NBC CAPITAL CORP
Form 424B4
May 04, 2006
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Registered Pursuant to Rule 424(b)(4)
Registration No. 333-132682

PROSPECTUS

2,400,000 Shares

Common Stock

We are offering 2,400,000 shares of our common stock, par value $1.00 per share. The public offering price is $19.50 per share.

Our common stock is currently quoted and traded on the American Stock Exchange under the symbol NBY. The last reported sales price of our common stock on the American Stock Exchange on May 3, 2006 was $20.50 per share.

Investing in our common stock involves risks. Please see Risk Factors beginning on page 11 to read about factors you should consider before you make your investment decision.

	Per Share	Total
Public offering price	$ 19.50	$ 46,800,000
Underwriting discount	1.17	2,808,000
Proceeds to us, before expenses	18.33	43,992,000

Neither the Securities and Exchange Commission nor any state securities commission or other regulatory agency has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

These securities are not savings accounts, deposit accounts or other obligations of our banking subsidiary and are not insured or guaranteed by the Federal Deposit Insurance Corporation, or any other governmental agency.

We have granted the underwriters an option to purchase up to 360,000 additional shares of our common stock to cover over-allotments, if any. The underwriters may exercise this option at any time within 30 days of the offering.

The underwriters expect to deliver the shares to purchasers on or about May 9, 2006 subject to customary closing conditions.

Keefe, Bruyette & Woods

SunTrust Robinson Humphrey

The date of this prospectus is May 3, 2006

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ABOUT THIS PROSPECTUS

You should rely only on the information contained or incorporated by reference in this prospectus. See Incorporation of Certain Documents by Reference. We have not, and the underwriters have not, authorized any other person to provide you with different or additional information. We are not, and the underwriters are not, making an offer to sell our common stock in any jurisdiction where the offer or sale is not permitted. You should assume that the information contained in this prospectus is accurate only as of the date on the front cover of this prospectus, regardless of the time of delivery of this prospectus or any sale of our common stock. Our business, financial condition, results of operations and prospects may have changed since the date of this prospectus. Unless otherwise indicated, all information in this prospectus assumes that the underwriters will not exercise their option to purchase additional shares of our common stock to cover over-allotments.

No action is being taken in any jurisdiction outside the United States to permit a public offering of our common stock or possession or distribution of this prospectus in that jurisdiction. Persons who come into possession of this prospectus in jurisdictions outside the United States are required to inform themselves about, and to observe, any restrictions as to this offering and the distribution of this prospectus applicable to those jurisdictions.

In this prospectus we rely on and refer to information and statistics regarding the banking industry and the banking markets in Tennessee, Alabama, Mississippi, Georgia and Florida. We obtained this market data from independent publications or other publicly available information. Although we believe these sources are reliable, we have not independently verified and do not guarantee the accuracy and completeness of this information.

As used in this prospectus the terms we, us and our refer to NBC Capital Corporation and its subsidiaries on a consolidated basis (unless the context indicates another meaning). Additionally, unless the context indicates another meaning, the terms our bank, Bank or Cadence refers to our wholly owned subsidiary, Cadence Bank, N.A.

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SUMMARY

This summary highlights information contained elsewhere in this prospectus or incorporated herein by reference. This summary does not contain all of the information you should consider in making your investment decision. Before making an investment decision, we urge you to read the entire prospectus carefully and our consolidated financial statements and the related notes and other information appearing elsewhere or incorporated by reference in this prospectus, including the information set forth in the section entitled Risk Factors in this prospectus.

Our Company

We are a financial holding company, organized under the laws of the State of Mississippi and headquartered in Starkville, Mississippi. Our operations are primarily conducted through our wholly owned subsidiary Cadence Bank, N.A. (Cadence or the Bank) and its 30 full service bank facilities located in Mississippi, Alabama and Tennessee. The map on the inside front cover of this prospectus provides further detail about our locations. Through Cadence, we offer a range of lending services, including real estate, commercial and consumer loans, to individuals, small- and medium-sized businesses and other organizations located throughout our markets. We complement our lending operations with an array of retail and commercial deposit products and fee-based services to support our clients. Some of these services are provided by two of Cadence s wholly owned subsidiaries Galloway-Chandler-McKinney Insurance Agency, Inc. and NBC Insurance Services of Alabama, Inc. Cadence s third subsidiary, NBC Service Corporation, also has a wholly owned subsidiary named Commerce National Insurance Company.

