officer, NBC	45	Vice President, NBC Capital Corporation and Senior Vice President and Trust Officer, NBC since January, 1999, Vice President and Trust Officer of NBC from January, 1991 - December, 1998
Donald J. Bugea, Jr. Vice President, NBC Capital Corporation and Executive Vice President and Investment Officer, NBC	47	Vice President, NBC Capital Corporation and Executive Vice President and Investment Officer, NBC

Personnel

At December 31, 2000, NBC had approximately 411 full-time employees, Finance had 3 full-time employees and GCM had approximately 48 full-time employees. The Company, Service, and CNIC had no employees at December 31, 2000.

ITEM 2 - PROPERTIES

The Company, Service and CNIC owned no properties at December 31, 2000. GCM and Finance operate out of leased office buildings.

The following listing describes the locations and general character of the Bank-owned properties:

Type	Location	Approximate Office Space (Square Feet)

NBC:

Main Office	Starkville, Mississippi	35,000
University Branch	Starkville, Mississippi	1,485
Motor Branch	Starkville, Mississippi	2,000
Operations Center	Starkville, Mississippi	16,500
Starkville Crossing	Starkville, Mississippi	2,000
Main Office	Columbus, Mississippi	36,000
Mortgage Loan Center	Columbus, Mississippi	14,000
North Columbus Branch	Columbus, Mississippi	1,440
Fairlane Branch	Columbus, Mississippi	2,400
Bluecutt Road Branch	Columbus, Mississippi	3,200
New Hope Branch	New Hope, Mississippi	1,500
Main Office	Aberdeen, Mississippi	11,026
Maple Street Branch	Aberdeen, Mississippi	998
Highway 45 North Branch	Aberdeen, Mississippi	1,205
Main Office	Amory, Mississippi	8,550
Medical and Industrial Center Branch	Amory, Mississippi	950
Main Office	Brooksville, Mississippi	3,000
Main Office	Hamilton, Mississippi	1,800
Main Office	Maben, Mississippi	4,000
Main Office	Philadelphia, Mississippi	6,000
Northside Branch	Philadelphia, Mississippi	300
Southside Branch	Philadelphia, Mississippi	450
Westside Branch	Philadelphia, Mississippi	3,250
Main Office	Tuscaloosa, Alabama	30,000
Northport Branch	Tuscaloosa, Alabama	3,018
University Branch	Tuscaloosa, Alabama	2,480
North Tuscaloosa Branch	Tuscaloosa, Alabama	3,250
Highway 69 South Branch	Tuscaloosa, Alabama	2,000
Main Office	West Point, Mississippi	18,000
East Main Branch	West Point, Mississippi	1,900
Highway 45 South Branch	West Point, Mississippi	1,520
Highway 45 North Branch	West Point, Mississippi	825

In the opinion of management, all properties are in good condition and are adequate to meet the needs of the communities they serve.

ITEM 3 - LEGAL PROCEEDINGS

NBC is a defendant in a lawsuit in which a class is pursuing unspecified and punitive damages as a result of the placement of collateral protection insurance. NBC has vigorously defended its position and, as of March 15, 2001, had reached a preliminary settlement in the amount of $450,000. The settlement is yet to be approved by the court.

There are no other pending proceedings of a material nature to which the Company, or its subsidiaries, are a party.

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

None

PART II

ITEM 5 - MARKET FOR COMPANY'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

(a) Effective April 20, 2000, the Company listed its stock on the American Stock Exchange and is currently traded on the AMEX under the symbol NBY. Prior to that date, the stock was traded on the NASDAQ Inter-Dealer Market under the symbol NBCA. The following table sets forth the range of sales prices of the Company's common stock for the periods indicated.

1999	First	$40.000	$37.875
	Second	38.500	30.000
	Third	33.500	27.250
	Fourth	31.500	26.000
2000	First	$29.000	$20.000
	Second	21.375	20.000
	Third	20.625	18.625
	Fourth	20.000	18.750

(b) At December 31, 2000, the Company had approximately 2,700 security holders.

(c) Dividends on common stock were declared quarterly in 2000 and semiannually in June and December of 1999 and totaled as follows:

	(In thousands) December 31,	
	2000	1999
Dividends declared, $.97 per share	$6,963	$ -
Dividends declared, $.87 per share	-	5,983
	$6,963	$5,983

ITEM 6 - SELECTED FINANCIAL DATA

	Years Ended December 31,				
	2000	1999	1998	1997	1996
	(In thousands, except per share data)				
INCOME DATA					
Interest and fees on loans	$ 57,535	$ 52,219	$ 52,955	$ 51,682	$ 46,972
Interest and dividends on securities	14,052	12,430	13,416	13,755	14,076

Other interest income	1,148	2,440	1,953	1,268	787
Total interest income	72,735	67,089	68,324	66,705	61,835
Interest expense	34,978	30,998	32,744	30,877	27,723
Net interest income	37,757	36,091	35,580	35,828	34,112
Provision for loan losses	1,280	1,769	3,187	1,482	1,677
Net interest income after provision for loan losses	36,477	34,322	32,393	34,346	32,435
Service charges on deposit accounts	5,306	5,230	4,720	4,653	4,453
Other income	8,456	7,824	4,871	3,759	3,509
Total noninterest income	13,762	13,054	9,591	8,412	7,962
Salaries and employee benefits	17,260	17,545	16,024	14,651	14,146
Occupancy and equipment expense	4,539	4,213	3,778	3,558	3,154
Other expenses	9,118	12,211	9,299	8,041	8,551
Total noninterest expenses	30,917	33,969	29,101	26,250	25,851
Income before income taxes	19,322	13,407	12,883	16,508	14,546
Income taxes	5,277	2,899	2,881	4,826	3,729
Net income	$ 14,045	$ 10,508	$ 10,002	$ 11,682	$ 10,817
PER SHARE DATA					
Net income - basic	$1.96	$1.46	$1.43	$1.68	$1.54
Net income - diluted	1.96	1.46	1.42	1.67	1.53
Dividends	.97	.87	.73	.66	.61
FINANCIAL DATA					
Shares issued	7,213	7,213	7,045	7,044	7,036
Total assets	$1,009,515	$ 973,570	$937,147	$900,886	$847,131
Net loans	637,800	613,557	576,731	563,590	535,886
Total deposits	804,804	752,810	776,955	734,107	707,240
Total stockholders' equity	120,123	111,251	111,868	105,304	100,774

(1) Financial data includes accounts of significant pooled acquisitions for all years presented.

(2) Merger-related expenses amounted to $2.5 million after tax in 1999 and $1.8 million after tax in 1998.

SUPPLEMENTAL STATISTICAL INFORMATION

I. DISTRIBUTION OF ASSETS, LIABILITIES, AND STOCKHOLDERS' EQUITY; INTEREST RATES AND INTEREST DIFFERENTIAL

A. Average balance sheets (consolidated):

The following table presents, for the years indicated, condensed daily average balance sheet information.

Assets	(In Thousands) 2000	1999	1998
Cash and due from banks	$ 28,968	$ 36,514	$ 32,419
Securities:			
Taxable	133,497	128,605	136,689
Non-taxable	118,341	106,062	104,961
Total securities	251,838	234,667	241,650
Federal funds sold and other interest-bearing assets	17,962	50,951	51,101
Loans, net of unearned interest	630,538	605,561	579,649
Less reserve for loan losses	10,093	10,514	8,993
Net loans	620,445	595,047	570,656
Other assets	45,041	36,247	29,248
Total Assets	$964,254	$953,426	$925,074

Liabilities and Stockholders' Equity	(In Thousands) 2000	1999	1998
Deposits:			
Noninterest-bearing	$ 94,038	$ 89,950	$ 91,262
Interest-bearing	685,287	674,606	667,855
Total deposits	779,325	764,556	759,117
Federal funds purchased and securities sold under agreement to repurchase	18,734	18,985	12,936
Borrowed funds	39,781	44,428	30,562
Other liabilities	10,806	11,735	12,850
Total liabilities	848,646	839,704	815,465
Stockholders' equity	115,608	113,722	109,609
Total Liabilities and Stockholders' Equity	$964,254	$953,426	$925,074

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B. Analysis of Net Interest Earnings

The table below shows, for the periods indicated, an analysis of net interest earnings, including the average amount of interest-earning assets and interest-bearing liabilities outstanding during the period, the interest earned or paid on such amounts, the average yields/rates paid and the net yield on interest-earning assets:

	($ In Thousands) Average Balance		
	2000	1999	1998
EARNING ASSETS			
Net loans	$620,445	$595,047	$570,656
Federal funds sold and other interest-bearing assets	17,962	50,951	51,101
Securities:			
Taxable	133,497	128,605	136,689
Nontaxable	118,341	106,062	104,961
Totals	890,245	880,665	863,407
INTEREST-BEARING LIABILITIES			
Interest-bearing deposits	685,287	674,606	667,855
Borrowed funds, federal funds purchased and securities sold under agreement to repurchase	58,515	63,413	43,498
Totals	743,802	738,019	711,353
Net Amounts	$146,443	$142,646	$152,054

	($ In Thousands) Interest for the Year Ended December 31,			Yields Earned And Rates Paid (%)		
	2000	1999	1998	2000	1999	1998
EARNING ASSETS						
Net loans	$57,535	$52,219	$52,955	9.27	8.78	9.28
Federal funds sold and other interest-bearing assets	1,148	2,440	1,953	6.39	4.80	3.82
Securities:						
Taxable	7,966	6,981	7,748	5.97	5.43	5.67
Nontaxable	6,086	5,449	5,668	5.14	5.14	5.40
Totals	$72,735	$67,089	$68,324	8.17	7.62	7.91

($ In Thousands) Yields Earned

	Interest for the Year Ended December 31,			And Rates Paid (%)		
	2000	1999	1998	2000	1999	1998
INTEREST-BEARING LIABILITIES						
Interest-bearing deposits	$31,559	$28,399	$30,416	4.61	4.21	4.55
Borrowed funds, federal funds purchased and securities sold under agreement to repurchase	3,419	2,599	2,328	5.84	4.10	5.35
Totals	34,978	30,998	32,744	4.70	4.20	4.60
Net interest income	$37,757	$36,091	$35,580			
Net yield on earning assets				4.24	4.10	4.12

(1) Interest and yields on tax-exempt obligations are not on a fully taxable equivalent basis.

(2) For the purpose of these computations, nonaccruing loans are included in the average loan balances outstanding.

(3) Interest income on loans includes related fees.

C. Increase (Decrease) in Interest Income and Interest Expense

The following table analyzes the changes in both the rate and volume components of net interest revenue:

	(In Thousands) 2000 Over 1999			(In Thousands) 1999 Over 1998		
	Change Due To:			Change Due To:		
	Total	Rate	Volume	Total	Rate	Volume
EARNING ASSETS						
Net loans	$ 5,316	$ 3,033	$ 2,283	$ (736)	$(3,453)	$ 2,717
Federal funds sold and other interest-bearing assets	(1,292)	1,382	(2,674)	487	493	(6)
Securities:						
Taxable	985	712	273	(767)	(320)	(447)
Nontaxable	637	6	631	(219)	(279)	60
Totals	$ 5,646	$ 5,133	$ 513	$(1,235)	$(3,559)	$ 2,324

(In Thousands) (In Thousands)

	2000 Over 1999			1999 Over 1998		
	Change Due To:			Change Due To:		
	Total	Rate	Volume	Total	Rate	Volume
INTEREST-BEARING LIABILITIES						
Interest-bearing deposits	$3,160	$3,931	$ (771)	$(2,017)	$(2,333)	$ 316
Interest on borrowed funds and federal funds purchased and securities sold under agreement to repurchase	820	1,002	(182)	271	(284)	555
Totals	$3,980	$4,933	$ (953)	$(1,746)	$(2,617)	$ 871

NOTE: (1) Change in volume is the change in volume times the previous year's rate.

(2) Change in rate is the change in rate times the previous year's balance.

(3) The change in interest due to both rate and volume has been allocated to volume and rate changes in proportion to the relationship of the absolute dollar amounts of change to each.

II. INVESTMENT PORTFOLIO

A. The following tables present the book values of securities as of the dates indicated:

	(In Thousands) December 31,		
	2000	1999	1998
U. S. Treasury	$ 4,544	$ 7,732	$ 15,987
U. S. Government agencies and mortgage-backed securities	137,684	106,946	84,972
States and political subdivisions	124,011	105,330	115,786
Other	15,551	10,272	9,503
Total book value	$281,790	$230,280	$226,248

B. The following table sets forth the maturities of investment and mortgage-backed securities (carrying values) at December 31, 2000, and the weighted average yield of such securities:

($ In Thousands) Weighted Average Yield					
0 - 1 Year	Yield (%)	1 - 5 Years	Yield (%)	5 - 10 Years	Yield (%)

Securities:						
U. S. Treasury	$ 346	6.7%	$ 4,198	4.7%	$ -	-
U. S. Government agencies	16,193	6.2%	5,655	5.7%	22,291	6.8%
States and political subdivisions	10,225	5.1%	66,747	4.7%	29,232	5.8%
Other	892	5.6%	1,427	6.4%	506	7.4%
Total	$ 27,656		$ 78,027		$52,029	

	10+ Years	Yield (%)
U. S. Government agencies	$ 413	7.0%
State and political	17,807	6.2%
Other (including equity securities)	12,726	6.1%
Total	$30,946	

	Book Value	Yield (%)
Mortgage-backed securities	$93,132	6.2%

NOTE: Interest and yields on tax-exempt obligations are not on a taxable equivalent basis.

