

NBC CAPITAL CORP  
Form DEF 14A  
April 13, 2004

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**SCHEDULE 14A INFORMATION**

**Proxy Statement Pursuant to Section 14(a) of the**  
**Securities Exchange Act of 1934**

Filed by the Registrant  Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
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- Definitive Proxy Statement
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**NBC Capital Corporation**

(Name of each Registrant as Specified in its Charter)

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(4) Date Filed:

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April 7, 2004

Dear Fellow Shareholders:

We cordially invite you to attend the 2004 annual meeting of shareholders of NBC Capital Corporation. The annual meeting will be held beginning at 5:00 p.m., local time, on Tuesday, May 18, 2004, at the National Bank of Commerce, Starkville Banking Center, 301 East Main Street, Starkville, Mississippi. The formal notice of the annual meeting appears on the next page.

The annual meeting has been called for the following purposes: (1) to elect twenty-two directors of NBC Capital Corporation to serve until the 2005 annual meeting and (2) to transact such other business as may properly come before the annual meeting or any adjournment thereof.

We hope that you will be able to attend the annual meeting. Whether or not you plan to attend, please complete, sign and date the enclosed proxy card and return it promptly in the enclosed envelope. Your board of directors recommends a vote FOR the election as directors of those nominees named in the accompanying proxy statement.

We are gratified by our shareholders' continued interest in NBC Capital Corporation, and are pleased that in the past so many of you have voted your shares. We look forward to seeing you at the annual meeting.

Sincerely yours,

/s/ Lewis F. Mallory, Jr.

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**Lewis F. Mallory, Jr.**

**Chairman of the Board and**

**Chief Executive Officer**

**NBC CAPITAL CORPORATION**

**301 East Main Street**

**Starkville, Mississippi 39759**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

**May 18, 2004**

Notice is hereby given that the annual meeting of shareholders of NBC Capital Corporation will be held beginning at 5:00 p.m., local time, on Tuesday, May 18, 2004 at the National Bank of Commerce, Starkville Banking Center, 301 East Main Street, Starkville, Mississippi. The annual meeting has been called for the following purposes:

to elect 22 directors of NBC Capital Corporation, to serve until the 2005 annual meeting or until their successors are duly elected and qualified;

to transact such other business as may properly come before the annual meeting.

The board of directors has fixed the close of business on Monday, April 5, 2004 as the record date for the determination of the shareholders entitled to notice of, and to vote at, the annual meeting.

Your vote is important. Regardless of whether or not you plan to attend the meeting, please complete, sign and date the enclosed proxy card and return it in the envelope provided as promptly as possible. A proxy may be revoked at any time before it is voted at the annual meeting.

By Order of the Board of Directors,

/s/ Hunter M. Gholson

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**Hunter M. Gholson**

**Secretary**

April 7, 2004

**NBC CAPITAL CORPORATION**

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**PROXY STATEMENT**

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**ANNUAL MEETING OF SHAREHOLDERS**

**TO BE HELD TUESDAY, MAY 18, 2004**

This proxy statement is furnished to the shareholders of NBC Capital Corporation (the Corporation), in connection with the solicitation of proxies on behalf of the board of directors for use at the 2004 annual meeting of shareholders to be held at 5:00 p.m., local time, on Tuesday, May 18, 2004, at the National Bank of Commerce, Starkville Banking Center, 301 East Main Street, Starkville, Mississippi, or any adjournments or postponements thereof.

The Corporation's principal executive offices are located at 301 East Main Street, Starkville, Mississippi 39759, and its telephone number is (662) 323-1341.

This proxy statement, the accompanying proxy card and the notice of annual meeting are first being distributed to shareholders on or about April 16, 2004.

At the meeting, shareholders will have the opportunity to consider and vote upon:

the election of 22 directors to serve until the 2005 annual meeting;

any other matter that may properly come before the annual meeting or any adjournments thereof.

The board of directors has fixed the close of business on Monday, April 5, 2004 as the record date for the annual meeting. Only shareholders of record at the close of business on that date are entitled to notice of, and to vote at, the annual meeting. As of April 5, 2004, there were 8,165,011 shares of the Corporation's common stock outstanding. The Corporation has no other outstanding class of securities.

*If you have not already done so, please complete, date and sign the accompanying proxy card and return it promptly in the enclosed, postage-paid envelope.*

### **Solicitation and Revocation of Proxies**

If you have delivered a proxy for the annual meeting, you may revoke it any time before it is voted by attending the meeting and voting in person, giving written notice revoking your proxy to the corporate secretary prior to the date of the annual meeting, or by submitting a signed proxy before the meeting dated later than your initial proxy.

If a proxy card is returned properly signed and dated, the shares represented by the proxy will be voted at the annual meeting in accordance with the instructions on the card. If a proxy card is returned properly signed and dated but with no instructions given, the shares represented by that proxy card will be voted FOR the election as directors of those nominees named herein. The proxy card also gives the individuals named as proxies discretionary authority to vote the shares represented on any other matter that is properly presented for action at the annual meeting. The board of directors is not aware of any other matter to be presented at the meeting other than the election of directors.

The Corporation will bear the cost of soliciting proxies from its shareholders. The Corporation will solicit shareholder votes by mail and possibly by telephone or other means of telecommunication. Directors, officers and employees of the Corporation may also solicit shareholder votes in person. If these individuals solicit your vote in person, they will receive no additional compensation for doing so. The Corporation's stock transfer agent, SunTrust Bank, will also assist in the solicitation of proxies from brokers and nominees of shareholders for the meeting. The Corporation estimates that fees of SunTrust will not exceed \$10,000, plus out-of-pocket costs and expenses. The Corporation will reimburse brokerage firms and other persons representing beneficial owners of shares for their reasonable expenses in forwarding solicitation material to such beneficial owners.

