NBC CAPITAL CORP
Form 10-Q
November 13, 2001

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2001.

Commission File Number 1-15773

NBC CAPITAL CORPORATION
(Exact name of registrant as specified in its charter.)

Mississippi	64-0694775
(State of other jurisdiction of incorporation or organization)	(I. R. S. Employer Identification No.)

NBC Plaza, P. O. Box 1187, Starkville, Mississippi	39760
(Address of principal executive offices)	(Zip Code)

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

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 the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practical date:

Common Stock, $1 Par Value - 6,182,960 shares as of September 30, 2001.

PART I - FINANCIAL INFORMATION
NBC CAPITAL CORPORATION
CONSOLIDATED STATEMENTS OF INCOME FOR
NINE MONTHS ENDED SEPTEMBER 30, 2001 AND 2000
(Unaudited)

(Amounts in thousands, except per share data)

	2001	2000
INTEREST INCOME:		
Interest and Fees on Loans	$40,407	$42,685

Interest And Dividends On Investment Securities	13,505	10,393
Other Interest Income	850	739
Total Interest Income	54,762	53,817
INTEREST EXPENSE:		
Interest on Deposit	23,915	22,924
Interest on Borrowed Funds	4,657	2,556
Total Interest Expense	28,572	25,480
Net Interest Income	26,190	28,337
Provision for Possible Loan Losses	1,540	1,047
Net Interest Income After Provision for Loan Losses	24,650	27,290
NON-INTEREST INCOME:		
Income from Fiduciary Activities	1,280	1,128
Service Charge on Deposit Accounts	4,279	3,954
Insurance Commission and Fee Income	2,874	2,948
Mortgage Loan Fee Income	960	319
Other Non-Interest Income	2,110	1,668
Total Non-Interest Income	11,503	10,017
Gains (Losses) on Securities	321	(20)
NON-INTEREST EXPENSE:		
Salaries and Employee Benefits	13,760	12,132
Expense of Premises and Fixed Assets	3,450	3,392
Other Non-Interest Expense	6,730	6,679
Total Non-Interest Expense	23,940	22,203
Income Before Income Taxes	12,534	15,084
Income Taxes	3,060	4,213
NET INCOME	$ 9,474	$10,871
Net Earnings Per Share:		
Basic	$ 1.46	$ 1.51
Diluted	$ 1.46	$ 1.51

Certain reclassifications have been made in the 2000 Consolidated Statement of Income to conform to classifications used in the current year.

NBC CAPITAL CORPORATION
CONSOLIDATED STATEMENTS OF INCOME FOR
QUARTER ENDED SEPTEMBER 30, 2001 AND 2000

(Unaudited)

(Amounts in thousands, except per share data)

	2001	2000
INTEREST INCOME:		
Interest and Fees on Loans	$12,681	$14,638
Interest And Dividends On Investment Securities	4,612	3,565
Other Interest Income	163	270
Total Interest Income	17,456	18,473
INTEREST EXPENSE:		
Interest on Deposit	7,153	8,213
Interest on Borrowed Funds	1,649	838
Total Interest Expense	8,802	9,051
Net Interest Income	8,654	9,422
Provision for Possible Loan Losses	180	282
Net Interest Income After Provision for Loan Losses	8,474	9,140
NON-INTEREST INCOME:		
Income from Fiduciary Activities	426	376
Service Charge on Deposit Accounts	1,458	1,333
Insurance Commission and Fee Income	1,006	948
Mortgage Loan Fee Income	347	116
Other Non-Interest Income	726	498
Total Non-Interest Income	3,963	3,271
Gains (Losses) on Securities	109	0
NON-INTEREST EXPENSE:		
Salaries and Employee Benefits	4,484	4,356
Expense of Premises and Fixed Assets	1,130	1,164
Other Non-Interest Expense	2,166	2,341
Total Non-Interest Expense	7,780	7,861
Income Before Income Taxes	4,766	4,550
Income Taxes	1,313	1,182
NET INCOME	$ 3,453	$ 3,368
Net Earnings Per Share		
Basic	$ 0.56	$ 0.47
Diluted	$ 0.56	$ 0.47

Certain reclassifications have been made in the 2000 Consolidated Statement of Income to conform to classifications used in the current year.