Our Bank was first established in 1889 and we reorganized as a bank holding company in 1984. Our current management team has been substantially in place since 1997. From December 31, 2001 to December 31, 2005 we expanded our operations through a combination of internal growth, de novo branch expansion and acquisitions. Specifically, we have:

- increased our total consolidated assets from $1.05 billion to $1.45 billion;
- increased our total consolidated deposits from $810.7 million to $1.12 billion;
- increased our total consolidated net loans from $608.0 million to $851.3 million;
- acquired Enterprise Bancshares, Inc. (Enterprise), the parent company of Enterprise National Bank (ENB), in Tennessee in March 2004, opened a de novo branch in Hoover, Alabama in October 2005, and opened a de novo branch in Williamson County, Tennessee in March 2006.

For the twelve months ended December 31, 2005, we earned $1.68 per diluted share, an increase of 12.0%, over the diluted earnings per share for the same period in 2004. Our annualized return on average shareholders equity for the twelve months ended December 31, 2005 was 11.8% and our return on average total assets for the same period was 1.0%.

Additional information about us is included in this prospectus and in documents incorporated by reference in this prospectus. See *Business*, *Where to Find More Information* and *Incorporation of Certain Documents by Reference*.

Market Areas and Growth Strategy

Cadence is the largest commercial bank domiciled in the north central area of Mississippi known as the Golden Triangle, which is comprised of the cities of Starkville, Columbus and West Point. In Mississippi, we have a total of 20 full service banking facilities and an operations center serving the communities of Aberdeen,

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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 our home office in Starkville. We also serve the Tuscaloosa and Hoover, Alabama areas with six full service banking facilities, and the Memphis, Germantown and Nashville, Tennessee areas with four full service facilities.

Our traditional markets in Mississippi are not growing as rapidly as other markets in the Southeast. As a result, our board of directors made a strategic decision in 2002 to expand into markets with more attractive demographic data. Our acquisition of Enterprise in 2004 represented our first opportunity to move into a new and faster growing market through an acquisition. Since closing the acquisition in March 2004, we have grown the Enterprise loan portfolio from $214.7 million to $290.5 million as of December 31, 2005, which is an increase of approximately 35%. Given our successful integration of Enterprise and the subsequent growth in its loan portfolio, we believe we have the management team in place to execute our long-term strategy.

We have expanded into new markets as opportunities have arisen that fit within our strategic plan of growing our operations through acquisitions and de novo bank facilities. Currently, we have several expansion initiatives underway because opportunities that are attractive to us have recently arisen. In October 2005, we opened a de novo branch in Hoover, Alabama (part of the Birmingham-Hoover metropolitan statistical area, or MSA). In March 2006, we also opened a de novo branch in Williamson County, Tennessee (part of the Nashville-Davidson-Murfreesboro MSA). More recently, in March 2006, we entered into Agreements and Plans of Merger with SunCoast Bancorp., Inc. (SunCoast) and Seasons Bancshares, Inc. (Seasons), which will provide Cadence an entry point into Sarasota, Florida and Blairsville, Georgia, respectively, pending approval of the SunCoast and the Seasons shareholders, respectively, regulatory approval and the satisfaction of customary closing conditions. The following table sets forth the current population growth and the projected population growth from 2005 to 2010 for the markets we have entered into since 2004 and intend to enter into with our pending acquisitions and de novo branches.

Previous Market Expansion	Current Population	2005 2010 Projected Population Growth
Birmingham-Hoover, AL (MSA)	1,087,703	4.01%
Memphis, TN-MS-AR (MSA)	1,285,063	7.01
Nashville-Davidson-Murfreesboro, TN (MSA)	1,444,066	10.38

Pending Market Expansion	Current Population	2005 2010 Projected Population Growth
Fannin, GA (County)*	23,969	16.14%
Union, GA (County)*	19,880	13.49
Sarasota-Bradenton-Venice, FL (MSA)**	668,667	13.24

* Markets served by pending acquisition of Seasons

** Markets served by pending acquisition of SunCoast

Note: The information in the above table is based on data from SNL Financial LC as of July 1, 2005.

We intend to continue our expansion in higher growth markets through internal growth and by filling in our footprint with de novo branches. During 2006, we expect to open a total of four new locations, with two new locations in the Memphis MSA, one location in the Birmingham-Hoover MSA and the location in the Nashville-Davidson-Murfreesboro MSA, which we opened in March 2006.