### **Quorum**

A majority of the votes entitled to be cast at the annual meeting constitutes a quorum. A share, once represented for any purpose at the annual meeting, is deemed present for purposes of determining a quorum for the remainder of the annual meeting. This is true even if the shareholder abstains from voting with respect to any matter brought before the annual meeting.

Each share of the Corporation's common stock outstanding on April 5, 2004 entitles its holder to one vote on any proposal that may properly come before the annual meeting. In the election of directors, shareholders are entitled to cumulate their votes. See the section titled Election of Directors for voting procedures regarding the election of directors.

As of February 20, 2004, the directors and executive officers of the Corporation beneficially owned a total of 1,248,634 shares, or approximately 15.3%, of the outstanding shares of the Corporation's common stock. These individuals have indicated that they will vote for each of the individuals nominated for director by the board of directors and in favor of all other items listed in the Notice of Annual Meeting of Shareholders.

Brokers and other nominee holders have the power to vote shares held by them in the election of directors. Broker non-votes will not be counted as present for purposes of

determining the total number of votes cast on a particular item that comes before the annual meeting.

## ELECTION OF DIRECTORS

### (Item 1 on the Proxy Card)

At the annual meeting, shareholders will elect 22 directors, who will serve until the 2005 annual meeting. The board of directors has nominated the 22 persons listed on the proxy card, each of whom is currently a director of the Corporation.

### Voting Procedures

Shareholders have cumulative voting rights in the election of directors. Cumulative voting entitles a shareholder to give one candidate a number of votes equal to the number of directors to be elected, multiplied by the number of shares held by that shareholder, or to distribute the total votes, computed on the same principle, among as many candidates as the shareholder chooses. For example, because the number of directors to be elected is 22, a shareholder owning ten shares may cast 220 votes for one nominee; ten votes for each of the 22 nominees or allocate the 220 votes among the several nominees in any manner. The 22 candidates receiving the highest number of votes cast will be elected.

If a shareholder returns a properly signed and dated proxy card, but does not allocate votes or mark out the name of any nominee on the card, the proxy holders will vote all shares represented by proxy in favor of each of the 22 nominees, while reserving the right, however, to cumulate the votes represented by proxies and distribute them among the nominees at their discretion. Otherwise, the signed proxy card will be voted as indicated on the card. If, for any reason, one or more of the nominees is not available as a candidate for director (an event that the board of directors does not anticipate), the proxy holders will vote for such other candidate or candidates as may be nominated by the board of directors, and discretionary authority to do so is included in the proxy card. If shareholders attending the annual meeting cumulate their votes such that all of the nominees cannot be elected, then the proxy holders will cumulate votes to elect as many of the board's nominees as possible.

### Nominees

The following table provides information about the 22 nominees. Unless otherwise indicated, each director has engaged in the principal occupation listed for at least five years.

Name	Age	Director	
		Since	Principal Occupation
Mark A. Abernathy <sup>(1)(7)(6)</sup>	47	1994	President and Chief Operating Officer, National Bank of Commerce and the Corporation
David Byars <sup>(2)(7)</sup>	50	1998	President, Byars Furniture and David Byars Properties
Robert S. Caldwell, Jr. <sup>(2)(6)</sup>	62	1999	President, Caldwell Furniture & Properties and Brownwell Realty and Realtor through Swoope Realty

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Name	Age	Director Since	Principal Occupation
Robert L. Calvert, III <sup>(1)(3)(4)(5)</sup>	64	1999	President, Calvert Spalding Engineers, Inc.
Robert A. Cunningham <sup>(1)(2)(4)(5)(6)</sup>	58	1990	Managing Partner, Valley Farm, a farming, timber and gravel business
J. Nutie Dowdle <sup>(1)(3)(4)(5)</sup>	60	1990	President, Dowdle Butane Gas Co., Inc. and Wholesale LP Gas Co.
Clifton B. Fowler	55	1991	Executive Vice President, Commercial Banking, National Bank of Commerce and Vice President of the Corporation
James C. Galloway, Jr. <sup>(5)(6)</sup>	51	1997	President, Galloway-Chandler-McKinney Insurance Agency, Inc.
Hunter M. Gholson <sup>(1)(3)(4)(5)(7)</sup>	71	1974	Partner, Gholson, Hicks & Nichols
James D. Graham <sup>(2)(6)(7)</sup>	54	2001	President, Grayco, Inc., a commercial real estate company
Bobby L. Harper <sup>(1)(6)</sup>	62	1977	President, Columbus Region,  National Bank of Commerce and Chairman of Executive Committee of the Corporation
Robert S. Jones <sup>(1)(3)(7)</sup>	72	1973	Retired auto dealer
Dan R. Lee <sup>(2)</sup>	56	2004	Chairman, President and CEO, Microtek Medical Holdings, Inc., a manufacturer and distributor of medical products
Lewis F. Mallory, Jr. <sup>(1)(5)(6)(7)</sup>	61	1969	Chairman of the Board and Chief Executive Officer, National Bank of Commerce and the Corporation
Robert D. Miller <sup>(1)(2)(3)</sup>	74	1975	Certified Public Accountant, R. D. Miller & Co., CPA
Ralph E. Pogue <sup>(6)(7)</sup>	74	1979	Attorney at Law
Thomas J. Prince, Jr. <sup>(6)(7)</sup>	62	1990	Executive Vice President, Division Manager of Consumer Financial Services, National Bank of Commerce and Vice President of the Corporation
Allen B. Puckett, III, <sup>(1)(3)(4)(5)</sup>	53	1987	President & CEO, Columbus Brick Corporation
Dr. James C. Ratcliff <sup>(6)(7)</sup>	72	1978	Retired physician
Sammy J. Smith <sup>(6)(7)(8)</sup>	64	1977	President, Smith & Byars Men's Clothing,
H. Stokes Smith <sup>(2)(6)(7)(8)</sup>	67	1999	National Sales Manager, The Westmount Corporation, a manufacturing company
Henry S. Weiss <sup>(1)(2)(3)(7)</sup>	73	1988	President, Industrial Fabricator, Inc., a manufacturer of fabricated steel products

<sup>(1)</sup> Member of Executive Committee

- (2) Member of Audit Committee
- (3) Member of Compensation Committee
- (4) Member of Nominating and Corporate Governance Committee.
- (5) Member of Capital Planning Committee
- (6) Member of Compliance Committee
- (7) Member of Trust Investment Committee
- (8) Mr. Sammy J. Smith and Mr. H. Stokes Smith are brothers

Note: Hunter M. Gholson will not serve on the Compensation or the Nominating and Corporate Governance Committees in 2004 and following.