NBC CAPITAL CORPORATION
CONSOLIDATED BALANCE SHEETS

	Sept. 30, 2001	Dec. 31, 2000
	(Unaudited)	(Audited)
ASSETS:		
Cash and Balances Due From Banks:		
Noninterest-Bearing Balances	$ 24,917	$ 29,439
Interest-bearing Balances	1,257	2,289
Total Cash and Due From Banks	26,174	31,728
Held-To-Maturity Securities (Market value of $52,238 at September 30, 2001 and $53,343 at December 31, 2000)	48,233	49,796
Available-For-Sale Securities	269,503	231,994
Total Securities	317,736	281,790
Federal Funds Sold and Securities Purchased Under Agreement to Resell	17,990	13,422
Loans	622,986	647,489
Less: Reserve for Loan Losses	(7,626)	(9,689)
Net Loans	615,360	637,800
Bank Premises and Equipment (Net)	15,814	16,285
Interest Receivable	9,135	10,521
Other Assets	28,701	17,969
TOTAL ASSETS	$1,030,910	$1,009,515
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits:		
Non-Interest Bearing	$ 91,652	$ 96,788
Interest Bearing Deposits	699,560	708,016
Total Deposits	791,212	804,804
Federal Funds Purchased and Securities Sold Under Agreements to Repurchase	16,829	16,326
Other Borrowed Funds	103,582	57,027
Interest Payable	2,975	3,420
Other Liabilities	13,388	7,815
TOTAL LIABILITIES	927,986	889,392
Shareholders' Equity:		
Common Stock $1 par Value, Authorized 10,000,000 shares, Issued 7,212,662	7,213	7,213
Surplus and Undivided Profits	118,128	114,021
Accumulated Other Comprehensive Income	3,580	(68)
Treasury Stock, at cost	(25,997)	(1,043)
TOTAL SHAREHOLDERS' EQUITY	102,924	120,123
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	$1,030,910	$1,009,515

NBC CAPITAL CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2001 AND 2000
(Unaudited)

(Amounts in thousands)

	2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	$ 9,474	$ 10,871
Adjustments to Reconcile Net Income to Net Cash		
Depreciation and Amortization	1,921	1,760
Deferred Income Taxes (Credits)	(3,653)	38
Provision for Loan Losses	1,540	1,047
Loss (Gain) on Sale of Securities	(321)	20
(Increase) Decrease in Interest Receivable	1,386	(905)
(Increase) Decrease in Other Assets	(9,454)	(2,076)
Increase (Decrease) in Interest Payable	(445)	700
Increase (Decrease) in Other Liabilities	5,573	2,504
Net Cash Provided by Operating Activities	6,021	13,959
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Maturities of Securities	46,667	12,575
Proceeds from Sale of Securities	30,380	1,826
Purchase of Securities	(107,145)	(31,132)
(Increase) Decrease in Loans	20,900	(14,660)
(Additions) Disposal of Bank Premises and Equipment	(1,053)	(1,285)
Other Investing Activities	-	(510)
Net Cash Used in Investing Activities	(10,251)	(33,186)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (Decrease) in Deposits	(13,592)	24,849
Dividend Paid on Common Stock	(5,268)	(5,183)
Increase (Decrease) in Borrowed Funds	47,058	(43,951)
Purchase of Treasury Stock	(24,954)	0
Net Cash Provided by Financing Activities	3,244	(24,285)
Net Increase (decrease) in Cash and Cash Equivalents	(986)	(43,512)
Cash and Cash Equivalents at Beginning of Year	45,150	82,384
Cash and Cash Equivalents at the End of the Period	$ 44,164	$ 38,872
Interest	$ 29,017	$ 24,780
Income Taxes	$ 2,190	$ 3,888

NBC CAPITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The accompanying unaudited consolidated financial statements include the accounts of NBC Capital Corporation (NBC) and its subsidiaries, National Bank of Commerce and First National Finance Company. All significant intercompany accounts and transactions have been eliminated. In the normal decision making process, management makes certain estimates and assumptions that affect the reported amounts that appear in these statements. Although management believes that the estimates and assumptions are reasonable and are based on the best information available, actual results could differ.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with Generally Accepted Accounting Principles have been condensed or omitted.