Average yield on floating rate securities was determined using the current yield.

The majority of mortgage-backed securities are backed by U. S. Government agencies.

C. Investment securities in excess of 10% of stockholders' equity.

At December 31, 2000, there were no securities from any issues in excess of 10% of stockholders' equity that were not securities of the U. S. Government or U. S. Government agencies or corporations.

III. LOAN PORTFOLIO

A. Type of loans

The amount of loans outstanding by type at the indicated dates are shown in the following table:

Type	(In Thousands) December 31, 2000	1999	1998	1997	1996
Commercial, financial and agriculture	$103,045	$101,503	$ 81,365	$ 78,491	$ 76,205
Real estate - construction	33,638	26,185	27,253	27,636	27,000
Real estate - mortgage	402,987	390,205	366,219	352,550	323,601
Installment loans to individuals	105,564	101,624	104,470	106,603	109,566
Other	2,255	4,234	7,526	7,155	8,813
Total loans	647,489	623,751	586,833	572,435	545,185
Unearned interest	-	-	-	(317)	(1,123)
	$647,489	$623,751	$586,833	$572,118	$544,062

B. Maturities and sensitivities of loans to changes in interest rates:

	(In Thousands) December 31, 2000			
	Maturing or Repricing			
Type	Within 1 Year	After 1 Year Through 5 Years	Over 5 Years	Total
Commercial, financial and agricultural	$ 76,371	$ 24,060	$ 2,614	$103,045
Real estate - construction	29,853	3,704	81	33,638
	$106,224	$ 27,764	$ 2,695	$136,683

(In Thousands)
December 31, 2000

Maturing or Repricing

After 1 Year Through | Over

Type	5 Years	5 Years	Total
Loans with:			
Predetermined interest rates	$180,998	$ 67,959	$248,957
Floating interest rates	618	-	618
	$181,616	$ 67,959	$249,575

C. Nonperforming loans

1. The following table states the aggregate amount of loans which were nonperforming in nature:

	(In Thousands) December 31,				
Type	2000	1999	1998	1997	1996
Loans accounted for on a nonaccrual basis	$1,384	$ 270	$ 927	$2,648	$1,901
Accruing loans past due 90 days or more	$2,356	$2,975	$2,902	$1,660	$2,322
Renegotiated "troubled" debt	$ 294	$ 132	$ 337	$ 826	$ 511

2. There were no loan concentrations in excess of 10% of total loans at December 31, 2000. However, lending activities are affected by the economic trends within the areas served by the Company and its subsidiaries. This, in turn, can be influenced by the areas' larger employers, such as Mississippi State University, University of Alabama, Columbus Air Force Base, and the Mercedes-Benz Automotive Plant.

3. There were no outstanding foreign loans at December 31, 2000.

4. Loans classified for regulatory purposes or for internal credit review purposes that have not been disclosed in the above table do not represent or result from trends or uncertainties that management expects will materially impact the financial condition of the Company or its subsidiary banks, or their future operating results, liquidity, or capital resources.

5. If all nonaccrual loans had been current throughout their terms, interest income would have not been significantly different for the years ended 2000, 1999 and 1998.

6. Management stringently monitors loans that are classified as nonperforming. Nonperforming loans include nonaccrual loans, loans past due 90 days or more, and loans renegotiated

or restructured because of a debtor's financial difficulties. Loans are generally placed on nonaccrual status if any of the following events occur: 1) the classification of a loan as nonaccrual internally or by regulatory examiners, 2) delinquency on principal for 90 days or more unless management is in the process of collection, 3) a balance remains after repossession of collateral, 4) notification of bankruptcy, or 5) management's judgment that nonaccrual is appropriate.

7. At December 31, 2000, the recorded investment in loans identified as impaired totaled approximately $3.1 million. The allowance for loan losses related to these loans approximated $1.6 million. The average recorded investment in impaired loans during the year ended December 31, 2000, was $2.1 million. Total interest recognized on impaired loans and the amount recognized on a cash basis were not significant.

D. Other interest-bearing assets

There were no other interest-bearing non-performing assets at December 31, 2000.

IV. SUMMARY OF LOAN LOSS EXPERIENCE

A. An analysis of the loan loss experience for the periods indicated is as follows:

	($ In Thousands) December 31,				
	2000	1999	1998	1997	1996
Beginning balance	$10,194	$10,102	$ 8,528	$ 8,175	$ 7,799
Charge-offs:					
Domestic:					
Commercial, financial and agricultural	(499)	(566)	(575)	(379)	(312)
Real estate	(206)	(444)	(451)	(145)	(114)
Installment loans and other	(1,497)	(1,047)	(960)	(1,073)	(1,272)
Total charge-offs	(2,202)	(2,057)	(1,986)	(1,597)	(1,698)
Recoveries:					
Domestic:					
Commercial, financial and agricultural	55	89	124	269	52
Real estate	17	25	76	97	68
Installment loans and other	345	266	173	227	267
Total recoveries	417	380	373	593	387

Net charge-offs	(1,785)	(1,677)	(1,613)	(1,004)	(1,311)
Reserve of sold finance company	-	-	-	(125)	-
Provision charged to operations	1,280	1,769	3,187	1,482	1,687
Ending balance	$ 9,689	$10,194	$10,102	$ 8,528	$ 8,175
Ratio of net charge-offs to average loans outstanding	.29	.28	.28	.18	.26
Ratio of reserve for loan losses to loans outstanding at year end	1.50	1.63	1.72	1.49	1.50

B. Determination of Reserve for Loan Losses

The provision for loan losses charged to operations is based upon management's estimations of the amount necessary to maintain the allowance at an adequate level, considering past loan loss experience, current economic conditions, the value of any underlying collateral, credit reviews of the loan portfolio, changes in the size and character of the loan portfolio, and other factors warranting consideration. Allowances for any impaired loans are generally determined based on collateral values. Loans are charged against the allowance for loan losses when management believes that the collectibility of the principal is unlikely. The allowance is maintained at a level believed adquate by management to absorb potential loan losses. Also, reference should be made to the discussion in Item 7 - Mangement's Discussion and Analysis under the heading, "Financial Condition and Results of Operations."

C. Loans and Risk Descriptions

Real Estate Loans

NBC originates loans secured by commercial real estate, one-to-four family residential properties, and multi-family dwelling units (5 or more units). At December 31, 2000, these loans totaled $436 million or approximately 67% of the loan portfolio.

NBC originates commercial real estate loans up to 80% of the appraised value. Currently, it is the philosophy to originate these loans only to selected known borrowers and on properties in the market area.

Of primary concern in commercial real estate lending is the borrower's credit worthiness and the feasibility and cash flow potential of the project. To monitor cash flows of borrowers, annual financial statements are obtained from the borrower and loan guarantors, if any. Although many banks have had significant losses in commercial real estate lending, NBC has sustained few losses, and those losses were not significant relative to the size of the entire commercial real estate loan

portfolio at the time.

NBC originates loans secured by first and junior liens on one-to-four family residences in their lending areas. Typically, such loans are single family homes that serve as the primary residence of the borrower. Generally, these loans are originated in amounts up to 80% of the appraised value or selling price of the property. In the past, very few losses from these types of loans have been experienced.

Loans for multi-family (5 or more) residential properties are generally secured by apartment buildings. Loans secured by income properties are generally larger and involve greater risk than residential loans because payments are often dependent on the successful operation or management of the properties. As a result, these types of loans may be more sensitive to adverse conditions in the real estate market or the economy. Cash flow and financial statements are obtained from the borrowers and any guarantors. Also, rent rolls are often obtained.

Consumer and Other Loans

NBC offers consumer loans in the form of home improvement loans, mobile home loans, automobile loans and unsecured personal loans. These loans totaled $104 million or 16% of total loans at December 31, 2000. Consumer loans are originated in order to provide a wide range of financial services to customers and because the terms and normally higher interest rates on such loans help maintain a profitable spread between the average loan yield and the cost of funds.

In connection with consumer loan applications, the borrower's income statement and credit bureau report are reviewed. In addition, the relationship of the loan to the value of the collateral is considered. All automobile loan applications are reviewed, as well as the value of the unit which secured the loan. NBC intends to continue to emphasize the origination of consumer loans. Management believes that its loan loss experience in connection with its consumer loan portfolio is favorable in comparison to industry averages.

NBC makes commercial business loans on both a secured and unsecured basis with terms which generally do not exceed five years. Non-real estate commercial loans primarily consist of short-term loans for working capital purposes, inventories, seasonal loans, lines of credit and equipment loans. A personal guaranty of payment by the principals of any borrowing entity is often required and the financial statements and income tax returns of the entity and its guarantors are reviewed. At December 31, 2000, NBC's commercial business loans represented approximately 14% of its total loan portfolio.

D. For the year 2001, losses for all loan categories, as a percentage of average loans, are expected to approximate that of 2000.

V. DEPOSITS

($ In Thousands)

2000		1999		1998	
Amount	Rate	Amount	Rate	Amount	Rate

A. Average deposits:

Domestic:						
Noninterest-bearing	$ 94,038	-	$ 89,950	-	$ 91,262	-
Interest-bearing demand (1)	254,458	3.6%	312,642	2.3%	207,478	2.7%
Savings	48,414	2.1%	34,913	2.5%	36,204	2.5%
Time	382,415	5.6%	327,051	6.2%	424,173	5.7%
Foreign	N/A		N/A		N/A	
Total	$779,325		$764,556		$759,117	

(1) Includes Money Market accounts

B. Other categories

None

C. Foreign deposits

Not material

D. Time certificate of deposit of $100,000 or more and maturities at December 31, 2000

(In Thousands)

	Total	3 Months Or Less	3 Months Through 6 Months	6 Months Through 12 Months	Over 12 Months
Time certificates of deposit of $100,000 or more	$147,541	$46,335	$30,721	$40,985	$29,500

E. Foreign office time deposits of $100,000 or more

Not applicable

VI. RETURN ON EQUITY AND ASSETS

The following financial ratios are presented for analytical purposes:

	December 31, 2000	1999	1998
Return on assets (net income divided by total average assets)	1.4	1.1	1.1
Return on equity (net income divided by average equity)	12.2	9.3	9.1
Dividend payout ratio (dividends per share divided by basic net income per share)	49.5	59.5	51.0

Equity to asset ratio (average equity divided by average total assets)	12.0	11.9	11.8

VII. SHORT-TERM BORROWINGS

	(In Thousands)	
	Federal Funds Purchased And Securities Sold Under Agreement to Repurchase	Treasury Tax and Loan Note Payable
Balance at December 31, 2000	$16,326	$2,374
Weighted average interest rate at December 31, 2000	4.15%	4.14%
Maximum amount outstanding at any month end for the year 2000	17,831	2,677
Average amount outstanding during the year 2000	17,049	1,634
Weighted average interest rate during the year	4.16%	4.18%

VIII. CAPITAL ADEQUACY DATA

Total consolidated capital of the Company was as follows:

	($ In Thousands) December 31,	
	2000	1999
Total stockholders' equity (excluding unrealized gain/loss)	$120,191	$113,889
Allowance for loan losses, as allowed	9,606	9,668
Other components of capital	-	-
Total primary capital	129,797	123,557
Total secondary capital	-	-
Total capital	129,797	123,557
Less intangible assets and other adjustments	(3,235)	(3,288)
Total capital, as defined for regulatory purposes	$126,562	$120,269
	========	========

Tier 1 and total capital as a percentage of "risk-weighted" assets at December 31, 2000 and 1999, are as follows:

	December 31,	
	2000	1999

Tier 1 capital percentage	18.1%	18.4%
Total capital percentage	19.4%	19.6%

The Company's capital ratios exceed the minimum capital requirements at December 31, 2000, and management expects this to continue.

ITEM 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following provides a narrative discussion and analysis of significant changes in the Corporation's results of operations and financial condition. This discussion should be read in conjunction with the consolidated financial statements, including the notes thereto, and the supplemental financial data included elsewhere in this report, including the five-year summary of Selected Financial Data and management's letter to shareholders at the beginning of this Annual Report.

Certain information included in this discussion contains forward-looking statements and information that are based on management's conclusions, drawn from certain assumptions and information currently available to management. The Private Securities Litigation Act of 1995 encourages the disclosure of forward-looking information by management by providing safe harbor for such information. Specifically, this discussion contains forward-looking statements with respect to the adequacy of the Allowance for Loan Losses and other market, liquidity and credit risk disclosures. Although management believes that the expectations reflected in such forward-looking statements are reasonable and based on management's best judgements, it can give no assurance that such expectations will prove to be correct. Such forward-looking statements are subject to certain risks that assumptions will change and uncertainties will materialize. Should this happen, then underlying assumptions may prove to be significantly different and actual results may vary materially from those anticipated or projected.

BUSINESS COMBINATIONS

On April 28, 2000, NBC Capital Corporation completed an acquisition of Heritage Insurance Agency, LTD., located in Starkville, Mississippi. Heritage was acquired for a combination of cash and common stock of NBC Capital Corporation. The transaction was accounted for as a purchase. Upon completion of the transaction, Heritage became part of Galloway-Chandler-McKinney Insurance Agency, Inc., a wholly-owned subsidiary of National Bank of Commerce, which is a wholly-owned subsidiary of NBC Capital Corporation.

Merger related expenses associated with this transaction were not material to the consolidated financial statements of NBC Capital Corporation.