## CORPORATE GOVERNANCE

### Governance Guidelines

Listed below are excerpts from the Company's corporate governance guidelines, which the Board reviews at least annually. A complete copy of the Company's corporate governance guidelines is posted on the Company's website at [www.nbcbankline.com](http://www.nbcbankline.com).

#### 1. Director Qualifications

The Board will have a majority of directors who meet the criteria for independence required by the American Stock Exchange and federal law. The Nominating and Corporate Governance Committee is responsible for reviewing with the Board, on an annual basis, the requisite skills and characteristics of new Board members as well as the composition of the Board as a whole. This assessment will include members' qualification as independent, as well as consideration of diversity, age, skills and experience in the context of the needs of the Board. Nominees for directorship will be selected by the Nominating and Corporate Governance Committee in accordance with the policies and principles in its charter, and will be approved by the Board before being elected or submitted to the shareholders for election.

No director may serve on more than two other public company boards. No director may be nominated to a new term if he or she would be age 75 or older at the time of the election.

The Board does not believe it should establish term limits. While term limits could help insure that there are fresh ideas and viewpoints available to the Board, they hold the disadvantage of losing the contribution of directors who have been able to develop, over a period of time, increasing insight into the Company and its operations and, therefore, provide an increasing contribution to the Board as a whole. As an alternative to term limits, the Nominating and Corporate Governance Committee will review each director's



continuation on the Board every three years. This will allow each director the opportunity to conveniently confirm his or her desire to continue as a member of the Board.

## 2. Director Responsibilities

The Board has no policy with respect to the separation of the offices of Chairman and the Chief Executive Officer. The Board believes that it should allow itself sufficient flexibility on this issue to provide for an effective succession planning process and an organization and management structure that accommodates the best interests of the company's shareholders. The Board also believes that it should make a fresh determination of this issue when it elects a new chief executive officer or at any other time it deems appropriate.

The Chairman will establish the agenda for each Board meeting. Each Board member is free to suggest the inclusion of items on the agenda. Each Board member is free to raise at any Board meeting subjects that are not on the agenda for that meeting. The Board will review the Company's long-term strategic plans and the principal issues that the Company will face in the future during at least one Board meeting each year.

The non-management directors will meet in executive session at least semi-annually. The director who presides at these meetings will be chosen by the non-management directors, and his name will be disclosed in the annual proxy statement.

## 3. Board Committees

The Board will have at all times an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee. All of the members of these committees will be independent directors under the criteria established by the American Stock Exchange and federal law. Committee members will be appointed by the Board upon recommendation of the Nominating and Corporate Governance Committee with consideration of the desires of individual directors.

Each committee will have its own charter. The charters will set forth the purposes, goals and responsibilities of the committees as well as qualifications for committee membership, procedures for committee member appointment and removal, committee structure and operations and committee reporting to the Board. The charters will also provide that each committee will annually evaluate its performance.

The Board and each committee have the power to hire independent legal, financial or other advisors as they may deem necessary, without consulting or obtaining the approval of any officer of the Company in advance, subject to approval by the Board of Directors; provided, however, that the Audit Committee has the authority to hire independent legal, financial or other advisors as the Audit Committee deems necessary, without approval of any other party.

4. Director Access to Officers and Employees

Directors have full and free access to officers and employees of the Company.

The Board welcomes regular attendance at each Board meeting of senior officers of the Company and additional Company personnel attendees if requested to attend by the CEO.

5. Director Compensation

The form and amount of director compensation will be determined by the Compensation Committee in accordance with the policies and principles set forth in its charter, and the Compensation Committee will conduct an annual review of director compensation. The Compensation Committee will consider that directors' independence may be jeopardized if director compensation and perquisites exceed customary levels, if the Company makes substantial charitable contributions to organizations with which a director is affiliated, or if the Company enters into consulting contracts with (or provides other indirect forms of compensation to) a director or an organization with which the director is affiliated.

6. Management Succession

The Compensation Committee will conduct an annual review of the CEO's performance, as set forth in the Company's by-laws. The Board of Directors will review the Compensation Committee's report in order to ensure that the CEO is providing the best leadership for the Company in the long-and short-term.

The Nominating and Corporate Governance Committee, along with the CEO, should make an annual report to the Board on succession planning. The committee will be guided by any previous action the Board may have taken on this matter. The entire board will be invited to nominate and evaluate potential successors to the CEO.

7. Annual Performance Evaluation

The Board of Directors will conduct an annual self-evaluation to determine whether it and its committees are functioning effectively. The Nominating and Corporate Governance Committee will receive comments from all directors and report annually to the Board with an assessment of the Board's performance. This will be discussed with the full Board following the end of each fiscal year. The assessment will focus on the Board's contribution to the Company and specifically focus on areas in which the Board or management believes that the Board could improve.

**Independence**

The Board has determined that David Byars, Robert S. Caldwell, Jr., Robert L. Calvert, III, Robert A. Cunningham, J. Nuttie Dowdle, James D. Graham, Robert S. Jones, Dan R. Lee, Robert D. Miller, Ralph E. Pogue, Allen B. Puckett, III, Dr. James C. Ratcliff, Sammy J. Smith, H. Stokes Smith and Henry S. Weiss qualify as independent directors under the standards referred to above under Governance Guidelines.