In the opinion of management, all adjustments necessary for the fair presentation of the financial statement presented in this report have been made. Such adjustments were of a normal recurring nature.

PART I. ITEM 2

MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2001

DISCLOSURE REGARDING FORWARD LOOKING INFORMATION

This current report includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Act of 1934, as amended. Although the Corporation believes that the expectations reflected in such forward-looking statements are reasonable, such forward-looking statements are based on numerous assumptions (some of which may prove to be incorrect) and are subject to risks and uncertainties which could cause the actual results to differ materially from the Corporation's expectations. Forward-looking statements have been and will be made in written documents and oral presentations of the Corporation. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. When used in the Corporation's documents and oral presentations, the words "anticipate," "estimate," "expect," "objective," "projection," "forecast," "goal" and similar expressions are intended to identify forward looking statements. In addition to any assumptions and other factors referred to specifically in connection with forward-looking statements, factors that could cause the Corporation's actual results to differ materially from those contemplated in any forward-looking statements include, among others, increased competition, regulatory factors, economic conditions, changing interest rates, changing market conditions, availability or cost of capital, employee workforce factors, cost and other effects of legal and administrative proceedings, and changes in federal, state, or local legislature requirements. The Corporation undertakes no obligation to update or revise any forward-looking statements, whether as a result of changes in actual results, changes in assumptions or other factors affecting such statements.

RESULTS OF OPERATIONS

First three-quarters of 2001 compared to the first three quarters of 2000

Earnings for the first three-quarters of 2001 decreased by 12.9% to $9.47 million or $1.46 per share. This compares to $10.87 million or $1.51 per share for the first three-quarters of 2000. These 2001 totals equate to a 1.3% return on average assets and a 12.3% return on average equity. For this same period in 2000, return on average assets was 1.5% and return on average equity was 12.7%.

Net interest income for the first three-quarters of 2001 was $26.19 million compared to $28.34 million for 2000. This represents a decrease of 7.6%. This decrease resulted from a sixty-eight basis point decrease in the net interest margin. This decline in margin was partially offset by a 11.0% increase in average earning assets. The primary reason for the decline in margin was the very rapid reduction in interest rates by the Federal Reserve during the first nine-months of 2001. There were two; one-half point interest rates cuts during January, followed by half-point cuts in March, April and May, a quarter point cut in June and additional half-point cuts in August and September. Even though lower interest rates may improve future loan growth, it can create problems in any given period depending on the maturities of fixed rate loans and certificates of deposit and the number of adjustable rate loans in the loan portfolio. During this period the yields on loans adjusted down more quickly than the cost of deposits could be lowered. With the slowing of rate reductions during the third quarter, there was a 10 basis point improvement in the net interest margin over the second quarter of 2001. Management believes that if the Federal Reserve has basically completed its rate reductions, the Corporation's net interest income should improve during the fourth quarter of the year as spreads begin to even out. For additional information, see the table entitled "Analysis of Net Interest Earnings" at the end of this section.

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 was 20.6% at September 30, 2001 and the percentage of loans past due 30 days or more was 2.67%. The Reserve for Loan Losses as a percentage of total loans has declined from 1.50% at the end of 2000 to 1.23% at the end of the third quarter of 2001. Overall, Loan quality remains good. At the end of the third quarter of 2001, the ratio of non-performing loans to total loans remained low at .70%. This compares to .59% at December 31, 2000 and .54% at September 30, 2000. Management is committed to not relaxing its underwriting standards. Based on these evaluations, the reserve amounts maintained at the end of the third quarter of 2001 and at the end of 2000 were deemed adequate to cover exposure within the Corporation's loan portfolio.

During the first nine months, net charge-offs totaled $3,603,000 compared to $1,293,000 for the same period of 2000. The primary reason for the increased charge-offs during 2001, was that in June, the Corporation charged-off a $2 million dollar loan that had defaulted. This loan had previously not been classified as a problem loan and there were special circumstances surrounding its default. The Corporation has filed a claim with its bonding company to recover the entire $2 million; however, it is too early to predict whether there will be a recovery.