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Along with our market expansion strategy as discussed above, we intend to grow our business, increase profitability and build shareholder value by focusing on the following objectives:

Emphasize Relationship Banking. We believe customers still want to do business with a community bank. We emphasize to our employees the importance of delivering exemplary customer service and seeking opportunities to build further relationships with our customers. Our goal is to compete by relying on the strength of our customer service and relationship banking approach. Additionally, our ability to respond rapidly to customers needs helps us solidify relationships and build customer loyalty.

Pursue Select Bank Acquisitions and Strategic De Novo Branch Expansion. We are focused on expansion opportunities in markets with favorable growth characteristics and in which we have identified experienced bankers to help execute our strategy. Since 2004, we have successfully integrated Enterprise in our Memphis market, and entered the Nashville, Tennessee market. In addition, we intend to enter the market areas of Sarasota, Florida and Blairsville, Georgia and to expand our presence in Birmingham, Alabama and Memphis, Tennessee. We believe we are transitioning into a stronger and more profitable franchise by moving into these new markets.

Increase Core Profitability. We believe as we grow our franchise we will be able to take advantage of the economies of scale typically enjoyed by larger financial institutions. We believe investments we have made in our branch network and technology infrastructure are sufficient to support a much larger organization, and therefore believe increases in our expense base going forward should be lower than our proportional increases in assets and revenue. We also expect an increase in non-interest income as we expand our offering of fee-based services to our entire market area. We believe the effect of these trends going forward should improve our profitability over time.

Continue Disciplined Execution. Our disciplined underwriting and credit administration and monitoring process is critical to our success. Our ratio of non-performing assets to total assets improved from 0.67% as of December 31, 2001 to 0.53% as of December 31, 2005 and our net charge-offs to average loans improved from 0.74% for the year ended December 31, 2001 to 0.46% for the year ended December 31, 2005.

Create and Leverage a Distinct Identity in Our Markets. The new Cadence brand is part of an overall marketing and business strategy. On October 11, 2005, the Bank changed its name to Cadence Bank, N.A., primarily to allow us to operate under a single bank structure and expand into growth markets. On November 10, 2005, we merged ENB into Cadence, providing our customers with a seamless branch system in Alabama, Mississippi and Tennessee. At our annual shareholders meeting later this year, we plan to ask shareholders to change our corporate name to Cadence Financial Corporation. The change will align our corporate name with that of the Bank and further leverage the brand recognition being created in our markets. We expect to create both operational efficiencies through the reorganization and consolidation of financial and reporting functions of ENB and Cadence, and marketing efficiencies through the name change by having one uniform marketing effort and brand.

Recent Developments

On April 13, 2006, we reported our results of operations as of and for the quarter ended March 31, 2006. As reported, our net income for the first quarter of 2006 was $3.3 million, a decrease of $0.4 million from our net income of $3.7 million for the first quarter of 2005. Diluted earnings per share were $0.40 for the first quarter of 2006 compared to $0.46 for the first quarter of 2005 and includes costs related to our de novo branches in Birmingham and Nashville. Our net interest income for the first quarter of 2006 was $11.7 million, an increase of 5.0% over the $11.2 million net interest income for the first quarter of 2005. As of March 31, 2006, our total assets were $1.47 billion compared to total assets of $1.39 billion as of March 31, 2005. Our total loans, excluding the allowance for loan losses, grew by $59.4 million to $862.2 million at March 31, 2006, and our total deposits grew by $77.7 million to $1.14 billion during the same time period, with balanced growth across both non-interest bearing and interest bearing deposit categories.

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On March 21, 2006, we entered into an Agreement and Plan of Merger with Seasons. Seasons currently operates two bank facilities in North Georgia and as of December 31, 2005 had consolidated assets of approximately $75.8 million, loans of approximately $64.5 million, deposits of approximately $63.9 million, and shareholders equity of approximately $7.1 million. Seasons shareholders will receive $22.0 million with 55.0% of the consideration in the form of our common stock and the remainder in cash. The consummation of this transaction is subject to various closing conditions, including regulatory approval and approval of the Seasons shareholders.

Our board of directors declared a dividend of $0.25 per share to shareholders of record as of March 17, 2006, and it was paid on April 3, 2006.

On March 16, 2006, we entered into an Agreement and Plan of Merger with SunCoast. SunCoast currently operates three bank facilities in the Sarasota-Bradenton-Venice MSA and as of December 31, 2005 had consolidated assets of approximately $131.9 million, loans of approximately $114.2 million, deposits of approximately $116.8 million, and shareholders equity of approximately $14.7 million. SunCoast s shareholders will receive approximately $34.8 million with 55.0% of the consideration in the form of our common stock and the remainder in cash. Option holders will receive the difference between the cash election price and the option price of their options, or an aggregate of approximately $1.0 million. The consummation of this transaction is subject to various closing conditions, including regulatory approval and approval of the SunCoast shareholders.