### **Meetings and Certain Committees of the Board of Directors**

The board of directors met on the third Wednesday of each month in 2003 with the exception of May, in which the annual shareholders meeting was held. During the year ended December 31, 2003, the board met 11 times. Each such meeting was a regular meeting. Each director attended at least 85% of all meetings held by the board and the committees on which he served.

The board has established various standing committees, including the executive committee, the audit committee, the nominating and corporate governance committee, the capital planning committee, the compliance committee, the compensation committee and the trust investment committee. These committees generally meet either monthly or quarterly and at call. During 2003, the executive committee met 11 times, the audit committee met 6 times, the nominating and corporate governance committee met 1 time, the capital planning committee met 3 times, the corporate compliance committee met 1 time, the compensation committee met 2 times and the trust investment committee met 4 times.

The Board has determined that Dan R. Lee is an audit committee financial expert, as defined under the federal securities laws.

If you would like additional information on the responsibilities of the audit, compensation, or nominating and corporate governance committees, you can find their charters posted on the Company's website at [www.nbcbankline.com](http://www.nbcbankline.com).

The Company expects all of its directors to attend the Company's annual shareholders meetings. Each director attended the 2003 annual shareholders meeting, except for J. Nutie Dowdle, Clifton B. Fowler and James C. Galloway, Jr.

### **Director Nomination Process**

The nominating committee considers potential nominees for Board membership in various ways, and will review any suggestions submitted by shareholders. Such suggestions, together with appropriate biographical information, should be submitted to the Corporate Secretary and must be received no later than 90 days prior to the month and day that the proxy materials regarding the last election of directors to the Board of the corporation were mailed to shareholders. The notice must include the nominee's full name, age and date of birth, educational background, a list of business experience and positions held for the preceding five years, home and office addresses and telephone numbers, and include a signed representation by the nominee to timely provide all information requested by the corporation as part of its disclosures in regard to the solicitation of proxies for the election of directors. The name of each such candidate for director must be placed in nomination at the annual meeting by a stockholder present in person and the nominee must be present in person at the meeting for the election of directors.

The Corporation's bylaws provide that a director must be a stockholder of the Corporation, and may not be under the age of twenty-one or over seventy-five years of age at the time of the shareholders meeting at which they are elected. In addition, directors may not serve as attorney for any other financial institution or bank or savings and loan holding company, and

may not be a member of the Board of Directors of any other financial institution or bank or savings and loan holding company if such service is prohibited by laws or regulations applicable to depository institutions.

The Nominating Committee will consider candidates nominated by shareholders in accordance with the bylaws. Upon receipt of any such nominations, the Committee will review the submission for compliance with the bylaws. Under the Company's corporate governance guidelines, the Nominating Committee assesses director candidates based on their independence, diversity, age, character, skills and experience in the context of the needs of the Board. Although the guidelines permit the Nominating Committee to adopt additional selection guidelines or criteria, it has chosen not to do so. Instead, the Nominating Committee periodically assesses skills and characteristics then required by the Board based on the Board's configuration and future challenges at the time of the assessment. The Nominating Committee believes this flexible approach enables it to respond to changes caused by director retirements and industry developments. Although the Company does not have a history of receiving director nominations from shareholders, the Nominating Committee envisions that it would evaluate any such candidate on the same terms as other proposed nominees, but would place a substantial premium on retaining incumbent directors who are familiar with the Company's management, operations, business, industry, strategies and competitive position, and who have previously demonstrated a proven ability to provide valuable contributions to the Board and the Company.

See Compensation Committee Report for a description of the functions performed by the compensation committee, and see Audit Committee Report for a description of the functions performed by the audit committee.

#### **Compensation of Directors**

During 2003, each non-employee director of the Corporation received a \$14,400 retainer and \$800 for attendance at each meeting of a committee of the board of directors of which he was a member. The secretary of the board received an additional retainer of \$33,500, and each member of the executive committee received an additional retainer of \$10,800. With the exception of Mr. James C. Galloway, Jr., directors who are employees of the Corporation are not compensated for serving on the board of directors or any of its constituent committees. Mr. Galloway, President of Galloway-Chandler-McKinney Insurance Agency, Inc., a wholly owned subsidiary of National Bank of Commerce, a wholly owned subsidiary of the Corporation, received the same compensation as outside directors.

#### **Presiding Director**

As indicated above, the non-management directors meet in executive session at least semi-annually. The non-management directors have selected Allen B. Puckett, III to preside over such meetings during 2004. The company's website posts information on the manner in which Mr. Puckett may be contacted by interested parties.

#### **Stock Ownership of Directors, Officers and Principal Shareholders**

The table below shows, as of February 20, 2004, the number of shares of the Corporation's common stock beneficially owned by each person or entity known by the

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Corporation to be the beneficial owner of more than 5% of the outstanding shares of common stock, each director and nominee, all executive officers named in the Summary Compensation Table, and all directors and executive officers as a group. Unless otherwise noted, the named persons have sole voting and investment power with respect to the shares indicated.