The Provision for Loan Losses has increased from $1,047,000 during the first three-quarters of 2000 to $1,540,000 in the same period of 2001. This increase in the provision was the result of a special one time provision of $1 million during the second quarter as a result of the above mention charge-off. Even though the Reserve for Loan Losses was adequate to cover the above-mentioned loss, management believed that in light of current economic conditions, it was in the Corporation's best interest to make the special provision. If not for this special charge, the level of the provision for the first three-quarters of 2001 would have been lower than in 2000 due to the overall quality of the portfolio.

Non-interest income grew 14.8% resulting from a 13.5% increase in income from the Corporation's Trust and Financial Management activities and a 8.2% increase in income from deposit accounts. Also, the fees from mortgage-related activities increase 200.9% to $960,000 as a result of the favorable interest rate environment. Additionally, other non-interest income increased by $442,000 or 26.5%. The majority of this increase came from a $415,000 increase in earnings from a $10 million purchase of Bank Owned Life Insurance. Insurance commissions, fees and premiums declined by $74,000 or 2.5%. This change in insurance commissions, fees and premiums relates directly to the volume of insurance product sold during these periods. During the first quarter of 2001 a great deal of time and effort was spent handling claims that resulted from a major storm that hit the service area. This took away from time that would have been spent developing customers and selling product.

The Corporation recognized $321,000 in securities gains during the first three-quarters of 2001 compared to a $20,000 loss for the same period of 2000. This was the result of several securities that had been purchased at a discount being called because of the current low interest rates.

Non-interest expenses increased 7.8% during the first three quarters of 2001. This increase resulted from a 13.4 increase in salaries and employment benefits and a 1.7% increase in the expenses associated with premises and fixed assets. The large increase in salaries and employee benefits resulted from the Corporation's growth plus normal annual increases, the monthly accrual of bonuses that had previously been accrued annually during the fourth quarter, and a non-recurring credit of $370,000 that reduced salaries and employee benefits in the first quarter of 2000. The increase in expenses associated with premises and fixed assets is primarily the result of additional depreciation and amortization expenses resulting from the 2000 expenditure on technology.

Changes in the Corporation's income tax expense have generally paralleled changes in income. The Corporation's effective tax rate declined from 28.0% for the first three-quarters of 2000 to 24.4% for the first three-quarters of 2001. This decline in the effective tax rate for the nine-month period resulted primarily from the addition of Bank Owned Life Insurance during 2001. The Corporation's ability to further 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.

Third quarter of 2001 compared to the third quarter of 2000

Earnings for the third quarter of 2001 increased by 2.5% to $3.45 million or $.56 per share. This compares to $3.37 million or $.47 per share for the third quarter of 2000. These 2001 totals equate to a 1.3% return on average assets and a 13.6% return on average equity. For this same period in 2000, return on average assets was 1.4% and return on average equity was 11.7%.

Net interest income for the third quarter of 2001 was $8.65 million compared to $9.42 million for 2000. This represents a decrease of 8.2%. This decrease resulted from an sixty-seven basis point decrease in the net interest margin. This decline in margin was partially offset by an 9.2% increase in average earning assets. The primary reason for the decline in margin was the rapid reduction in interest rates by the Federal Reserve during 2001. Even though lower interest rates may improve future loan growth, it can create problems in any given period depending on the maturities of fixed rate loans and certificates of deposit and the number of adjustable rate loans in the loan portfolio. With the slowing of rate reductions during the third quarter, the net interest margin improved by 10 basis points over the second quarter of 2001; however, it remained substantially below the third quarter 2000 level.

The Provision for Loan Losses was decreased from $282,000 for the third quarter of 2000 to $180,000 for the same period of 2001. This decrease in the provision was the result of the overall quality of the portfolio and the needed level of reserves as determine by the Corporation's loan review process. See the previous section for a detailed discussion of this review process.