Our completion of the acquisitions of SunCoast and Seasons are not contingent on the success of this offering. Additionally, the completion of these acquisitions is not certain, and we may or may not be able to consummate the transactions.

For a more detailed discussion of our company, business and these acquisitions, please see the section entitled *Business* in this prospectus.

Corporate Information

Our corporate headquarters are located at NBC Plaza, 301 East Main Street, Starkville, Mississippi 39759, and our telephone number at that address is (662) 343-1341. We also maintain a website at *http://www.cadencebanking.com*. Information on the website is not incorporated by reference and is not a part of this prospectus.

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THE OFFERING

Common Stock offered	2,400,000 shares (2,760,000 shares if the underwriters exercise their over-allotment option in full)
Common stock outstanding after the offering(1)(2)	10,586,724 shares (10,946,724 shares if the underwriters exercise their over-allotment option in full)
Net Proceeds	The net proceeds of this offering to us will be approximately $43.7 million (after deducting underwriting discounts and commissions and the offering expenses payable by us and at the public offering price of $19.50 per share. The amount of net proceeds will be approximately $50.3 million if the underwriters exercise their over-allotment option.
Use of proceeds	We intend to use the net proceeds from this offering to finance the cash portion of the acquisitions of SunCoast and Seasons and their subsidiary banks. In addition, we intend to use the proceeds from this offering for general corporate purposes, including, among other things, to support our Bank s internal growth and capital needs.
Dividends	Historically, we have paid quarterly cash dividends. In each of the first two quarters in 2005 we declared a dividend of $0.24 per share, and in each of the last two quarters of 2005 we declared a dividend of $0.25 per share, or $0.98 per share on an annualized basis. We intend to continue paying dividends, but the payment of dividends in the future will depend upon a number of factors. We cannot give you any assurance that we will continue to pay dividends or that the amount of future dividends will not be reduced.
The American Stock Exchange symbol	NBY

(1) The number of shares outstanding after this offering is based on 8,186,724 shares outstanding as of March 31, 2006 and excludes a total of 361,250 shares issuable under outstanding options granted under our stock option plans as of March 31, 2006, at an average exercise price of $23.13 per share.

(2) The number of shares outstanding after this offering also does not include any shares to be issued in connection with the pending acquisitions of SunCoast and Seasons, which we expect to close during the third and fourth quarters of 2006, respectively.

Unless expressly stated or the context otherwise requires, all information in this prospectus assumes that the underwriters over-allotment option will not be exercised. For more information regarding the over-allotment option, see the Underwriting section beginning on page 37 of this prospectus.

Risk Factors

Prior to making an investment decision, you should consider all of the information set forth in this prospectus or incorporated by reference herein and should evaluate the statements set forth in *Risk Factors* beginning on page 11.

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SUMMARY CONSOLIDATED FINANCIAL DATA

The following table sets forth summary historical consolidated financial data from our consolidated financial statements and should be read in conjunction with our consolidated financial statements including the related notes and Management s Discussion and Analysis of Financial Condition and Results of Operations, which are included elsewhere in this prospectus or incorporated by reference in this prospectus. Except for the data under Selected Financial Ratios, Selected Performance Ratios, Asset Quality Ratios and Capital Ratios, the summary historical consolidated financial data as of December 31, 2005, 2004, 2003, 2002 and 2001, and for the five years ended December 31, 2005 is derived from our audited consolidated financial statements and related notes, which were audited by T.E. Lott & Company, an independent registered public accounting firm. The financial information presented in the table below is not necessarily indicative of the financial condition, results of operations or cash flows of any other period.

	At and for the Years Ended December 31,				
	2005	**2004**	**2003**	**2002**	**2001**
	(Dollars in thousands, except per share data)				
Summary of Operations:					
Total interest income	$ 73,184	$ 62,384	$ 51,577	$ 60,051	$ 70,770
Total interest expense	27,970	21,186	17,881	22,876	36,001
Net Interest income	45,214	41,198	33,696	37,175	34,769
Provision for loan losses	2,128	3,522	2,770	2,790	1,720
Net interest income after provision for loan losses	43,086	37,676	30,926	34,385	33,049
Securities gains, net	159	223	1,376	457	459
Other noninterest income	19,776	19,884	19,269	17,589	16,007
Noninterest expense	44,745	41,727	33,554	33,418	32,116
Income before income taxes	18,276	16,056	18,017	19,013	17,399
Income taxes	4,522	3,757	4,492	4,792	4,261
Net income	$ 13,754	$ 12,299	$ 13,525	$ 14,221	$ 13,138
Per Share Data:(1)					
Net income basic	$ 1.68	$ 1.51	$ 1.65	$ 1.73	$ 1.54
Net income diluted	1.68	1.50	1.65	1.73	1.54
Dividends	0.98	0.96	0.92	0.87	0.82
Book value	14.31	14.06	13.60	13.57	12.48
Tangible book value	9.46	9.08	13.23	13.22	12.13