Name	Number of Shares Beneficially Owned <sup>(A)</sup>	Percentage Ownership <sup>(B)</sup>	Options Exercisable Within 60 Days <sup>(C)</sup>
Mark Abernathy <sup>(1)</sup>	16,434	*	9,999
David Byars <sup>(2)</sup>	14,627	*	
Robert S. Caldwell <sup>(3)</sup>	57,319	*	
Robert L. Calvert, III <sup>(4)</sup>	141,414	1.7%	
Robert A. Cunningham <sup>(5)</sup>	109,071	1.3%	
J. Nutie Dowdle	112,267	1.4%	
Clifton B. Fowler <sup>(6)</sup>	11,800	*	1,999
James C. Galloway, Jr. <sup>(7)</sup>	93,670	1.1%	
Hunter M. Gholson <sup>(8)</sup>	83,047	1.0%	
James D. Graham	42,799	*	
Bobby L. Harper <sup>(9)</sup>	40,322	*	4,500
Robert S. Jones	33,410	*	
Lewis F. Mallory, Jr. <sup>(10)</sup>	121,096	1.5%	24,999
Robert D. Miller <sup>(11)</sup>	23,342	*	
Ralph E. Pogue	20,778	*	
Thomas J. Prince, Jr. <sup>(12)</sup>	16,329	*	4,500
Allen B. Puckett, III <sup>(13)</sup>	174,340	2.1%	
Dr. James C. Ratcliff <sup>(14)</sup>	7,397	*	
H. Stokes Smith <sup>(15)</sup>	36,185	*	
Sammy J. Smith	5,968	*	
Henry S. Weiss	68,043	*	
Richard T. Haston <sup>(16)</sup>	5,592	*	6,499
Directors and executive officers as a group (27 persons)	1,248,634	15.3%	65,492

\* Less than one percent

(A) Includes shares as to which such person, directly or indirectly, through any contract, arrangement, understanding, relationship, or otherwise, has or shares voting power and/or investment power as these terms are defined in Rule 13d-3(a) under the Securities Exchange Act of 1934.

(B) Based upon 8,167,411 shares of common stock outstanding.

(C) Options to acquire the Corporation's common stock were granted in 2001 and 2002. The options are subject to a vesting schedule and the options vested and exercisable are shown in this column.

(1) Includes 609 shares held by NBC's employee stock ownership plan with respect to which Mr. Abernathy has voting power and 1,902 shares held by the Corporation's Salary Reduction Thrift Plan with respect to which Mr. Abernathy has both voting and investment authority. Also, includes 1,952 shares held in trust for the benefit of his wife, as to which he disclaims beneficial ownership.

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- <sup>(2)</sup> Includes 2,882 shares owned by Mr. Byars wife, 1,932 shares over which Mr. Byars serves as custodian for his children, 4,833 shares held through a profit sharing plan, 266 shares held in a business investment account, 778 shares held by family exempt trust, 1,333 held by a marital income trust, and 200 shares held for benefit of his wife over all of which Mr. Byars exercises investment and voting control. Also includes

2,948 shares held in a family trust and 837 shares held in a trust for his mother, over which, Mr. Byars serves as trustee and exercises investment and voting control.

- (3) Includes 4,668 shares for which Mr. Caldwell serves as custodian for his grandchildren over which he exercises investment and voting control.
- (4) Includes 40,712 shares held by two companies over which Mr. Calvert has sole investment and voting control, and 1,561 shares owned by Mr. Calvert's wife, as to which he disclaims beneficial ownership.
- (5) Includes 21,829 shares held in a trust with respect to which Mr. Cunningham has shared voting and investment power and 72,730 shares owned by a partnership as to which Mr. Cunningham has sole voting and investment power.
- (6) Includes 9,491 shares held by NBC's employee stock ownership plan with respect to which Mr. Fowler has voting power, 2,233 shares held by NBC's Salary Reduction Thrift Plan with respect to which Mr. Fowler has both voting and investment authority and 57 shares as to which Mr. Fowler is a custodian for his child and over which he exercises sole investment and voting control.
- (7) Includes 10 shares held by NBC's employee stock ownership plan with respect to which Mr. Galloway has voting power and 272 shares held by the Salary Reduction Thrift Plan with respect to which Mr. Galloway has both voting and investment authority.
- (8) Includes 10,750 shares held in trust and 11,130 shares held by Mr. Gholson's wife, as to which he disclaims beneficial ownership. Also, includes 2,666 shares in a limited liability corporation and 5,666 shares in trust over which Mr. Gholson has sole voting and investment power.
- (9) Includes 39,030 shares held by NBC's employee stock ownership plan with respect to which Mr. Harper has voting power and 1,291 shares held by the Salary Reduction Thrift Plan with respect to which Mr. Harper has both voting and investment authority.
- (10) Includes 53,921 shares held by NBC's employee stock ownership plan with respect to which Mr. Mallory has voting power and 2,486 shares held by the Salary Reduction Thrift Plan with respect to which Mr. Mallory has both voting and investment authority.
- (11) Includes 500 shares held by a limited liability company over which Mr. Miller has voting and investment authority.
- (12) Includes 9,470 shares held by NBC's employee stock ownership plan with respect to which Mr. Prince has voting power.
- (13) Includes 9,557 shares owned by a corporation, over which Mr. Puckett has sole voting and investment authority. Also, includes 5,333 shares owned by Mr. Puckett's wife as to which he disclaims beneficial ownership.
- (14) Includes 1,717 shares owned by Dr. Ratcliff's wife as to which he disclaims beneficial ownership.
- (15) Includes 12,490 shares owned by Mr. Smith's wife as to which he disclaims beneficial ownership.
- (16) Includes 203 shares held by NBC's employee stock ownership plan with respect to which Mr. Haston has voting power and 1,304 held by the Salary Reduction Thrift Plan with respect to which Mr. Haston has both voting and investment authority.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE ELECTION OF ALL NOMINEES.**



## EXECUTIVE COMPENSATION

The following table sets forth the compensation for services in all capacities to the Corporation for the fiscal years ending December 31, 2003, 2002 and 2001, of the chief executive officer and the four most highly compensated executive officers.

## SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Salary	Bonus	Number of Securities Underlying Options	All Other Compensation
<b>Lewis F. Mallory, Jr.</b>	2003	\$ 342,000	\$ 0	0	\$ 35,504 <sup>(1)</sup>
Chairman and Chief Executive Officer	2002	314,000	109,000	33,333	40,095
	2001	303,000	0	25,000	36,190
<b>Mark A. Abernathy</b>					
President and Chief Operating Officer	2003	\$ 203,000	\$ 0	0	\$ 18,374 <sup>(2)</sup>
Officer	2002	184,750	60,967	13,333	19,056
	2001	178,500	0	10,000	14,037
<b>Richard T. Haston</b>					
Executive Vice President, Chief Financial Officer and Treasurer	2003	\$ 151,000	\$ 0	0	\$ 10,299 <sup>(3)</sup>
Financial Officer and Treasurer	2002	137,498	41,249	8,667	8,184
	2001	133,000	0	6,500	10,703
<b>Bobby L. Harper</b>					
Chairman of the Executive Committee	2003	\$ 125,000	\$ 3,000	0	\$ 11,427 <sup>(4)</sup>
Committee	2002	120,672	24,436	6,000	9,810
	2001	118,344	0	4,500	12,140
<b>Thomas J. Prince, Jr.</b>	2003	\$ 122,110	\$ 0	0	\$ 11,328 <sup>(5)</sup>
Vice President	2002	112,805	38,353	6,000	8,857
	2001	110,000	0	4,500	11,387

<sup>(1)</sup> Includes dividend equivalent credits to Mr. Mallory's account under the phantom stock plan in the amount of \$20,505, the Corporation's matching contribution to its Salary Reduction Thrift Plan in the amount of \$8,999 and the Corporation's contribution to its profit sharing plan in the amount of \$6,000.

<sup>(2)</sup> Includes dividend equivalent credits to Mr. Abernathy's account under the phantom stock plan in the amount of \$6,374, the Corporation's matching contribution to its Salary Reduction Thrift Plan in the amount of \$6,000 and the Corporation's contribution to its profit sharing plan in the amount of \$6,000.

<sup>(3)</sup> Includes the Corporation's matching contribution to its Salary Reduction Thrift Plan in the amount of \$5,769 and the Corporation's contribution to its profit sharing plan in the amount of 4,530.

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- (4) Includes the Corporation's matching contribution to its Salary Reduction Thrift Plan in the amount of \$7,677 and the Corporation's contribution to its profit sharing plan in the amount of \$3,750.
  
- (5) Includes the Corporation's matching contribution to its Salary Reduction Thrift Plan in the amount of \$7,665 and the Corporation's contribution to its Profit Sharing Plan in the amount of \$3,663.

### Stock Option Plan

The Corporation maintains two long-term incentive plans for the benefit of the named executives: a phantom stock plan, in which only Mr. Mallory and Mr. Abernathy participate, and a long-term incentive compensation plan. No units were awarded under the phantom stock plan in 2003. As of December 31, 2003, the values of Messrs. Mallory and Abernathy's accounts in the plan were \$283,859 and \$87,837, respectively, and the aggregate numbers of units credited to the accounts were 8,579.2 and 2,666.68, respectively.

In 2001, the board of directors adopted a long-term incentive compensation plan that reserved for grant or issuance an aggregate of 235,000 shares of the Corporation's common stock. In accordance with the terms of the Plan, the total number of shares reserved was adjusted to 313,333 shares as a result of the four for three stock split that occurred during the third quarter of 2002. As of December 31, 2003, a total of 229,868 options had been granted under this plan at a weighted-average exercise price of \$22.47 per share. A total of 87,466 shares remain available for future grants under this plan. At the time this plan was adopted, the rules of the American Stock Exchange did not require shareholder approval if the plan did not exceed 5% of the Corporation's outstanding stock. Therefore, this plan was not submitted to the shareholders for approval. Under the terms of the plan, grants can be made only in the form of nonqualified options at an exercise price set at, or above, the fair market value of the Corporation's common stock, determined on the date of grant.

In 2003, the board of directors adopted and recommended for shareholder approval the NBC Capital Corporation 2003 Long-Term Incentive Compensation Plan. This plan was approved by the Shareholders of NBC Capital Corporation at the Annual Meeting of Shareholders held on May 20, 2003. In accordance with the terms of the Plan, 500,000 of shares have been reserved for issuance under this plan. As of December 31, 2003, no options had been granted under this plan. Under the terms of the plan, grants can be made only in the form of nonqualified options at an exercise price set at, or above, the fair market value of the Corporation's common stock, determined on the date of grant.

There were no grants under either of these plans during 2003.

The following table describes the value of the outstanding options, determined as of December 31, 2003, for each of the executive officers name in the Summary Compensation Table.

### 2003 YEAR-END OPTION VALUES

Name	Number of Securities	
	Underlying Unexercised Options	Value of Options
	Granted Fiscal Year End <sup>(1)</sup>	At Fiscal Year End <sup>(2)</sup>
	(E)Exercisable/(U)Unexercisable	(E)Exercisable/ (U)Unexercisable
Lewis F. Mallory, Jr.	41,667(U)	\$162,669(U)
	24,999(E)	\$119,995(E)
Mark A. Abernathy	16,667(U)	\$65,069(U)
	9,999(E)	\$47,995(E)
Richard T. Haston	10,835(U)	\$42,300(U)
	6,499(E)	\$31,196(E)
Bobby L. Harper	7,500(U)	\$29,280(U)
	4,500(E)	\$21,600(E)
Thomas J. Prince, Jr.	7,500(U)	\$29,280(U)
	4,500(E)	\$21,600(E)

<sup>(1)</sup> The options are subject to a vesting schedule.

<sup>(2)</sup> All options outstanding as of December 31, 2003 are in the money.

### Employee Benefit Plans

The Corporation maintains four employee benefit plans: a defined benefit pension plan, a savings plan, a profit sharing plan, and an employee stock ownership plan. Matching contributions to the 401(k) plan and profit sharing contributions for the named executives are included in the Summary Compensation Table. No contributions were made to the employee stock ownership plan in 2003.