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Since 1996, the total assets of the Corporation have increased 19.2%. During this same period, loans have increased 19.0%; even though there has been increased competition for good quality credits. The quality of the portfolio remains excellent. Net charge-offs for 1998, 1999 and 2000 were .28%, .28% and .29% of average net loans outstanding for each year, respectively.

Deposits have grown 13.8% between 1996-2000. During the period 1996 - 1998, loans grew by approximately $41 million. This growth was funded by deposits, which increased by approximately $70 million during this same period. In 1999, the trend reversed as competition increased for deposits, not only from within the banking industry, but from throughout the financial services industry as billions of dollars continued to flow into the stock markets. During 1999, as loans grew by $37 million, deposits declined by approximately $24 million. Approximately 79% of this decline in deposits occurred during the last sixty days of 1999. This situation required the Corporation to look to other funding sources such as reallocating funds from lower yielding assets and additional borrowings from the Federal Home Loan Bank. During 2000, this trend again reversed as the equity markets turned down and cash began flowing back into the banking system. As a result, the Corporation was able to fund its loan growth of approximately $24 million with a growth in deposits of approximately $52 million. See the section entitled "Liquidity, Asset / Liability Management" for additional comments on sources and uses of cash during 2000.

Stockholders' equity has represented a consistent strength of the Corporation throughout the years noted in the summary of Selected Financial Data. Stockholders' equity has increased 19.2% since 1996. Stockholders' equity includes Accumulated Other Comprehensive Income which is composed of unrealized gain (loss), net of taxes on "Available-for-Sale Securities" of ($2,638,000) and ($68,000) at December 31, 1999 and 2000, respectively, as required to be reported under FASB 115.

Net income increased from 1996 to 1997. In 1998, consolidated net income declined as a result of incurring approximately $1.8 million of merger related expenses (net of taxes) associated with the acquisition of First National Corporation of West Point ("FNC"). Net income increased in 1999 by $506,000, even though it included approximately $2.5 million of merger related expenses (net of taxes) associated with the acquisitions of FFBS Bancorp, Inc., ("FFBS") and Galloway-Chandler-McKinney Insurance Agency ("GCM"). Fully diluted earnings per share grew from $1.53 in 1996 to $1.67 in 1997. In 1998 and 1999, fully diluted earnings per share were $1.42 and $1.46, respectively, after being impacted by approximately $.26 in 1998 and $.36 in 1999, for the above mentioned non-recurring merger expenses. In 2000, fully diluted earnings per share increased by 34.2% to $1.96 per fully diluted share. All earnings per share amounts have been restated to reflect the 1997 stock split, the 1998 merger with FNC and the 1999 merger with FFBS.

Regular cash dividends have increased in each of the years outlined in the summary of Selected Financial Data. Also, a special cash dividend of $.06 per share was paid in 1999 in recognition of the company's strong earnings and equity position. As stated in the preceding paragraph, all per share amounts have been restated to reflect the 1997 stock split, the 1998 merger with FNC and the 1999 merger with FFBS.

Net interest income ("NII"), the primary source of earnings for the Corporation, represents income generated from earning assets less the interest expense of funding those assets. NII increased 1.4% in 1999 and 4.6% in 2000. Changes in NII may be divided into two components; first, the change in average earning assets (volume component) and second, the change in the net interest spread (rate component). Net interest spread represents the difference between yields on earning assets and rates paid on interest bearing liabilities. Net interest spread for 2000 increased to 4.09% from 4.07% in 1999. The primary reason for this increase was an increase in average loan yields of approximately 51 basis points during 2000. This increase in loan yields was partially offset by an overall

increase in the average cost of deposits of approximately 41 basis points. The volume component also contributed to this increase in NII as earning assets grew $32.9 million or 3.9%. Net interest spread for 1999 decreased to 4.07% from 4.08% in 1998. The primary reason for this decline was a decrease in loan yields that resulted from an increased competition for good quality loans. This occurred even though rates trended upward during the year. The Corporation was able to offset this decline in loan yields by reducing the overall cost of deposits by a comparable amount. Since the rate component pushed NII slightly down in 1999, the overall increase in NII for the year resulted from an increase in the volume component. Earning Assets grew during 1999 by $21.9 million or 2.6%.

NII was also adversely impacted during 1999 by a significant increase in cash reserves during the last quarter of the year. The purpose of this increase was to meet any unusual customer demands for cash as a result of Y2K. As the cash reserves were built, additional borrowings from the Federal Home Loan Bank were being incurred to fund this cash buildup and the Corporation's normal daily liquidity needs. It is estimated that this Y2K preparation cost the Corporation approximately $320,000 in NII during the fourth quarter. If this cost had not been incurred, NII for 1999 would have increased by 2.3%.

The Corporation's Provision for Loan Losses is utilized to replenish the Reserve for Loan Losses on its balance sheet. The reserve is maintained at a level deemed adequate by the Board of Directors after its evaluation of the risk exposure contained in the Corporation's loan portfolio. The methodology used to make this determination is performed on a quarterly basis. An overall analysis of the portfolio is performed by the senior credit officers and the loan review staff. As a part of this evaluation, certain loans are individually reviewed to determine if there is an impairment of the bank's ability to collect the loan and the related interest. This determination is generally made based on collateral value. If it is determined that an impairment exist, a specific portion of the reserve is allocated to these individual loans. All other loans are grouped into homogeneous pools and risk exposure is determined by considering the following list of factors (this list is not all inclusive and the factors reviewed may change as circumstances change): Historical loss experiences; trends in delinquencies and non-accruals and national, regional and local economic conditions. These economic conditions would include, but not be limited to, general real estate conditions, the current interest rate environment and trends, unemployment levels and other information, as deemed appropriate. Classified loan to capital has declined from 22.3% at December 31, 1999 to 16.6% at December 31, 2000. The Reserve for Loan Losses as a percentage of total loans has also declined from 1.63% of net loans at the end of 1999 to 1.50% at the end of 2000. Based on these evaluations, the reserve amounts maintained at the end of 2000 and 1999 were deemed adequate to cover exposure within the Corporation's loan portfolio.

The Provision for Loan Losses has declined from $3,187,000 in 1998 to $1,769,000 in 1999 to $1,280,000 in 2000. The provisions in 1998 and 1999 were unusually high due to the level of credit risk in the loans that came into the portfolio from the acquisitions completed during those years. These provisions included special provisions of $1.8 million in 1998 and $780,000 in 1999, made by FNC and FFBS as a condition of their mergers with the Corporation. However, the level of the provision for 2000 was reduced due to the improvement in the overall quality of the portfolio and to allow the balance in the Reserve for Loan Losses to be at the appropriate level to cover the credit risk in the portfolio as of December 31, 2000, as determined by the above described analysis.

Non-interest income includes various service charges, fees and commissions

collected by the Corporation, including insurance commissions earned by GCM, the wholly-owned subsidiary of National Bank of Commerce. During 2000, non-interest income increased by $708,000 or 5.4%. This increase was caused primarily by increases in the Corporation's Trust Department Income and Insurance Commissions, Fees and Premiums. Trust Department Income increased by $211,000 or 15.0% resulting from continued growth in overall trust related activities. Additionally, Insurance Commissions, Fees and Premiums increased during 2000 by $555,000 or 15.2%. This increase was caused by an increase in the volume of insurance written during the year and by the purchase of Heritage Insurance Agency in April of 2000. This acquisition was accounted for as a purchase; therefore, all commissions, fees and premiums generated by Heritage from the date of the purchase are included in the Corporation's numbers for 2000. During 1999, non-interest income increased by 36.1%. This increase was primarily due to the acquisition of GCM on September 30, 1999. This acquisition, which was accounted for as a pooling of interest, generated approximately $3.2 million of commissions, which were included in Other Income for 1999. The 1998 financial statements were not restated for this acquisition because it was not considered material to the NBC Capital Corporation Consolidated Financial Statements. As a result, 92% of the total increase came from these commissions. Additionally, Trust Department Income increased by 12.3% resulting from continued growth in overall trust related activities. Service Charges on Deposit Accounts also increased by 10.8% due to an increased number of accounts resulting primarily from the acquisitions, account promotions and an increased effort to collect fees earned.

Non-interest expense represents ordinary overhead expenses, including salaries, bonuses and benefits. The Corporation maintains a formal salary administration program that considers extensive comparative salary data and other indexes supplied by a leading outside consulting firm. This data is utilized to assure that salaries are in line and competitive with comparable jobs in the marketplace. Incentive bonuses were expensed in each of the years noted and were paid to employees based on the attainment of predetermined profit goals. Overall, non-interest expense decreased by approximately $3.1 million or 9.0% during 2000. This decrease resulted from a $285,000 or 1.6% decrease in Salaries and Employee Benefits, a $326,000 or 7.7% increase in Net Occupancy and Furniture and Equipment Expense and a $3.0 million or 99.3% decrease in Merger and Integration Expenses. Salaries and Employee Benefits decreased as the result of the successful integration of the two acquisitions completed during the third quarter of 1999. The increase in Net Occupancy and Furniture and Equipment Expense resulted primarily from a large purchase of data processing hardware and software in late 1999 and early 2000 as part of an overall platform automation project approved in 1999 and normal increases in utility and repairs and maintenance expenses. The large reduction in Merger and Integration Expenses was due to the merger-related expenses incurred in 1999, which were not repeated in 2000. Non-interest expense increased by approximately 16.7% during 1999. Of this total increase, 40% resulted from increased merger related expenses incurred in the acquisitions of FFBS and GCM. Salaries and Employee Benefits increased by 9.5% during 1999. Approximately 50% of this increase in salary and employee benefits came from the acquisition of GCM, which was included in the 1999 amounts, but not in 1998. The remaining portion of the salary and employee benefits increase for 1999 resulted from normal raises and positions added to accommodate the Corporation's growth. The remaining portion of the increase in non-interest expense in 1999 was primarily due to the acquisition of GCM on September 30,1999. The major portion of GCM's expenses for all of 1999, exclusive of salary and employee benefits, were included in Other Expenses in the 1999 Consolidated Statements of Income. As previously stated, the 1998 amounts were not restated for the GCM acquisition.

Changes in the Corporation's income tax expense have generally paralleled income gains. The Corporation's effective tax rates were 22.4% in 1998, 21.6% in 1999 and 27.3% in 2000. The large increase in the effective rate in 2000 was the result of the acquisitions completed in the third quarter of 1999. All the earning assets acquired from FFBS generated fully taxable income. This resulted in the tax-exempt income as a percentage of total pre-tax income declining from 46.7% in 1999 to 34.0% in 2000 for the combined corporations. Also, Galloway-Chandler- McKinney Insurance Agency was a Sub S corporation prior to the acquisition and; therefore, it had no income tax expense to be included in the 1999 consolidated statements. The Corporation's ability to reduce income tax expense by acquiring additional tax-free investments is limited by the Alternative Minimum Tax Provision, the market supply of acceptable municipal securities and the Corporation's normal liquidity and balance sheet structure requirements.

LIQUIDITY, ASSET/LIABILITY MANAGEMENT

Liquidity may be defined as the ability of the Corporation to meet cash flow requirements created by decreases in deposits and/or other sources of funds or increases in loan demand. The Corporation has not experienced any problems with liquidity over any of the years noted and anticipates that all liquidity requirements will be met comfortably in the future. The Corporation's traditional sources of funds from deposit increases, maturing loans and investments and earnings have generally allowed it to consistently generate sufficient funds for liquidity needs. As the result of a $23.7 million increase in loans and a $52.0 million increase in deposits, the Corporation's loan/deposit ratio has decreased from 82.9% in 1999 to 80.5% in 2000. At December 31, 1999, the Corporation had approximately $82.2 million in cash accumulated for Y2K contingency purposes. The reduction of this balance to $31.7 million at December 31, 2000, provided an additional $50.5 million in liquidity for the year 2000. In addition to the above mentioned loan growth, the securities portfolio increased by $51.5 million and Federal Funds sold increased by $13.2 million during the year. The remaining cash was used to reduce short-term borrowings by $12.3 million and Other Borrowed Funds by $9.8 million. All the remaining liquidity needs for the year were provided from normal operating activities.

The Corporation offers repurchase agreements to accommodate excess funds of some of its larger depositors. Management believes that these repurchase agreements stabilize traditional deposit sources as opposed to risking the potential loss of these funds to alternative investment arrangements. Repurchase Agreements, which are viewed as a source of funds to the Corporation, totaled $16.3 million and $17.6 million at December 31, 2000 and 1999, respectively. The level of repurchase agreement activity is limited by the availability of investment portfolio securities to be pledged against the accounts. Due to the limited amount of repurchase agreements and the fact that the underlying securities remain under the control of National Bank of Commerce, the exposure of the Corporation for this program is not considered material.

During the next five years, approximately $54.5 million of the Federal Home Loan Bank borrowings will mature. The Corporation believes that normal earnings and other traditional sources of cash flow, along with additional borrowings from the Federal Home Loan Bank, if necessary, will provide the cash to allow it to meet these maturities with no adverse effect on liquidity. At December 31, 2000, the Corporation had the ability to borrow approximately $140 million from the Federal Home Loan Bank and had other short-term borrowing lines of approximately $38 million.