Non-interest income grew 21.2% resulting from a 13.3% increase in income from the Corporation's Trust and Financial Management activities and a 9.4% increase in income from deposit accounts. Insurance commissions, fees and premiums increased by 6.1%. This increase relates directly to the volume of insurance product sold during these periods. Additionally, the fees from our mortgage-related activities increase 199.1% to $347,000 as a result of a very favorable interest rate environment. Other non-interest income increased by 45.8%. The majority of this increase came from a $174,000 increase in earnings from a $10 million purchase of Bank Owned Life Insurance.

Non-interest expenses decreased 1.0% from the third quarter of 2000. This decrease resulted from a 2.9% increase in salaries and employment benefits, 2.9% decrease in expenses of premises and fixed assets and a 7.5% decrease in other non-interest expenses. The increase in salaries and employee benefits resulted from the Corporation's growth plus normal annual increases and the monthly accrual of bonuses that had previously been accrued annually during the fourth quarter. The decrease in other expenses is primarily the result of management's effort to limit or reduce other expenses to help offset the decline in net interest margin.

Changes in the Corporation's income tax expense have generally paralleled changes in income. The Corporation's effective tax rate increased from 26.0% for the third quarter of 2000 to 27.5% for the third quarter of 2001. This increase in the effective tax rate for the quarter resulted primarily from the accrual of additional taxes for a potential change in the state tax regulations, which may impact prior year's returns. 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.

FINANCIAL CONDITION

The Corporation's balance sheet shows an increase in total assets from $1,010 million to $1,031 million during the first three-quarters of 2001. During this period, Federal Home Loan Bank borrowings increased by $46.6 million, while net loans declined by $24.5 million from $647.5 million to $623.0 million. This increase in available funds was partially offset by decrease in deposits of $13.6 million. These changes resulted in a net increase in available funds of approximately $57.5 million. These available funds were used to increase Fed Funds Sold and Securities Purchased Under Agreements to Resell by $4.6 million, the investment securities portfolio by $35.9 million and other assets by $10.7 million. Also, the Corporation repurchased $24.5 million of its common stock from its largest shareholder (this transaction will be discussed in more detail later in the document). This purchase was funded with a portion of the borrowings from the Federal Home Loan Bank. This stock was placed in Treasury Stock. The increase in investment securities was added as arbitrage transactions with matched funding from the Federal Home Loan Bank. The total of these arbitrage transactions was $45 million at September 30, 2001. The increase in other assets resulted primarily from the purchase of $10 million of Bank Owned Life Insurance. This purchase was made so that the additional spread earned over the one-year treasury rate and the tax advantage of these earnings could be used to reduce the overall cost of employee benefits for the Corporation.

Stockholders' equity decreased from $120.1 million to $102.9 million during the first three-quarters of 2001. This represented a 14.3% decrease. During this period there was an increase in the market value of the available-for-sale portion of the investment securities portfolio. This resulted in the Accumulated Other Comprehensive Income component of Stockholders' Equity increasing from an unrealized loss of $68,000 at December 31, 2000 to an unrealized gain of $3,580,000 at September 30, 2001. Also, during the first three-quarters of the year the Company declared dividends of approximately $5,267,000. On March 22, 2001, the Corporation repurchased 976,676 shares of its common stock, or 13.6% of its outstanding shares, for approximately $24.5 million. Additional information on this transaction can be found in Form 8-K filed by the Corporation on April 5,2001. Also, during the third quarter, the Corporation purchased 19,500 shares of its stock in the open market under a previously announced Stock Repurchase Program for approximately $563,000. All of this repurchased stock is being carried as Treasury Stock.

The Corporation's bank subsidiary is required to maintain a minimum amount of capital to total risk weighted assets as defined by the banking regulators. At September 30, 2001, the bank's Tier I, Tier II and Total Capital Ratios exceeded the well-capitalized standards developed under the referenced regulatory guidelines.