The pension plan and profit sharing plan are a floor offset arrangement, under which the benefits payable from the pension plan are offset, or reduced, by amounts payable from the profit sharing plan. There are no reductions in benefits under this plan for social security payments. Benefits under the pension plan are based upon a formula that takes into account average compensation and years of credited service. Average compensation is determined over the five consecutive year period in which compensation is the greatest. Compensation taken into account for the named executives is listed in the salary column of the Summary Compensation Table, subject to an annual limitation that is imposed under the Internal Revenue Code, which is \$200,000 for 2003.

The following table describes the estimated benefits payable from the offset arrangement at the normal retirement age, age 65, in the form of a 10-year certain and life annuity.

5 Year Average  Annual Earnings	Years of Service <sup>(1)</sup>				
	10	20	30	40	45
\$20,000	\$ 2,500	\$ 5,000	\$ 7,500	\$ 10,000	\$ 10,800
25,000	3,100	6,300	9,400	12,500	13,400
50,000	6,300	12,500	18,800	25,000	26,900
75,000	10,100	20,100	30,200	40,200	43,000
100,000	14,400	28,900	43,300	57,700	61,500
125,000	18,800	37,600	56,400	75,200	79,900
150,000	23,200	46,400	69,500	92,700	98,300
180,000	28,400	56,900	85,300	113,700	120,500

<sup>(1)</sup> Messrs. Mallory, Abernathy, Haston, Harper and Prince have 39, 9, 7, 37, and 24 years of service respectively.

#### Employment Agreements

The Corporation is a party to an executive employment agreement with Mr. Mallory, which expires on May 31, 2006. The agreement provides that should Mr. Mallory be terminated by the Company, without cause, the Company would pay all accrued salary and bonus to the date of termination and the executive's base compensation payable until the Termination Date (determined without regard to the automatic renewal provision of the contract), but not less than 100% of such base compensation. If Mr. Mallory's employment is terminated in connection with a change in control, he is entitled to a termination benefit equal to three times the his base compensation in effect immediately prior to the change in control, along with a continuation of medical insurance coverage for a period of three years. If Mr. Mallory were terminated in 2004, under the change in control provisions of this contract, he would receive a lump sum payment of \$1,026,000 under the agreement.

The Corporation has also entered into agreements with Messrs. Abernathy and Haston, each of which expires on May 31, 2006. The agreement provides that should Messrs. Abernathy and Haston be terminated by the Company, without cause, the Company would pay all accrued salary and bonus to the date of termination and the executive's base compensation payable until the Termination Date (determined without regard to the automatic renewal provision of the contract), but not less than 100% of such base compensation. Under these agreements, in the event employment is terminated in connection with a change in control, the Corporation will pay an amount equal to two times the base compensation in effect immediately prior to the change in control, along with a continuation of medical insurance coverage for a period of three years. If Mr. Abernathy and Mr. Haston were terminated in 2004, under the change in control provisions of this contract, they would receive \$406,000 and \$322,000, respectively.

#### COMPENSATION COMMITTEE REPORT

Seven non-employee directors serve on the board's compensation committee. Among other duties, the committee administers the Corporation's executive compensation programs and recommends to the board the salary and bonus for the chief executive and other executive officers. The committee met two times during 2003.

Each year, the committee reviews the current compensation practices of financial institutions of similar asset size, to ensure that the Corporation's compensation practices, policies and programs are approximately at the median of these institutions. The Corporation obtains information about comparable compensation practices from Watson Wyatt, an independent national compensation consulting firm. The Corporation's executive compensation program consists of three basic components: base salary, short-term bonuses, and long-term incentives. In addition, executives participate in the benefit plans and programs that are generally available to all employees of the Corporation.

Each year, the base salary of each executive officer is reviewed, using salary survey data developed by the independent compensation consultant. The increases indicated by the 2001 review, which are normally effective on January 1 of the following year, were delayed until July 1, 2002 for the named executives and are reflected in the Summary Compensation Table. The increases indicated by the 2002 and 2003 review and approved by the compensation committee were effective January 1, 2003 and 2004, respectively.

Short-term bonuses are cash compensation that may be awarded annually, provided the performance goals designated each year by the committee are achieved. For 2003, the performance goals as to Messrs. Mallory, Abernathy and Haston related to the Corporation's return on equity and net operating income. The performance goals applicable to Messrs. Harper and Prince related to the Corporation's net operating income and certain additional non-objective measures. The committee determined that the 2003 goals were not satisfied, and no bonuses were awarded under these programs, except for Mr. Harper, as reflected in the Summary Compensation Table.

During 2001 and 2003, the Corporation adopted a long-term incentive plans, the purpose of which is to further link the financial performance of the Corporation to the financial interests of its executives. During 2003, no stock options were granted under these plans.

The compensation committee practices described above were used to set the compensation of Mr. Mallory, the chairman and chief executive officer of the Corporation. Effective January 1, 2003, the committee approved a 5.2% base salary increase for Mr. Mallory, raising his annual base salary from \$325,000 to \$342,000. With respect to fiscal year 2003, Mr. Mallory did not receive a bonus or options.

Under Section 162(m) of the Internal Revenue Code, compensation in excess of \$1 million paid to a chief executive officer or to any of the four other most highly compensated officers generally cannot be deducted. The committee has determined the Corporation's compensation practices and policies are not currently affected by this limitation.

Respectfully submitted,

The Compensation Committee of the Board of Directors,

*J. Nutie Dowdle, Chairman*

*Robert S. Jones*

*Allen B. Puckett, III*

*Robert L. Calvert, III*

*Robert D. Miller*

*Henry S. Weiss*

*Hunter M. Gholson*

**Compensation Committee Interlocks and Insider Participation in Compensation Decisions**

The members of the compensation committee are set forth above. Hunter M. Gholson is a partner in a law firm that was retained by the Corporation during 2003. Mr. Gholson will not serve on the Compensation Committee in 2004 and following.