The Corporation has no plans for the refinancing or redemption of any liabilities other than normal maturities and payments relating to the borrowings from the Federal Home Loan Bank. The Corporation does not have plans at this time for any discretionary spending that would have a material impact on liquidity other than the repurchase of a block of its common stock. In February, the Corporation entered into a Letter of Intent to purchase approximately 977,000 shares of its common stock for a total purchase price of approximately $24.5 million. This transaction, which was consummated on March 22, 2001, was financed through borrowings from the Federal Home Loan Bank. The Corporation has excess consolidated capital when compared to its peers and management believes that this repurchase of its stock is the quickest and most efficient method of utilizing a portion of this excess capital. The completion of this transaction will result in reducing the Corporation's equity to assets ratio to a more appropriate level. If this transaction had been completed at the beginning of 2000, it would have had the following effect on the Corporation's year-end numbers: the equity to assets ratio would have decreased from 11.9% to approximately 9.5%; earnings per share would have increased from $1.96 per share to approximately $2.13 per share; and return on average equity would have improved from 12.2% to approximately 13.8%. In management's opinion, this transaction is very positive for the shareholders of the Corporation. The Corporation's decision to purchase this block of shares was supported by a Fairness Opinion from an independent, professional source.

The Corporation has maintained a consistent and disciplined asset/liability management policy during each of the years noted in the summary. This policy focuses on interest rate risk and rate sensitivity. As part of this policy, the Corporation does not engage in currency or interest rate swaps, nor does it purchase and hold any derivative securities.

The primary objective of rate sensitivity management is to maintain net interest income growth while reducing exposure to adverse fluctuations in rates. The Corporation utilizes an Asset/Liability Management Committee that evaluates and analyzes the Corporation's pricing, asset/liability maturities and growth, and balance sheet mix strategies in an effort to make informed decisions that will increase income and limit interest rate risk. The committee uses simulation modeling as a guide for its decision making. Modeling techniques are also utilized to forecast changes in net income and the economic value of equity under assumed fluctuations in interest rate levels.

Due to the potential volatility of interest rates, the Corporation's goal is to stabilize the net interest margin by maintaining a neutral rate sensitive position. At year-end 2000, the Corporation's balance sheet reflected approximately $57.7 million more in rate sensitive liabilities than assets that were scheduled to reprice within one year. This represents 5.7% of total assets and would indicate that the Corporation is slightly liability sensitive. This computation results from a static gap analysis that weights assets and liabilities equally. It is the Corporation's policy to maintain a static gap position of no more than a plus or minus 10% of aggregate assets over a moving twenty-four month period. The Corporation's position is considered essentially neutral when using simulation modeling that provides different weighting for assets and liabilities. Management believes that interest rates will decline during 2001. As a result, it is felt that the Corporation's current position places it in a low interest rate risk posture. Management does not believe that it is in the Corporation's best interest to speculate on changes in interest rate levels. Although earnings could be enhanced if predictions were correct, they could also be put at significant risk if interest rates move against predictions.

CAPITAL

Retained earnings have served as the Corporation's exclusive source of capital growth over the five years noted in the summary of Selected Financial Data. Stockholders' Equity, as stated previously, has grown consistently over this period, except for 1999 and relates quite favorably to the Corporation's assets. The equity to assets ratio increased from 11.4% at December 31, 1999 to 11.9% at December 31, 2000. In 1999, total Stockholders' Equity showed a decline of approximately $600,000. The reason for this decline was that Accumulated Other Comprehensive Income, which is primarily composed of unrealized gains (losses) on available-for-sale securities, moved from a gain of $1.4 million in 1998 to a loss of $2.6 million in 1999. This resulted from an increasing rate environment during 1999, which caused a decline in market value of these investment securities. The interest rate trend reversed in 2000 and as a result the Accumulated Other Comprehensive Income improved from a loss of $2.6 million to a loss of only $68,000.

During 2000, the amount of Treasury Stock increased from $579,000 to $1,043,000, as the number of shares held in the treasury increased from 17,470 to 37,235. When the Corporation formed its ESOP, it was required by the IRS regulations to provide a put option to plan participants in order to provide liquidity to participants who received the Corporation's common stock. Prior to listing its stock on the American Stock Exchange in April of 2000, the corporation acquired 41,561 shares as a result of the exercise of these put options. Also during 2000, the Corporation issued 7,768 shares upon the exercise of stock options from a plan carried over from FFBS and 14,028 shares in connection with the acquisition of Heritage Insurance Agency.

Current regulatory requirements call for a basic leverage ratio of 5.0% for an institution to be considered as "well-capitalized." At the end of 2000, NBC maintained a 12.1% leverage ratio that obviously allowed it to significantly exceed the ratio required for a "well-capitalized" institution.

Regulatory authorities also evaluate a financial institution's capital under certain risk-weighted formulas (high-risk assets would require a higher capital allotment, lower risk assets a lower capital allotment). In this context, a "well-capitalized" bank is required to have a Tier 1 risk-based capital ratio (excludes reserve for loan losses) of 6.0% and a total risk-based capital ratio (includes reserve for loan losses) of 10.0%. At the end of 2000, the Corporation had a Tier 1 ratio of 18.3% and a total risk-based capital ratio of 19.5%, once again placing the Corporation well above the level required for a "well-capitalized" institution.

The Corporation's capital position obviously exceeds regulatory requirements, even for "well-capitalized" institutions. Capital has increased 19.2% since 1996 to total 11.9% of assets at the end of 2000. Management considered this level of capital to be excessive in relation to the amount needed to support the assets of the Corporation. Even though the purchase of the Corporation's stock, as discussed under the section on Liquidity / Asset Liability Management, had the positive effect of reducing this ratio to a more acceptable level, management is continuing to consider other alternatives to safely leverage the excess capital in an effort to increase the earnings of the Corporation and improve Return of Average Equity. There are no material commitments for the use of capital resources that can not be funded through currently available liquidity sources.

MARKET INFORMATION

Effective April 20, 2000, the Corporation listed its stock on the American Stock Exchange and is currently traded on the AMEX under the symbol NBY. Prior to that time, the stock was traded on the NASDAQ Inter-Dealer Market under the symbol NBCA. Sun Trust Bank, Atlanta currently acts as Transfer Agent for the Corporation. During 1999, dividends were declared semi-annually in June and December. In 2000, the Corporation began paying dividends on a quarterly basis. The following table sets forth, for the periods indicated, the range of sales prices of the Corporation's common stock as reported on the Inter-Dealer Market through March of 2000 and the AMEX for the remainder of 2000 and the dividends declared for each year:

YEAR	QUARTER	HIGH	LOW	CASH DIVIDEND DECLARED PER QUARTER
1999	First	$40.000	$37.875	$ -
	Second	38.500	30.000	0.18
	Third	33.500	27.250	-
	Fourth	31.500	26.000	0.69
2000	First	$29.000	$20.000	$ 0.24
	Second	21.375	20.000	0.24
	Third	20.625	18.625	0.24
	Fourth	20.000	18.750	0.25

ITEM 7A. - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed only to U.S. dollar interest rate changes and, accordingly, the Company manages exposure by considering the possible changes in the net interest margin. The Company does not have any trading instruments nor does it classify any portion of the investment portfolio as held for trading. The Company does not engage in any hedging activities or enter into any derivative instruments with a higher degree of risk than collateralized mortgage obligations which are commonly held securities generally collateralized by pools of GNMA, FNMA, or FHLMC pass-through securities. Finally, the Company has no exposure to foreign currency exchange rate risk, commodity price risk, and other market risks.

The following table reflects the year-end position of the Company's interest-earning assets and interest-bearing liabilities which can either reprice or mature within the designated time period. The interest rate sensitivity gaps can vary from day-to-day and are not necessarily a reflection of the future. In addition, certain assets and liabilities within the same designated time period may nonetheless reprice at different times and at different levels.

($ In Thousands)
December 31, 2000

	Interest Sensitive Within (Cumulative)			
	Within 3 Months	Within 12 Months	Within 5 Years	Total of Interest-Earning Assets
Interest-earning assets:				
Loans	$321,884	$464,377	$581,470	$647,489
Investment and				

mortgage-backed securities	15,756	62,660	203,946	281,790
Federal funds sold and other	15,711	15,711	15,711	15,711
Totals	$353,351	$542,748	$801,127	$944,990
Interest-bearing liabilities:				
Deposits	$307,976	$554,743	$708,016	$708,016
Borrowed funds	20,925	45,669	73,160	73,352
	$328,901	$600,412	$781,176	$781,368
Sensitivity gap:				
Dollar amount	$ 24,450	$(57,664)	$ 19,951	$163,622
Percent of total interest-earning assets	2.59%	(6.10%)	2.11%	

The matching of assets and liabilities may be analyzed by examining the extent to which such assets and liabilities are "interest rate sensitive" and by monitoring an institution's interest rate sensitivity "gap". An asset or liability is said to be interest rate sensitive within a specific time period if it will mature or reprice within that time period. The interest rate sensitivity gap is defined as the difference between the amount of interest-earning assets anticipated, based upon certain assumptions, to mature or reprice within that time period. A gap is considered positive when the amount of interest rate sensitive assets maturing within a specific time frame exceeds the amount of interest rate sensitive liabilities maturing within that same time frame. During a period of falling interest rates, a negative gap would tend to result in an increase in net interest income while a positive gap would tend to adversely affect net interest income. In a rising interest rate environment, an institution with a positive gap would generally be expected, absent the effects of other factors, to experience a greater increase in the yield of its assets relative to the costs of its liabilities and thus an increase in the institution's net interest income would result whereas an institution with a negative gap could experience the opposite results.

At December 31, 2000, total interest-earning assets maturing or repricing within one year were less than interest-bearing liabilities maturing or repricing within the same time period by approximately $57.7 million (cumulative), representing a negative cumulative one year gap of 6.1% of earning assets. Management of the Company believes this is the proper position in the current interest rate environment.

Banking regulators have issued advisories concerning the management of interest rate risk (IRR). The regulators consider that effective interest rate management is an essential component of safe and sound banking practices. To monitor its IRR, the Company's risk management practices include (a) Risk Management, (b) Risk Monitoring and (c) Risk Control. Risk Management consists of a system in which a measurement is taken of the amount of earnings at risk when interest

rates change. The Company does this by first preparing a "base strategy" which is the position of the bank and its forecasted earnings based upon the current interest rate environment or, most likely, interest rate environment. The IRR is then measured based upon hypothetical changes in interest rates by measuring the impact such a change will have on the "base strategy."

Risk monitoring consists of evaluating the "base strategy" and the assumptions used in its development based upon the current interest rate environment. This evaluation is performed quarterly by management or more often in a rapidly changing interest rate situation and monitored by an Asset/Liability Management Committee.

Risk control is utilized based upon the setting of guidelines as to the tolerance for interest rate exposure. These guidelines are set by senior management and approved by the board of directors. The December, 2000, model reflects an increase of 1.23% in income and a 12.44% decrease in market value equity for a 200 basis point increase in interest rates. The same model shows a 1.94% decrease in income and a 19.46% increase in market value equity for a 200 basis points decrease in interest rates. The guidelines allow for no more than a + - 10% change in income, and no more than a + - 25% change in market value equity.

ITEM 8 - FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

NBC CAPITAL CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

AND

INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS' REPORT

DECEMBER 31, 2000 AND 1999

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors and Stockholders
NBC Capital Corporation

We have audited the accompanying consolidated balance sheets of NBC Capital Corporation and subsidiaries as of December 31, 2000 and 1999, and the related consolidated statements of income, changes in stockholders' equity and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating

the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the consolidated financial position of NBC Capital Corporation and subsidiaries as of December 31, 2000 and 1999, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2000, in conformity with generally accepted accounting principles.

/S/ T. E. LOTT & COMPANY

Columbus, Mississippi
January 19, 2001 (Except for Note R, as to which the date is February 1, 2001)

NBC CAPITAL CORPORATION

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2000 AND 1999

	2000	1999
ASSETS	(In thousands)	
Cash and due from banks (Note M)	$ 29,439	$ 80,288
Interest-bearing deposits with banks	2,289	1,895
Federal funds sold	13,422	201
Total cash and cash equivalents	45,150	82,384
Securities available-for-sale (Note C)	231,994	200,456
Securities held-to-maturity (Note C) (estimated fair value of $53,343 in 2000 and $31,406 in 1999)	49,796	29,824
Total securities	281,790	230,280
Loans (Note D)	647,489	623,751
Less allowance for loan losses (Note D)	(9,689)	(10,194)
Net loans	637,800	613,557
Interest receivable	10,521	8,847
Premises and equipment (Note E)	16,285	16,757
Intangible assets	3,235	3,288
Other assets	14,734	18,457
Total Assets	$1,009,515	$ 973,570

LIABILITIES AND STOCKHOLDERS' EQUITY

Liabilities:		
Noninterest-bearing deposits	$ 96,788	$ 92,506
Interest-bearing deposits, $100,000 or more	147,541	124,148
Other interest-bearing deposits	560,475	536,156
Total deposits	804,804	752,810
Interest payable	3,420	2,813
Federal funds purchased and securities sold under repurchase agreements (Note F)	16,326	28,666
Other borrowed funds (Note F)	57,027	66,857
Other liabilities	7,815	11,173
Total liabilities	889,392	862,319
Commitments and contingent liabilities (Note N)		
Stockholders' equity (Notes B, I and M):		
Common stock - $1 par value, authorized 10,000,000 shares in 2000 and 1999; issued 7,212,662 shares in 2000 and 1999	7,213	7,213
Surplus	51,529	51,845
Retained earnings	62,492	55,410
Accumulated other comprehensive income (Note G)	(68)	(2,638)
Treasury stock, at cost (Note K)	(1,043)	(579)
Total stockholders' equity	120,123	111,251
Total Liabilities and Stockholders' Equity	$1,009,515	$ 973,570

The accompanying notes are an integral part of these statements.