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	At and for the Years Ended December 31,				
	2005	2004	2003	2002	2001
	(Dollars in thousands)				
Financial Condition Data:					
Total assets	$ 1,446,117	$ 1,439,573	$ 1,093,223	$ 1,077,456	$ 1,050,802
Net loans	851,332	817,649	582,933	570,296	607,976
Total deposits	1,121,684	1,116,373	815,839	817,447	810,703
Total shareholders equity	116,984	114,766	111,102	111,107	102,927
Tangible shareholders equity	77,330	74,107	108,249	108,254	100,070
Selected Financial Ratios:					
Net interest margin(2)	3.55%	3.37%	3.42%	3.80%	3.59%
Selected Performance Ratios:					
Return on average assets	1.0%	1.0%	1.3%	1.3%	1.3%
Return on average equity	11.8	11.0	12.2	13.3	12.5
Return on average tangible equity	18.0	13.7	12.5	13.7	12.9
Dividend payout ratio	58.3	63.6	55.8	50.3	53.2
Average equity to average asset ratio	8.2	8.7	10.4	10.1	9.8
Efficiency ratio(3)	68.7	68.1	61.7	60.5	62.7
Asset Quality Ratios(4):					
Ratio of nonperforming assets to total assets	0.53%	0.62%	0.42%	0.54%	0.67%
Ratio of nonperforming loans to total loans	0.30	0.55	0.55	0.74	0.74
Ratio of allowance for loan losses to nonperforming loans	3.61%	2.39%	1.91%	1.41%	1.48%
Ratio of allowance for loan losses to total loans	1.08	1.32	1.05	1.05	1.10
Capital Ratios:					
Tier 1 leverage ratio(5)	8.7%	8.2%	13.3%	9.9%	9.7%
Tier 1 risk-based capital	12.5	12.2	21.6	16.5	15.0
Total risk-based capital	13.4	13.4	22.6	17.4	16.0

(1) Amounts have been restated to reflect the effect of our four-for-three stock split effected in 2002.
(2) Net interest margin is net interest income divided by average earning assets.
(3) Efficiency ratio is noninterest expense divided by the sum of net interest income and noninterest income (excluding taxes and the provision for loan losses).
(4) Nonperforming loans include loans 90 or more days past due, nonaccrual loans and restructured loans.
(5) Tier 1 leverage ratio is defined as Tier 1 capital (pursuant to risk-based capital guidelines) as a percentage of adjusted average assets.

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GAAP Reconciliation and Management Explanation of Non-GAAP Financial Measures

Certain financial information included in our summary consolidated financial data are not measures of financial performance recognized by accounting principles generally accepted within the United States, or GAAP. These non-GAAP financial measures are tangible book value per share, tangible shareholders equity, and return on average tangible equity. Our management uses these non-GAAP measures in its analysis of our performance.

Tangible book value per share is defined as total equity reduced by recorded goodwill and other intangible assets divided by total common shares outstanding. This measure is important to investors interested in changes from period-to-period in book value per share exclusive of changes in intangible assets. Goodwill, an intangible asset that is recorded in a purchase business combination, has the effect of increasing total book value while not increasing the tangible assets of a company. For companies such as ours that have engaged in business combinations, purchase accounting can result in the recording of significant amounts of goodwill related to such transactions.

Tangible shareholders equity is shareholders equity less goodwill and other intangible assets.

Return on average tangible equity is defined as annualized earnings for the period divided by average equity reduced by average goodwill and other intangible assets.

These disclosures should not be viewed as a substitute for results determined in accordance with GAAP, and are not necessarily comparable to non-GAAP performance measures which may be presented by other companies. The following reconciliation table provides a more detailed analysis of these non-GAAP performance measures:

	At and for the Years Ended December 31,				
	2005	**2004**	**2003**	**2002**	**2001**
Book value per common share	$ 14.31	$ 14.06			