Dividends paid by the Corporation are provided from dividends received from the subsidiary bank. Under the regulations controlling national banks, the payment of dividends by the bank without prior approval from the Comptroller of the Currency is limited in amount to the current year's net profit and the retained net earnings of the two preceding years. To fund the 976,676 share repurchase transaction discussed above, the

Corporation's subsidiary bank borrowed funds from the Federal Home Loan Bank and with special permission from the Office of the Comptroller of the Currency, declared a special dividend to the Corporation to purchase this stock. This dividend used up the bank's exemption to pay any additional dividends for the remainder of 2001. Subsequently, the subsidiary bank has requested and been given permission by the Comptroller of Currency to pay additional dividends to the Corporation during the remaining portion of 2001. At September 30, 2001, this amounted to approximately $1.8 million. Also, under regulations controlling national banks, the bank is limited in the amount it can lend to the Corporation and such loans are required to be on a fully secured basis. At September 30, 2001, there were no borrowings between the Company and the subsidiary bank.

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

	Quarter Ended 9/30/01	Nine Months Ended 9/30/01	Year Ended 12/31/00
EARNING ASSETS:			
Net loans	$623,509	$633,940	$620,445
Federal funds sold and other interest-bearing Assets	17,935	24,356	17,962
Securities			
Taxable	193,171	182,900	133,497
Nontaxable	132,048	132,742	118,341
Totals	966,663	973,938	890,245
INTEREST-BEARING LIABILITIES:			
Interest-bearing deposits	706,716	720,370	685,287
Borrowed funds, federal funds Purchased and securities sold and other	124,746	113,169	58,515
Totals	831,462	833,539	743,802
Net amounts	$135,201	$140,398	$146,443

($ In Thousands)
Interest Income

Quarter Ended 9/30/01	Nine Months Ended 9/30/01	Year Ended 12/31/00

EARNING ASSETS:			
Net loans	$ 12,681	$ 40,407	$ 57,535
Federal funds sold and other interest-Bearing assets	163	850	1,148
Securities:			
Taxable	2,921	8,369	7,966
Nontaxable	1,691	5,136	6,086
Totals	$ 17,456	$ 54,762	$ 72,735
INTEREST-BEARING LIABILITIES:			
Interest-bearing Deposits	$ 7,153	$ 23,915	$ 31,559
Borrowed funds, federal Funds sold and other	1,649	4,657	3,419
Totals	8,802	28,572	34,978
Net interest income	$ 8,654	$ 26,190	$ 37,757

	Yields Earned And Rates Paid (%)		
	Quarter Ended 9/30/01	Nine Months Ended 9/30/01	Year Ended 12/31/00
EARNING ASSETS:			
Net loans	8.07%	8.52%	9.27%
Federal funds sold and other interest-Bearing assets	3.61%	4.67%	6.39%
Securities:			
Taxable	6.00%	6.12%	5.97%
Nontaxable	7.82%	7.96%	7.91%
Totals	7.54%	7.90%	8.53%
INTEREST-BEARING LIABILITIES:			
Interest-bearing Deposits	4.02%	4.44%	4.61%
Borrowed funds, federal Funds sold And other	5.24%	5.50%	5.84%
Totals	4.20%	4.58%	4.70%
Net yield on earning assets	3.55%	3.60%	4.24%

Note: Yields on nontaxable securities are tax equivalent.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

National Bank of Commerce 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. The Bank has vigorously defended its position and, as of March 15, 2001, has reached a preliminary settlement in the amount of $450,000. The settlement is yet to be approved by the court. This settlement, if approved, will not have a material impact on the future earnings of the Corporation.

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

Item 2. Changes in Securities

None

Item 3. Defaults Upon Senior Debt

None

Item 4. Submission of Matters to a Vote of Security Holders

None

Item 5. Other Information

None

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

11 Statement re computation of per-share earnings

(b) Form 8-K

A Form 8-K, was filed to announce a Stock Repurchase Program. This Program authorized the repurchase of up to 5%, or 310,000 shares of the Corporation's Common stock. No financial statements were required to be filed with the report. The Program was announced on June 28, 2001 and reported on Form 8-K filed on July 2, 2001.

The financial information furnished herein has not been audited by independent accountants; however, in the opinion of management, all adjustments necessary for a fair presentation on the results of operations for the nine month period ended September 30, 2001, have been included.

Pursuant to the requirements of the Securities and 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

November 9, 2001	/s/ Richard T. Haston
Date	Richard T. Haston
	Executive Vice President, Chief Financial Officer and Treasurer