NBC CAPITAL CORPORATION

CONSOLIDATED STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998

	2000	1999	1998
	(In thousands, except per share data)		
INTEREST INCOME			
Interest and fees on loans	$57,535	$52,219	$52,955
Interest and dividends on securities:			
Taxable interest and dividends	7,966	6,981	7,748
Tax-exempt interest	6,086	5,449	5,668
Other	1,148	2,440	1,953
Total interest income	72,735	67,089	68,324
INTEREST EXPENSE			
Interest on time deposits of $100,000			

or more	7,692	6,096	5,372
Interest on other deposits	23,867	22,303	25,044
Interest on borrowed funds	3,419	2,599	2,328
Total interest expense	34,978	30,998	32,744
Net interest income	37,757	36,091	35,580
Provision for loan losses (Note D)	1,280	1,769	3,187
Net interest income after provision for loan losses	36,477	34,322	32,393
OTHER INCOME			
Service charges on deposit accounts	5,306	5,230	4,720
Insurance commissions, fees, and premiums	4,204	3,649	538
Other service charges and fees	1,938	1,916	2,073
Trust Department income	1,616	1,405	1,251
Securities (losses) gains, net	(22)	37	110
Other	720	817	899
Total other income	13,762	13,054	9,591
OTHER EXPENSE			
Salaries	14,976	14,696	13,110
Employee benefits (Note J)	2,284	2,849	2,914
Net occupancy expense	2,161	2,048	1,965
Furniture and equipment expense	2,378	2,165	1,813
Merger and integration expense (Note B)	22	3,070	1,100
Other	9,096	9,141	8,199
Total other expense	30,917	33,969	29,101
Income before income taxes	19,322	13,407	12,883
Income taxes (Note H)	5,277	2,899	2,881
Net income	$14,045	$10,508	$10,002
Net income per share:			
Basic	$ 1.96	$ 1.46	$ 1.43
Diluted	1.96	1.46	1.42

The accompanying notes are an integral part of these statements.

NBC CAPITAL CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS

YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998

	Comprehensive Income	Common Stock	Surplus	Retained Earnings	Unearned Compensation	Treasury Stock	Accumulated Other Comprehensive Income	Total
				(In thousands)				
Balance, January 1, 1998		$ 7,044	$52,466	$ 46,206	$ (762)	$ (268)	$ 618	$105,304
Comprehensive income:								
Net income for 1998	$10,002	-	-	10,002	-	-	-	10,002
Net change in unrealized gains (losses)on securities available-for-sale, net of tax	758	-	-	-	-	-	758	758
Comprehensive income	$10,760							
Cash dividends declared, $.73 per share		-	-	(3,907)	-	-	-	(3,907)
Purchase of fractional shares		-	(6)	-	-	-	-	(6)
Pre-merger transactions of pooled entity:								
Dividends		-	-	(749)	-	-	-	(749)
Other		1	94	-	105	266	-	466
Balance, December 31, 1998		7,045	52,554	51,552	(657)	(2)	1,376	111,868
Comprehensive income:								
Net income for 1999	$10,508	-	-	10,508	-	-	-	10,508
Net change in unrealized gains (losses) on securities available-for-sale, net of tax	(4,016)	-	-	-	-	-	(4,016)	(4,016)
Comprehensive income	$ 6,492							
Issuance of common stock for acquisition accounted for								

as a pooling of interests (Note B)		173	(232)	-	-	-	2	(57)
Cash dividends declared, $.87 per share		-	-	(5,983)	-	-	-	(5,983)
Purchase of treasury stock		-	-	-	-	(1,900)	-	(1,900)
Purchase of fractional shares		-	(11)	-	-	-	-	(11)
Treasury shares issued for acquisition (Note K)		(21)	(814)	-	-	835	-	-
Exercise of stock options		-	(327)	-	-	486	-	159
Pre-merger transactions of pooled entities:								
Dividends		-	-	(667)	-	-	-	(667)
Other		16	675	-	657	2	-	1,350
Balance, December 31, 1999		7,213	51,845	55,410	-	(579)	(2,638)	111,251
Comprehensive income:								
Net income for 2000	$14,045	-	-	14,045	-	-	-	14,045
Net change in unrealized gains (losses) on securities available-for-sale, net of tax	2,570	-	-	-	-	-	2,570	2,570
Comprehensive income	$16,615							
Cash dividends declared, $.97 per share		-	-	(6,963)	-	-	-	(6,963)
Purchase of treasury stock		-	-	-	-	(1,164)	-	(1,164)
Treasury shares issued for acquisition (Note K)		-	(184)	-	-	479	-	295
Exercise of stock options		-	(132)	-	-	221	-	89
Balance, December 31, 2000		$ 7,213	$51,529	$ 62,492	$ -	$ (1,043)	$ (68)	$120,123

The accompanying notes are an integral part of these statements.

NBC CAPITAL CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998

	2000	1999	1998
	(In thousands)		
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 14,045	$ 10,508	$ 10,002
Adjustments to reconcile net income to net cash:			
Depreciation and amortization	2,458	2,430	2,328
Deferred income taxes (credits)	103	(719)	(1,349)
Provision for loan losses	1,280	1,769	3,187
FHLB stock dividend	(278)	(175)	(174)
Losses (gains) on sale of securities	22	(37)	(110)
Deferred credits	(397)	(154)	(80)
Changes in:			
Interest receivable	(1,674)	399	(583)
Other assets	2,125	(503)	(5,451)
Interest payable	607	(462)	(342)
Other liabilities	(167)	476	854
Amortization of unearned compensation	-	657	262
Excess of fair market value of allocated ESOP shares over cost	-	504	231
Other	-	-	87
Net cash provided by operating activities	18,124	14,693	8,862
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of securities available-for-sale	(46,745)	(76,330)	(99,500)
Proceeds from sales of securities available-for-sale	1,883	12,989	29,200
Proceeds from maturities and calls of securities available-for-sale	17,488	52,058	85,724
Purchases of securities held-to-maturity	(22,866)	(487)	-
Proceeds from maturities and calls of securities held-to-maturity	2,894	1,819	202
Increase in loans	(25,126)	(38,441)	(16,627)
Additions to premises and equipment	(1,450)	(1,724)	(1,145)
Cash paid in business acquisition	(47)	-	-
Other	-	-	448
Net cash used in investing activities	(73,969)	(50,116)	(1,698)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase (decrease) in deposits	51,994	(24,145)	42,848
Dividends paid on common stock	(10,138)	(5,344)	(4,277)
Net increase (decrease) in borrowed funds	(22,170)	59,896	(14,033)

Exercise of stock options	89	337	132
Acquisition of stock	(1,164)	(1,900)	(2)
Other	-	(57)	4
Net cash provided by financing activities	18,611	28,787	24,672
Net increase (decrease) in cash and cash equivalents	(37,234)	(6,636)	31,836
Cash and cash equivalents at beginning of year	82,384	89,020	57,184
Cash and cash equivalents at end of year	$ 45,150	$ 82,384	$ 89,020

The accompanying notes are an integral part of these statements.

NBC CAPITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2000 AND 1999

NOTE A - SUMMARY OF ACCOUNTING POLICIES

NBC Capital Corporation (the "Corporation"), and its subsidiaries, follow generally accepted accounting principles, including, where applicable, general practices within the banking industry.

1. Basis of Presentation

The consolidated financial statements include the accounts of the Corporation and

National Bank of Commerce ("NBC"), a wholly-owned subsidiary of the Corporation,

First National Finance Company, a wholly-owned subsidiary of the Corporation,

Galloway-Chandler-McKinney Insurance Agency, Inc., a wholly-owned subsidiary of NBC,

NBC Insurance Services of Alabama, Inc., a wholly-owned subsidiary of NBC, NBC Service Corporation, a wholly-owned subsidiary of NBC, and

Commerce National Insurance Company, a 79%-owned subsidiary of NBC Service Corporation.

Significant intercompany accounts and transactions have been eliminated.

2. Nature of Operations

The Corporation is a bank holding company. Its primary asset is its investment in its subsidiary bank. NBC provides full banking services, including trust services. The bank operates under a national bank charter and is subject to regulation of the Office of the Comptroller of the Currency. The area served by NBC is the North Central region of Mississippi with locations in ten communities and the Tuscaloosa, Alabama area. Galloway-Chandler-McKinney Insurance Agency, Inc., operates insurance agencies in the NBC servicing area. NBC Insurance Services of Alabama, Inc., sells annuity contracts in the State of Alabama. The primary asset of NBC Service Corporation is its investment in Commerce National Insurance Company, a life insurance company. First National Finance Company is a finance company located in West Point, Mississippi.

3. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

4. Securities

Investments in securities are classified into three categories and are accounted for as follows:

Securities Available-for-Sale

Securities classified as available-for-sale are those securities that are intended to be held for an indefinite period of time, but not necessarily to maturity. Any decision to sell a security classified as available-for-sale would be based on various factors, including movements in interest rates, liquidity needs, security risk assessments, changes in the mix of assets and liabilities and other similar factors. These securities are carried at their estimated fair value, and the net unrealized gain or loss is reported as accumulated other comprehensive income, net of tax, until realized. Premiums and discounts are recognized in interest income using the interest method.

Gains and losses on the sale of securities available-for-sale are determined using the adjusted cost of the specific security sold.

Securities Held-to-Maturity

Securities classified as held-to-maturity are those securities for which there is a positive intent and ability to hold to maturity. These securities are carried at cost adjusted for amortization of premium and accretion of discount, computed by the interest method.

Trading Account Securities

Trading account securities are those securities which are held for the purpose of selling them at a profit. There were no trading account securities on hand at December 31, 2000 and 1999.

5. Loans

Loans are carried at the principal amount outstanding. Interest income

on loans is recognized based on the principal balance outstanding and the stated rate of the loan.

Loans are generally placed on a nonaccrual status when principal or interest is past due ninety days, or when specifically determined to be impaired. When a loan is placed on nonaccrual status, interest accrued but not received is generally reversed against interest income. If collectibility is in doubt, cash receipts on nonaccrual loans are used to reduce principal rather than recorded as interest income.

Loan origination fees and certain direct origination costs are capitalized and recognized as an adjustment of the yield on the related loan.

6. Allowance for Loan Losses

For financial reporting purposes, the provision for loan losses charged to operations is based upon management's estimations of the amount necessary to maintain the allowance at an adequate level, considering past loan loss experience, current economic conditions, the value of any underlying collateral, credit reviews of the loan portfolio, changes in the size and character of the loan portfolio and other factors warranting consideration. Allowances for any impaired loans are generally determined based on collateral values. Loans are charged against the allowance for loan losses when management believes that the collectibility of the principal is unlikely. The allowance is maintained at a level believed adequate by management to absorb potential loan losses.

7. Premises and Equipment

Premises and equipment are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization are determined using the straight-line method at rates calculated to depreciate or amortize the cost of assets over their estimated useful lives.

Maintenance and repairs of property and equipment are charged to operations, and major improvements are capitalized. Upon retirement, sale, or other disposition of property and equipment, the cost and accumulated depreciation are eliminated from the accounts, and any gains or losses are included in operations.

8. Other Real Estate

Other real estate consists of properties acquired through foreclosure and is recorded at the lower of cost or current appraisal less estimated costs to sell. Any write-down from the cost to fair value required at the time of foreclosure is charged to the allowance for loan losses. Subsequent gains or losses on other real estate are reported in other operating income or expenses.

9. Intangible Assets

Intangible assets, consisting principally of goodwill associated with acquisitions, are being amortized to expense using the straight-line method over a fifteen-year period. Amortization expense related to intangible assets was $394,155 for 2000, $401,330 for 1999, and $331,673 for 1998.

10. Income Taxes

Income taxes are provided for the tax effects of the transactions

reported in the financial statements and consist of taxes currently payable plus deferred taxes related primarily to differences between the bases of assets and liabilities as measured by income tax laws and their bases as reported in the financial statements. The deferred tax assets and liabilities represent the future tax consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled.

The Corporation and its subsidiaries (except for Commerce National Insurance Company) file consolidated income tax returns. The subsidiaries provide for income taxes on a separate return basis and remit to the Corporation amounts determined to be payable.

11. Trust Assets

Assets of the Trust Department, other than cash on deposit, are not included in the accompanying balance sheets, since such items are not assets of the bank.

12. Employee Benefits

NBC maintains a noncontributory defined benefit pension plan covering substantially all employees. The plan calls for benefits to be paid to eligible employees at retirement based primarily upon years of service and compensation. Contributions to the plan reflect benefits attributed to employees' services to date, as well as services expected to be earned in the future. The annual pension cost charged to expense is actuarially determined in accordance with the provisions of Financial Accounting Standards Board (FASB) Statement No. 87, "Employers' Accounting for Pensions." The plan was amended effective January 1, 2001, to close participation in the plan. Employees hired subsequent to December 31, 2000, will not be eligible to participate. Current participants will continue to accrue benefits, but benefits accrued will be offset by contributions to the profit sharing plan.

On January 1, 2001, the Corporation and its subsidiaries adopted a defined contribution profit sharing plan. Employer contributions will be made annually equal to 3% of each participant's base pay. Participant accounts will be 100% vested upon completion of five years of service.

NBC provides a deferred compensation arrangement (401(k) plan) whereby employees contribute a percentage of their compensation. NBC makes matching contributions of fifty percent of employee contributions of six percent or less for employees with less than twenty years of service. For employees with service of twenty years or more, the matching contribution is seventy-five percent of employee contributions of six percent or less.

Employees of NBC participate in a nonleveraged Employee Stock Ownership Plan (ESOP) through which common stock of the Corporation is purchased at its market price for the benefit of employees. Contributions are made at the discretion of the Board of Directors and are expensed in the applicable year. Effective January 1, 2001, the ESOP plan was amended to freeze the plan and to allow no new entrants into the ESOP. All participants at December 31, 2000, became 100% vested in their accounts. The ESOP is accounted for in accordance with Statement of Position 93-6, "Employers' Accounting for Employee Stock Ownership Plans."

The Corporation and its subsidiary bank have various deferred income and supplemental retirement plans for certain key executive and senior officers. Life insurance contracts have been purchased which may be

used to fund payments under the plans. The estimated present value of the projected payments under the plans is being accrued to expense over the remaining expected term of each participant's active employment.

The Corporation provides an employee stock benefit plan whereby 8,434 shares of the Corporation's stock have been assigned for the benefit of certain key employees. Under the terms of the plan, retirement or similar payments will be equal to the fair market value of the stock plus all cash dividends paid since the adoption of the agreement. An expense was recorded at the establishment date based on the market value of the stock. The difference between any increase or decrease in the value of the stock is recorded as an adjustment to employee benefits expense.

13. Stock Options

Stock option grants are accounted for in accordance with Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees," and, accordingly, no compensation expense is recognized for stock options granted.

14. Cash Flows

For purposes of reporting cash flows, cash and cash equivalents include cash on hand and amounts due from banks, interest-bearing deposits with banks, and federal funds sold. Generally, federal funds are sold for one to seven day periods.

15. Net Income Per Share

Basic net income per share computations are based upon the weighted average number of common shares outstanding during the periods. Diluted net income per share computations are based upon the weighted average number of common shares outstanding during the periods plus the dilutive effect of outstanding stock options. Net income per share for periods prior to 1999 have been restated to reflect the effect of the FFBS Bancorp, Inc. ("FFBS") acquisition which was accounted for as a pooling of interest.

Presented below is a summary of the components used to calculate basic and diluted net income per share for the years ended December 31, 2000, 1999, and 1998:

	Years Ended December 31,		
	2000	1999	1998
	(In thousands, except per share data)		
Basic Net Income Per Share			
Weighted average common shares outstanding	7,180	7,178	6,987
Net income	$ 14,045	$ 10,508	$ 10,002
Basic net income per share	$ 1.96	$ 1.46	$ 1.43
Diluted Net Income Per Share			
Weighted average common shares outstanding	7,180	7,178	6,987
Net effect of the assumed exercise of stock options based on the			

treasury stock method	5	36	32
Total weighted average common shares and common stock equivalents outstanding	7,185	7,214	7,019
Net income	$ 14,045	$ 10,508	$ 10,002
Diluted net income per share	$ 1.96	$ 1.46	$ 1.42

16. Off-Balance Sheet Financial Instruments

In the ordinary course of business, NBC enters into off-balance sheet financial instruments consisting of commitments to extend credit, credit card lines, commercial and similar letters of credit and commitments to purchase securities. Such financial instruments are recorded in the financial statements when they are exercised.

17. Business Segments

FASB Statement No. 131, "Disclosures About Segments of an Enterprise and Related Information," requires public companies to report (i) certain financial and descriptive information about their reportable operating segments (as defined) and (ii) certain enterprise-wide financial information about products and services, geographic areas, and major customers. Management believes the Corporation's principal activity is community banking and that any other activities are not considered significant segments.

18. Accounting Pronouncements

In June, 1998, the FASB issued Statement No. 133, "Accounting for Derivative Instruments and for Hedging Activities." Statement No. 133 requires all derivatives to be recorded on the balance sheet at fair value. Statement No. 133 is effective for fiscal periods beginning after June 15, 2000, and its adoption will not have a material effect on the Corporation's consolidated financial statements.

NOTE B - ACQUISITIONS

On April 28, 2000, NBC acquired Heritage Insurance Agency, Ltd. (Heritage), an independent insurance agency located in Starkville, Mississippi, for $47,025 in cash and 14,028 shares of the Corporation's common stock. Simultaneously with the acquisition, Heritage was merged into Galloway-Chandler-McKinney Insurance Agency, Inc. The acquisition of Heritage was accounted for as a purchase business combination, and the results of operations of Heritage, which are not material, have been included in the consolidated financial statements from the acquisition date.

On August 31, 1999, the Corporation acquired all of the outstanding common stock of FFBS in exchange for 1,396,162 shares of the Corporation's common stock and a nominal amount of cash in lieu of fractional shares. Simultaneously, the wholly-owned subsidiary of FFBS, First Federal Bank for Savings ("First Federal"), was merged into NBC with NBC as the surviving institution. The acquisition of FFBS has been accounted for as a pooling of interests and, accordingly, all prior financial statements have been restated to include the consolidated accounts and consolidated operations of FFBS and its subsidiary. The effect of the pooling of interests on reported operations follows:

	NBC Capital Corporation	FFBS Bancorp, Inc.	Currently Reported
	(In thousands)		
1998:			
Net interest income	$30,877	$4,703	$35,580
Provision for loan losses	3,187	-	3,187
Other income	8,838	753	9,591
Other expense	26,056	3,045	29,101
Net income	8,494	1,508	10,002

On September 30, 1999, NBC acquired the insurance agencies of Galloway-Wiggers Insurance Agency, Inc., Kyle Chandler Insurance Agency, Inc., Galloway-Chandler-McKinney, Inc., and Napier Insurance Agency, Inc. (GCM). GCM had total assets of approximately $1.4 million at acquisition. NBC exchanged 173,184 shares of the Corporation's common stock for all of the issued and outstanding common stock of GCM. The insurance agencies were combined into a wholly-owned subsidiary of NBC, Galloway-Chandler-McKinney Insurance Agency, Inc. The transaction has been accounted for as a pooling of interests, and the Corporation's consolidated financial statements for 1999 include the accounts of GCM. The consolidated financial statements for periods prior to 1999 were not restated as the changes would have been immaterial.

On December 31, 1998, the Corporation acquired all of the outstanding stock of First National Corporation of West Point ("First National") in exchange for 864,736 shares of the Corporation's common stock and a nominal amount of cash in lieu of fractional shares. First National's wholly-owned subsidiary banks, First National Bank of West Point and National Bank of the South, were merged into NBC with NBC as the surviving institution. The merger was accounted for as a pooling of interests.

The Corporation recognized approximately $3.9 million of expense associated with the acquisitions of FFBS and GCM. The following table presents the primary components of merger and integration expenses incurred through December 31, 1999, and the amounts remaining as accrued expenses and included in other liabilities at December 31, 1999:

Description	Total Merger and Integration Expense	Remaining Accrued at December 31, 1999
	(In thousands)	
Employee contract and severance costs	$ 803	$ 50
ESOP and other employee plan terminations	564	-
Service contract terminations	341	-
Investment banker costs	447	-
Professional fees	575	21
Integration costs and other	340	82
	$3,070	$ 153

Other expenses associated with the merger and included in other categories in the accompanying consolidated statement of income for the

year ended December 31, 1999, totaled approximately $780,000, and consisted principally of an additional provision for loan losses.

Included in merger and integration expenses for the year ended December 31, 1998, are costs of $1.1 million associated with the First National acquisition. Also, approximately $1.8 million of additional expenses were incurred and these consisted principally of an additional provision for loan losses.

NOTE C - SECURITIES

A summary of amortized cost and estimated fair value of securities available-for-sale and securities held-to-maturity at December 31, 2000 and 1999, follows:

December 31, 2000

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(In thousands)			
Securities available-for-sale:				
U. S. Treasury securities	$ 4,595	$ 3	$ 54	$ 4,544
Obligations of other U. S. Government agencies	44,596	141	185	44,552
Obligations of states and municipal subdivisions	73,898	404	87	74,215
Mortgage-backed securities	93,366	305	539	93,132
Equity securities	10,572	-	-	10,572
Other securities	5,100	-	121	4,979
	$ 232,127	$ 853	$ 986	$ 231,994
Securities held-to-maturity:				
Obligations of states and municipal subdivisions	$ 49,796	$ 3,547	$ -	$ 53,343

December 31, 1999

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(In thousands)			
Securities available-for-sale:				
U. S. Treasury securities	$ 7,980	$ 4	$ 252	$ 7,732
Obligations of other				

U. S. Government agencies	31,269	-	847	30,422
Obligations of states and municipal subdivisions	76,337	174	1,005	75,506
Mortgage-backed securities	78,489	177	2,142	76,524
Equity securities	5,294	-	-	5,294
Other securities	5,129	1	152	4,978
	$ 204,498	$ 356	$ 4,398	$ 200,456
Securities held-to-maturity:				
Obligations of states and municipal subdivisions	$ 29,824	$ 1,601	$ 19	$ 31,406

The scheduled maturities of securities available-for-sale and securities held-to-maturity at December 31, 2000, are as follows:

	Available-for-Sale		Held-to-Maturity	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
	(In thousands)			
Due in one year or less	$ 25,967	$ 26,019	$ 1,637	$ 1,668
Due after one year through five years	65,124	65,131	12,896	13,783
Due after five years through ten years	33,059	33,214	18,815	20,111
Due after ten years	1,779	1,773	16,448	17,781
Mortgage-backed securities and other securities	106,198	105,857	-	-
	$ 232,127	$ 231,994	$ 49,796	$ 53,343

Equity securities consist of investments in FNMA preferred stock and stock of the Federal Reserve Bank and the Federal Home Loan Bank (FHLB). The transferability of the Federal Reserve Bank and FHLB stock is restricted.

Gross gains of $ -0-, $40,000, and $131,000, and gross losses of $22,000, $3,000, and $21,000 were realized on securities available-for-sale in 2000, 1999, and 1998, respectively.

Securities with a carrying value of $202,892,000 and $156,550,000 at December 31, 2000 and 1999, respectively, were pledged to secure public and trust deposits and for other purposes as required or permitted by law.

NOTE D - LOANS

Loans outstanding include the following types:

	December 31, 2000	December 31, 1999
	(In thousands)	
Commercial, financial and agricultural	$103,045	$101,503
Real estate - construction	33,638	26,185
Real estate - mortgage	402,987	390,205
Installment loans to individuals	105,564	101,624
Other	2,255	4,234
	647,489	623,751
Allowance for loan losses	(9,689)	(10,194)
	$637,800	$613,557

Transactions in the allowance for loan losses are summarized as follows:

	Years Ended December 31, 2000	1999	1998
	(In thousands)		
Balance at beginning of year	$ 10,194	$ 10,102	$ 8,528
Additions:			
Provision for loan losses charged to operating expense	1,280	1,769	3,187
Recoveries of loans previously charged off	417	380	373
	11,891	12,251	12,088
Deductions:			
Loans charged off	2,202	2,057	1,986
Balance at end of year	$ 9,689	$ 10,194	$ 10,102

At December 31, 2000 and 1999, the recorded investment in loans considered to be impaired totaled approximately $3,160,000 and $1,993,000, respectively. The allowance for loan losses related to these loans approximated $ 1,600,000 and $1,009,000 at December 31, 2000 and 1999, respectively. The average recorded investment in impaired loans during the years ended December 31, 2000 and 1999, was approximately $2.1 million and $2.5 million, respectively. For the years ended December 31, 2000 and 1999, the amount of income recognized on impaired loans was immaterial.

NOTE E - PREMISES AND EQUIPMENT

Premises and equipment are stated at cost, less accumulated depreciation and amortization as follows:

	Estimated Useful Lives In Years	December 31, 2000	1999
		(In thousands)	
Premises:			
Land	-	$ 2,868	$ 3,187
Buildings, construction and improvements	10 - 50	16,097	16,902
		18,965	20,089
Equipment	3 - 10	11,435	10,964
		30,400	31,053
Less accumulated depreciation and amortization		(14,115)	(14,296)
		$ 16,285	$ 16,757

The amount charged to operating expenses for depreciation was $1,922,000 for 2000, $1,845,000 for 1999, and $1,821,000 for 1998.

NOTE F - BORROWED FUNDS

Federal funds purchased and securities sold under repurchase agreements consisted of the following at December 31, 2000 and 1999:

	December 31, 2000	1999
	(In thousands)	
Federal funds purchased	$ -	$ 11,015
Securities sold under agreements to repurchase	16,326	17,651
	$ 16,326	$ 28,666

Federal funds purchased and securities sold under agreements to repurchase generally mature within one to seven days from the transaction date. Information concerning securities sold under agreements to repurchase is summarized as follows:

	2000	1999
	($ In thousands)	
Average balance during the year	$ 17,049	$ 15,766
Average interest rate during the year	4.16%	4.00%
Maximum month-end balance during the year	17,831	18,142

Securities underlying the repurchase agreements remain under the control of NBC.

Other borrowed funds consisted of the following at December 31:

	2000	1999
	(In thousands)	
FHLB advances	$ 54,653	$ 64,395
Treasury tax and loan note	2,374	2,462
	$ 57,027	$ 66,857

Advances from the FHLB have maturity dates ranging from January, 2001, through January, 2006. Interest is payable monthly at rates ranging from 5.90% to 7.29%. Advances due to the FHLB are collateralized by first mortgage loans, FHLB capital stock, and amounts on deposit with the FHLB. The treasury tax and loan note generally matures within one to sixty days from the transaction date. Interest is paid at an adjustable rate as set by the U. S. Government.

Annual principal repayment requirements on FHLB borrowings at December 31, 2000, are as follows:

Year	Amount
	(In thousands)
2001	$ 24,506
2002	15,704
2003	5,421
2004	5,357
2005	3,473
Thereafter	192

NOTE G - COMPREHENSIVE INCOME

In the calculation of comprehensive income, certain reclassification adjustments are made to avoid double counting amounts that are displayed as part of net income for a period that also had been displayed as part of other comprehensive income. The disclosure of the reclassification amounts are as follows:

	Years Ended December 31,		
	2000	1999	1998
	(In thousands)		
Net change in unrealized gains (losses):			
Net unrealized gains (losses) on securities available-for-sale	$ 3,887	$ (6,096)	$ 1,339
Reclassification adjustment for (gains) losses on securities available-for-sale	22	(37)	(110)
Net change in unrealized gains (losses) on securities available-for-sale before tax	3,909	(6,133)	1,229
Income tax (expense) benefit:			
Net unrealized gains (losses) on securities available-for-sale	(1,323)	2,070	(496)

Reclassification adjustment for gains (losses) on securities available-for-sale	(8)	14	41
Total income tax (expense) benefit	(1,331)	2,084	(455)
Net change in unrealized gains (losses) on securities available-for-sale, net of tax before minority interest	2,578	(4,049)	774
Minority interest in net change	(8)	33	(16)
	$ 2,570	$ (4,016)	$ 758

NOTE H - INCOME TAXES

The provision for income taxes including the tax effects of securities transactions [2000 - $(8,254); 1999 - $13,965; 1998 - $41,200] is as follows:

	Years Ended December 31,		
	2000	1999	1998
	(In thousands)		
Current tax expense	$ 5,174	$ 3,618	$ 4,230
Deferred tax expense (benefit)	103	(719)	(1,349)
	$ 5,277	$ 2,899	$ 2,881

The difference between the total expected tax expense at the federal tax rate of 34% and the reported income tax expense is as follows:

	Years Ended December 31,		
	2000	1999	1998
	(In thousands)		
Tax on income before income taxes	$ 6,569	$ 4,558	$ 4,380
Increase (decrease) resulting from:			
Tax-exempt income	(2,231)	(1,959)	(2,046)
Nondeductible expenses	442	481	326
State income taxes, net of federal benefit	540	334	345
Recapture of minimum tax by subsidiary	-	(172)	-
Other, net	(43)	(343)	(124)
	$ 5,277	$ 2,899	$ 2,881

The components of the net deferred tax asset included in other assets as of December 31, 2000 and 1999, are as follows:

	December 31,	
	2000	1999
	(In thousands)	
Deferred tax assets:		
Allowance for loan losses	$ 3,460	$ 3,574
Employee benefits	547	493
Other	882	747
Unrealized loss on securities available-for-sale	49	1,380
Total deferred tax assets	4,938	6,194
Deferred tax liabilities:		
Premises and equipment	$ (822)	$ (949)
Other	(1,133)	(828)
Total deferred tax liabilities	(1,955)	(1,777)
Net deferred tax asset	$ 2,983	$ 4,417

NOTE I - STOCK OPTIONS

In connection with the business combination with FFBS, the Corporation assumed stock options which were previously granted by FFBS and converted those options, based upon the appropriate exchange ratio, into options to acquire the Corporation's common stock. The stock options had been granted to eligible employees and directors of FFBS. All options were granted with an exercise price of $11.42 per share (as adjusted by the exchange ratio).

Activity for the assumed stock options for the three years ended December 31, 2000, follows:

	December 31,		
	2000	1999	1998
Shares under option at beginning of year	15,547	57,772	69,308
Granted	-	-	-
Exercised	7,768	42,225	11,536
Canceled	-	-	-
Shares under option at end of year	7,779	15,547	57,772
Exercisable at end of year	7,779	15,547	57,772

The options outstanding have a remaining weighted average contract life of 1.4 years.

The pro forma net income and pro forma net income per share, as determined in accordance with FASB Statement No. 123, "Accounting for Stock Based Compensation," is not materially different from net income

and net income per share as reported.

NOTE J - EMPLOYEE BENEFITS

The following table sets forth the defined benefit plan's funded status and amounts recognized in the Corporation's consolidated financial statements at December 31, 2000 and 1999:

	December 31,	
	2000	1999
	($ In thousands)	
Change in benefit obligation:		
Benefit obligation at beginning of year	$7,115	$8,367
Service cost	543	572
Interest cost	578	559
Actuarial (gain) loss	394	(548)
Amendments	(864)	-
Beginning of year measurement loss	634	-
Administrative expenses paid	(52)	-
Benefits paid	(601)	(1,835)
Benefit obligation at end of year	7,747	7,115
Change in plan assets:		
Fair value of plan assets at beginning of year	9,545	9,988
Return on plan assets	(124)	858
Employer contributions	85	-
Administrative expenses paid	(52)	-
Benefits paid	(601)	(1,835)
Asset gains deferred for later recognition	-	534
Fair value of plan assets at end of year	8,853	9,545
Funded status	1,106	2,430
Unrecognized net asset at adoption of Statement No. 87 being recognized over employees' remaining service life	-	(26)
Unrecognized net actuarial (gain) loss	1,609	(332)
Unrecognized prior service cost	(1,587)	(796)
Prepaid benefit cost	$1,128	$1,276
Weighted average assumptions:		
Discount rate	7.50%	7.75%
Expected return on plan assets	8.50%	9.50%
Rate of compensation increase	5.00%	5.00%
Components of net periodic benefit cost:		
Service cost	$ 543	$ 573
Interest cost	577	559
Expected return on plan assets	(730)	(858)
Amortization of prior service costs	(72)	(72)
Amortization of transition obligation	(26)	(33)
Recognized net actuarial loss	11	33
	$ 303	$ 202

====== ======

In connection with its conversion to a stock savings and loan association in 1993, First Federal established an ESOP. At formation, the ESOP borrowed $1,269,000 from FFBS to purchase 126,960 shares of FFBS common stock. The loan obligation was considered unearned compensation and, as such, was recorded as a reduction of stockholders' equity. Cash contributions to the ESOP were determined based on the total debt service of the ESOP less any dividends paid on ESOP shares. Accounting for the ESOP was in accordance with Statement of Position 93-6, "Employers' Accounting for Employee Stock Ownership Plans." As the debt was repaid, shares were released from collateral and allocated to qualified employees based on the proportion of debt service paid for the year. As shares were released from collateral, an expense was recorded equal to the fair market value of the shares allocated. For the years ended December 31, 1999, and 1998, employee benefit expense related to the First Federal ESOP totaled $333,481, and $379,868, respectively. In accordance with the terms of the ESOP, concurrent with the business combination, the debt was retired and the remaining unallocated shares were allocated to participants, resulting in an additional one-time expense in 1999 of $423,400.

No contributions were made to the Corporation's nonleveraged ESOP in 2000. Contributions to the ESOP were $100,000 in 1999, and $80,000 in 1998. At December 31, 2000, the plan held 315,856 shares of the Corporation's common stock. Contributions to the 401(k) plan amounted to $278,534 in 2000, $336,722 in 1999, and $290,230 in 1998.

In 1993, First Federal established a Recognition and Retention Plan ("RRP") under which awards of FFBS common stock were made to directors of First Federal. Common stock was purchased by the RRP at its market value and was considered unearned compensation at the time of purchase and earned ratably over the stipulated vesting period. As such, the RRP unearned compensation was reported as a reduction of stockholders' equity. In accordance with the terms of the RRP, the shares awarded were immediately vested upon consummation of the merger with NBC, resulting in an additional one-time expense in 1999 of $70,536.

Expenses under the deferred income and supplemental retirement plans, net of increases in the cash surrender value of life insurance contracts, were not material for 2000, 1999, and 1998.

NOTE K - TREASURY STOCK

Shares held in treasury totaled 37,235 at December 31, 2000, and 17,470 at December 31, 1999.

Upon formation of the Corporation's ESOP, the Corporation was required by IRS regulations to provide a put option to plan participants in order to provide liquidity to participants who received Corporation common stock. During the years 2000 and 1999, the Corporation acquired, as treasury shares, 41,561 and 52,788 shares, respectively, of its common stock of which 41,561 and 47,316 shares, respectively, were the result of the exercise of the put option. Upon consummation of the acquisition of FFBS, 21,420 treasury shares were issued and in accordance with APB Opinion No. 16, "Business Combinations," the issuance of the treasury shares has been reported as though the shares were retired. Additionally, 7,768 and 13,898 treasury shares were issued in 2000 and 1999, respectively, upon the exercise of stock options, and 14,028 treasury shares were issued in connection with the acquisition of Heritage.

NOTE L - RELATED PARTY TRANSACTIONS

In the normal course of business, loans are made to directors and executive officers and to companies in which they have a significant ownership interest. In the opinion of management, these loans are made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other parties, and are consistent with sound banking practices and are within applicable regulatory and lending limitations. The activity in loans to current directors, executive officers, and their affiliates during 2000 is summarized as follows:

	(In thousands)
Loans outstanding at January 1, 2000	$11,634
New loans	14,498
Repayments	(2,921)
Loans outstanding at December 31, 2000	$23,211

Also, in the normal course of business, the Corporation and its subsidiaries enter into transactions for services with companies and firms whose principals are directors and stockholders.

NOTE M - REGULATORY MATTERS

Any dividends paid by the Corporation are provided from dividends received from its subsidiary bank. Under regulations controlling national banks, the payment of any dividends by a bank without prior approval of the Comptroller of the Currency is limited to the current year's net profits (as defined by the Comptroller of the Currency) and retained net profits of the two preceding years.

The Corporation and its subsidiary bank are subject to regulatory capital requirements administered by federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Corporation's consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Corporation and its subsidiary bank must meet specific capital guidelines that involve quantitative measures of assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgment by regulators about components, risk weightings, and other related factors.

To ensure capital adequacy, quantitative measures have been established by regulators and these require the Corporation and its bank subsidiary to maintain minimum amounts and ratios (set forth in the table below) of total and Tier I capital (as defined) to risk-weighted assets (as defined), and of Tier I capital to adjusted average total assets (leverage). Management believes, as of December 31, 2000, that the Corporation and its subsidiary bank exceed all capital adequacy requirements.

At December 31, 2000, NBC was categorized by regulators as well-

capitalized under the regulatory framework for prompt corrective action. A financial institution is considered to be well-capitalized if it has total risk-based capital ratio of 10% or more, has a Tier I risk-based capital ratio of 6% or more, and has a Tier I leverage capital ratio of 5% or more. There are no conditions or anticipated events that, in the opinion of management, would change the categorization.

The actual capital amounts and ratios at December 31, 2000 and 1999, are presented in the following table. No amount was deducted from capital for interest-rate risk exposure:

	NBC Capital Corporation (Consolidated)		NBC	
	Amount	Ratio	Amount	Ratio
	($ In thousands)			
December 31, 2000:				
Total risk-based	$126,562	19.4%	$122,418	18.8%
Tier I risk-based	118,384	18.1%	114,248	17.5%
Tier I leverage	118,384	12.1%	114,248	11.6%
December 31, 1999:				
Total risk-based	$120,269	19.6%	$115,673	18.9%
Tier I risk-based	112,602	18.4%	108,008	17.7%
Tier I leverage	112,602	11.8%	108,008	11.4%

The minimum amounts of capital and ratios as established by banking regulators at December 31, 2000 and 1999, were as follows:

	NBC Capital Corporation (Consolidated)		NBC	
	Amount	Ratio	Amount	Ratio
	($ In thousands)			
December 31, 2000:				
Total risk-based	$ 52,366	8.0%	$ 52,166	8.0%
Tier I risk-based	25,183	4.0%	26,083	4.0%
Tier I leverage	29,648	3.0%	29,740	3.0%
December 31, 1999:				
Total risk-based	$ 49,067	8.0%	$ 48,858	8.0%
Tier I risk-based	24,534	4.0%	24,429	4.0%
Tier I leverage	28,560	3.0%	26,868	3.0%

NBC is required to maintain average reserve balances in the form of cash or deposits with the Federal Reserve Bank. The reserve balance varies depending upon the types and amounts of deposits. At December 31, 2000, the required reserve balance on deposit with the Federal Reserve Bank was approximately $500,000.

NOTE N - COMMITMENTS AND CONTINGENT LIABILITIES

The consolidated financial statements do not reflect various commitments and contingent liabilities which arise in the normal course of banking business and which involve elements of credit risk, interest rate risk, and liquidity risk. The commitments and contingent liabilities are

commitments to extend credit, credit card lines, and commercial and similar letters of credit. A summary of commitments and contingent liabilities at December 31, 2000 and 1999, is as follows:

	Contractual Amount	
	December 31,	
	2000	1999
	(In thousands)	
Commitments to extend credit	$91,570	$64,645
Credit card lines	7,230	5,829
Commercial and similar letters of credit	4,481	4,588

Commitments to extend credit, credit card lines, and commercial and similar letters of credit include some exposure to credit loss in the event of nonperformance of the customer. The credit policies and procedures for such commitments are the same as those used for lending activities. Because these instruments have fixed maturity dates and because a number expire without being drawn upon, they generally do not present any significant liquidity risk. No significant losses on commitments were incurred in 2000 or 1999, nor are any significant losses as a result of these transactions anticipated.

NBC is a defendant in a lawsuit in which a class is pursuing unspecified compensatory and punitive damages as a result of the placement of collateral protection insurance. NBC is vigorously defending its position and, at present, is unable to determine the potential loss or costs, if any, of the litigation.

NBC is also a defendant in various pending and threatened legal actions arising in the normal course of business. In the opinion of management, based upon the advice of legal counsel, the ultimate disposition of these matters will not have a material effect on the Corporation's consolidated financial statements.

NOTE O - CONCENTRATIONS OF CREDIT

Most of the loans, commitments and letters of credit of NBC have been granted to customers in its market areas. Generally, such customers are also depositors. Investments in state and municipal securities also involve governmental entities within the bank's market areas. The concentrations of credit by type of loan are set forth in Note D. The distribution of commitments to extend credit approximates the distribution of loans outstanding. Letters of credit were granted primarily to commercial borrowers.

NOTE P - SUPPLEMENTAL CASH FLOW INFORMATION

	Years Ended December 31,		
	2000	1999	1998
	(In thousands)		
Cash paid during the year for:			
Interest	$34,376	$29,195	$32,570

Income taxes, net of refunds	4,924	3,840	4,500

NOTE Q - DISCLOSURE ABOUT FAIR VALUES OF FINANCIAL INSTRUMENTS

The following disclosure of the estimated fair value of financial instruments is made in accordance with FASB Statement No. 107, "Disclosures About Fair Value of Financial Instruments." The estimated fair value amounts have been determined using available market information and appropriate valuation methodologies. However, considerable judgment is necessarily required to interpret market data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that could be realized in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

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

Cash and Cash Equivalents - For such short-term instruments, the carrying amount is a reasonable estimate of fair value.

Securities - For securities held as investments, fair value equals market price, if available. If a quoted market price is not available, fair value is estimated using quoted market prices for similar securities.

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

Deposits - The fair values of demand deposits are, as required by Statement No. 107, equal to the carrying value of such deposits. Demand deposits include noninterest-bearing demand deposits, savings accounts, NOW accounts, and money market demand accounts. The fair value of variable rate term deposits, those repricing within six months or less, approximates the carrying value of these deposits. Discounted cash flows have been used to value fixed rate term deposits and variable rate term deposits repricing after six months. The discount rate used is based on interest rates currently being offered on comparable deposits as to amount and term.

Short-Term Borrowings - The carrying value of federal funds purchased, securities sold under agreements to repurchase and other short-term borrowings approximates their carrying values.

FHLB and Other Borrowings - The fair value of the fixed rate borrowings are estimated using discounted cash flows, based on current incremental borrowing rates for similar types of borrowing arrangements. The carrying amount of any variable rate borrowings approximates their fair values.

Off-Balance Sheet Instruments - Fair values of off-balance sheet financial instruments are based on fees charged to enter into similar agreements. However, commitments to extend credit do not represent a significant value until such commitments are funded or closed. Management has determined that these instruments do not have a distinguishable fair value and no fair value has been assigned.

	December 31, 2000		December 31, 1999	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Financial Instruments:	(In thousands)			
Assets:				
Cash and cash equivalents	$ 45,150	$ 45,150	$ 82,384	$ 82,384
Securities available-for-sale	231,994	231,994	200,456	200,456
Securities held-to-maturity	49,796	53,353	29,824	31,406
Loans	637,800	637,083	613,557	612,609
Liabilities:				
Noninterest-bearing deposits	96,788	96,788	92,506	92,506
Interest-bearing deposits	708,016	708,518	660,304	660,495
Federal funds purchased and securities sold under agreements to repurchase	16,326	16,326	28,666	28,666
FHLB and other borrowings	57,027	57,019	66,857	66,854

NOTE R - SUBSEQUENT EVENTS

On February 1, 2001, the Corporation entered into a letter of intent to purchase approximately 977,000 shares of the Corporation's common stock for approximately $24.5 million. The acquisition is expected to be completed by March 29, 2001.

NOTE S - CONDENSED PARENT COMPANY STATEMENTS

Balance sheets as of December 31, 2000 and 1999, and statements of income and cash flows for the years ended December 31, 2000, 1999 and 1998, of NBC Capital Corporation (parent company only) are presented below:

BALANCE SHEETS

	2000	1999
	(In thousands)	
Assets		
Cash and cash equivalents	$ 2,469	$ 2,605
Investment in subsidiaries	116,977	108,163
Other assets	2,675	5,747
	$122,121	$116,515
Liabilities and Stockholders' Equity		
Dividends payable and other liabilities	$ 1,998	$ 5,264
Stockholders' equity	120,123	111,251

	$122,121	$116,515
	========	========

STATEMENTS OF INCOME

	Years Ended December 31,		
	2000	1999	1998
	(In thousands)		
Income			
Dividends from subsidiaries	$ 8,136	$ 9,393	$ 4,373
Other	130	149	206
	8,266	9,542	4,579
Expense	127	1,135	930
Income before income taxes and equity in undistributed earnings of subsidiaries	8,139	8,407	3,649
Income tax benefit	4	258	282
Income before equity in undistributed earnings of subsidiaries	8,143	8,665	3,931
Equity in undistributed earnings of subsidiaries	5,902	1,843	6,071
Net income	$ 14,045	$ 10,508	$ 10,002
	=========	========	========

STATEMENTS OF CASH FLOWS

	Years Ended December 31,		
	2000	1999	1998
	(In thousands)		
Cash Flows From Operating Activities			
Net income	$ 14,045	$ 10,508	$ 10,002
Equity in subsidiaries' earnings in excess of dividends	(5,902)	(1,843)	(6,071)
Other, net	2,981	(2,148)	(469)
Net cash provided by operating activities	11,124	6,517	3,462
Cash Flows From Investing Activities	(47)	-	1,750
Cash Flows From Financing Activities			
Dividends paid on common stock	(10,138)	(5,344)	(4,277)
Other, net	(1,075)	(1,563)	134
Net cash used in financing activities	(11,213)	(6,907)	(4,143)

Net increase (decrease) in cash and cash equivalents	(136)	(390)	1,069
Cash and cash equivalents at beginning of year	2,605	2,995	1,926
Cash and cash equivalents at end of year	$ 2,469	$ 2,605	$ 2,995

NOTE T - SUMMARY OF QUARTERLY RESULTS OF OPERATIONS AND PER SHARE AMOUNTS (UNAUDITED)

	Three Months Ended			
	Mar. 31	June 30	Sept. 30	Dec. 31
	(In thousands, except per share amounts)			
2000				
Total interest income	$17,357	$17,836	$18,405	$19,137
Total interest expense	7,948	8,481	9,051	9,498
Net interest income	9,409	9,355	9,354	9,639
Provision for loan losses	383	382	282	233
Net interest income after provision for loan losses	9,026	8,973	9,072	9,406
Total noninterest income, excluding securities gains (losses)	3,492	3,567	3,439	3,286
Securities gains (losses)	-	(20)	-	(2)
Total noninterest expenses	6,986	7,518	7,961	8,452
Income taxes	1,643	1,388	1,182	1,064
Net income	$ 3,889	$ 3,614	$ 3,368	$ 3,174
Per share:				
Net income	$.54	$.50	$.47	$.45
Net income, diluted	.54	.50	.47	.45
Cash dividends declared	.24	.24	.24	.25
1999				
Total interest income	$16,515	$16,677	$16,918	$16,979
Total interest expense	7,677	7,634	7,757	7,930
Net interest income	8,838	9,043	9,161	9,049
Provision for loan losses	315	315	1,099	40
Net interest income after provision for loan losses	8,523	8,728	8,062	9,009
Total noninterest income, excluding securities gains (losses)	3,315	3,047	3,271	3,384
Securities gains (losses)	-	17	20	-
Total noninterest expense, including merger and consolidation expenses	7,578	7,628	10,199	8,564

Income taxes	836	1,037	105	921
Net income	$ 3,424	$ 3,127	$ 1,049	$ 2,908
Per share:				
Net income	$.48	$.44	$.15	$.39
Net income, diluted	.48	.44	.15	.39
Cash dividends declared	-	.18	-	.69

ITEM 9 - CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

PART III

ITEM 10 - DIRECTORS AND EXECUTIVE OFFICERS OF THE COMPANY

Reference is made to the material under the captions, "Information About the Board's Nominees" and "Executive Officers," of the Company's proxy statement, dated April 9, 2001, which is incorporated herein by reference.

ITEM 11 - EXECUTIVE COMPENSATION

Reference is made to the caption, "Executive Compensation" of the Company's proxy statement, dated April 9, 2001, which is incorporated herein by reference.

ITEM 12 - SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Reference is made to the caption, "Stock Ownership of Directors, Officers, and Principal Shareholders," of the Company's proxy statement, dated April 9, 2001, which is incorporated herein by reference.

ITEM 13 - CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Reference is made to, "Certain Relationships and Related Transactions and Indebtedness" of the Company's proxy statement, dated April 9, 2001, which is incorporated herein by reference.

PART IV

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

(a) Documents filed as part of this report:

1. Financial Statements

The following consolidated financial statements and report of

independent auditors of NBC Capital Corporation and subsidiaries are included in this Form 10-K (Item 8) of the registrant for the year ended December 31, 2000.

Report of Independent Auditors

Consolidated Balance Sheets--December 31, 2000 and 1999

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

Consolidated Statements of Shareholders' Equity--Years Ended December 31, 2000, 1999, and 1998

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

Notes to Consolidated Financial Statements

2. Financial Statement Schedules

Schedules not included have been omitted because they are not applicable or the required information is shown in the financial statements or notes thereto.

3(a)&(c). Exhibits:

1. - 2. None

3.1 Articles of Incorporation of NBC Capital Corporation (included as Exhibit B to NBC Capital Corporation's Definitive Proxy Statement dated March 20, 1998, and filed with the Commission on March 18, 1998, Commission File No. 0-12885, which Exhibit B is incorporated herein by reference).

3.2 By-laws of NBC Capital Corporation (included as Exhibit 3(b) to NBC Capital Corporation's Registration Statement on Form S-4A, filed with the Commission on November 4, 1998, Commission File No. 333-65545, which Exhibit 3(b) is incorporated herein by reference.

4. - 9. None

10.1 Definitive Agreement and Plan of Reorganization and Merger by and between NBC Capital Corporation and First National Corporation of West Point dated as of July 24, 1998 (incorporated by reference to Exhibit 2.1 of Form 8-K filed January 15, 1999).

10.2 Employment Agreement dated January 31, 1991, between National Bank of Commerce and L. F. Mallory, Jr., as previously filed.

10.3 Agreement and Plan of Merger by and between NBC Capital Corporation and FFBS Bancorp, Inc., dated February 3, 1999 (included as Appendix A to the Proxy Statement-Prospectus dated May 7, 1999, forming part of the Company's Registration

Statement on Form S-4 filed with the Commission on March 30, 1999, Commission File No. 333-75293) and incorporated herein by reference.

10.4 Plan of Reorganization and Merger by and between National Bank of Commerce and First Federal Bank for Savings dated February 3, 1999 (included as Appendix A to the Proxy Statement-Prospectus dated May 7, 1999, forming part of the Company's Registration Statement on Form S-4 filed with the Commission on March 30, 1999, Commission File No. 333-75293) and incorporated herein by reference.

10.5 Merger Agreement by and between NBC Capital Corporation and National Bank of Commerce and Galloway-Wiggers Insurance Agency, Inc., Galloway-Chandler-McKinney Insurance, Inc., Galloway-Chandler-McKinney Insurance Agency of Amory, Inc., Kyle Chandler Insurance Agency, Inc., and Napier Insurance Agency, Inc. (included as Exhibit 99.2 on Form 10Q filed with the Commission on August 10, 1999, Commission File No. 0-12885) and incorporated herein by reference.

10.6 1993 Incentive Stock Option Plan and 1993 Stock Option Plan for Outside Directors of FFBS

Bancorp, Inc., assumed by NBC Capital Corporation (incorporated by reference to Exhibit A of Form S-8 filed September 20, 1999) and incorporated herein by reference.

10.7 Employment Agreement Dated January 2, 2001, by and Between National Bank of Commerce and Richard T. Haston

10.8 Employment Agreement Dated January 2, 2001 by and Between National Bank of Commerce and Mark A. Abernathy

11. - 12. None

13. None

14. - 20. None

21. Subsidiaries of Company

23. None

27. Financial Data Schedule (Electronic Filing Only)- year ended December 31, 2000

(b) No reports on Form 8-K were filed during the quarter ended December 31, 2000.

(d) Financial statement schedules - None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NBC CAPITAL CORPORATION
(Registrant)

By /S/ L. F. Mallory, Jr.
L. F. Mallory, Jr.
Chairman and Chief Executive Officer

By /S/ Richard T. Haston
Richard T. Haston
Executive Vice President, CFO, and Treasurer (Chief Financial and Accounting Officer)

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

/S/ Allen B. Puckett, III (Director)	/S/ J. Nutie Dowdle (Director)
/S/ Mark A. Abernathy (Director)	/S/ Sammy J. Smith (Director)
/S/ Thomas J. Prince (Director)	/S/ Robert S. Jones (Director)
/S/ Ralph Pogue (Director)	/S/ Robert S. Caldwell, Jr. (Director)
/S/ Robert L. Calvert, III (Director)	/S/ Bobby Harper (Director)
/S/ Harry Stokes Smith (Director)	/S/ Robert A. Cunningham (Director)
/S/ James C. Galloway, Jr. (Director)	/S/ Robert D. Miller (Director)
/S/ Henry Weiss (Director)	

Date: March 23, 2001