**PERFORMANCE GRAPH**

The Securities and Exchange Commission requires that the Corporation include in its proxy statement a line graph presentation comparing cumulative, five-year shareholder returns on an indexed basis with a performance indicator of the overall stock market and either a nationally recognized industry standard or an index of peer companies selected by the Corporation. The broad market index used in the graph is the AMEX Market Index. The Corporation has chosen to use Media General Financial Services Industry Group - 413-REGIONAL -SOUTHEAST BANKS as its peer group index. A list of the companies is included in the index following the graph.

The graph assumes that \$100 was invested in shares of the relevant issuers on January 1, 1999, and all dividends were immediately invested in additional shares. The value of the initial \$100 investment is shown at one-year intervals, for a five-year period ending December 31, 2003. For purposes of constructing this data, the returns of each component issuer have been weighted according to that issuer's market capitalization.

**MG Industry Group 413-Regional-Southeast Banks**

ALABAMA NATIONAL BANCORP  
BANC CORPORATION  
BANK OF THE OZARKS INC  
CAPITAL BANCORP INC  
CITIZENS FIRST CORP  
COLONIAL BANCGROUP CL A  
COMMUNITY NATL BANCORP  
CORNERSTONE BANCSHARES  
FARMERS CAPITAL BANK CP  
FIRST BANCSHARES INC MS  
FIRST COMMUNITY BK CORP  
FIRST SECURITY BANCORP  
FNB CORPORATION FL  
FRANKLIN FNCL CORP TN  
HERITAGE BANKSHARES VA  
MADISON BANCSHARES INC  
NATIONAL COMMERCE FNCL  
PENSECO FINL SVCS CORP  
PINNACLE BANCSHARES CORP  
REGIONS FINANCIAL CORP  
SIMMONS FIRST NATL CORP  
TRUSTMARK CORP  
WHITNEY HOLDING CORP

AMSOUTH BANCORPORATION  
BANCORPSOUTH INC.  
BEACH FIRST NATL BNKSHRS  
CARDINAL FINANCIAL CORP  
CIVITAS BANKGROUP INC  
COMMERCE SOUTH INC  
COMMUNITY TRUST BNCP INC  
CRESCENT BANKING COMPANY  
FAUQUIER BANKSHARES INC  
FIRST CAPITAL BANK  
FIRST M & F CORPORATION  
FIRST TENNESSEE NATL CP  
FNB CORPORATION VA  
GLOBE BANCORP INC  
HIBERNIA CORP A  
MIDSOUTH BANCORP  
NB&T FINANCIAL GROUP  
PEOPLES BANCTRUST CO  
PINNACLE FINANCIAL PARTN  
REPUBLIC BANCORP INC CLA  
SOUTHCOAST FINL CORP  
UNION PLANTERS CORP

AUBURN NATIONAL BANC INC.  
BANCTRUST FINANCIAL GRP  
BRITTON & KOONTZ CAP CP  
CENTERSTATE BANKS OF FL  
CNB FLORIDA BANKSHARES  
COMMUNITY FIRST BNCP SC  
COMPASS BANCSHARES INC.  
EASTERN VIRGINIA BNKSHRS  
FIRST BANCSHARES INC CA  
FIRST COMMUN BNCSRS VA  
FIRST NATL BANCSHRS FL  
FLORIDA BANKS INC  
FOUR OAKS FINCORP  
HANCOCK HOLDING CO  
IBERIABANK CORPORATION  
MINDEN BANCORP INC  
NBC CAPITAL CORPORATION  
THE PEOPLES HOLDING CO  
PREMIER FINANCIAL BANCP  
S.Y. BANCORP INC  
SOUTHTRUST CORP  
UNITED SECURITY BANCSHRS

**AUDIT COMMITTEE REPORT**

The audit committee supervises the Corporation's internal audit function and general auditor, directs an examination of the Corporation's books and records at least annually and reviews regulatory examination reports, including internal audit and loan review reports and audit reports issued by the Corporation's independent auditors. The audit committee held six meetings during 2003. Each member of the audit committee is an independent director as defined in Section 121(A) of the American Stock Exchange's Listing Standards and in Section 10A of the Securities Exchange Act of 1934, as amended. Mr. Dan R. Lee is an audit committee financial expert. The audit committee operates under a written charter that was adopted by the board of directors. A copy of the charter was attached as an exhibit to the Corporation's annual report on Form 10-K for the year ended December 31, 2002. As required by Section 10A of the Securities Exchange Act of 1934, as amended, the Audit Committee has direct responsibility for the appointment, compensation, retention and oversight of the work of the external auditor, T. E. Lott and Company. As a result, the external auditor reports directly to the Audit Committee, which has the ultimate authority to approve the terms of all audit engagements.

The audit committee has reviewed and discussed the audited financial statements with management and T. E. Lott & Company. The discussions with T. E. Lott & Company included the matters required to be discussed by Statement on Auditing Standards No. 61. In addition, the audit committee received the written disclosures and the letter required by Independence Standards Board Standard No. 1 and discussed with representatives of T. E. Lott & Company the independence of the auditor.

Based upon the review and discussions referred to above, the audit committee recommended to the board of directors that the audited financial statements be included in the Corporation's annual report on Form 10-K for the fiscal year ended December 31, 2003, for filing with the Securities and Exchange Commission.

Respectfully submitted,

The Audit Committee of the Board of Directors,

*Robert A. Cunningham, Chairman*

*James D. Graham*

*Henry S. Weiss*

*David Byars*

*Robert D. Miller*

*Robert S. Caldwell, Jr.*

*H. Stokes Smith*

**Independent Public Accountants**

The Corporation's consolidated financial statements for the year ended December 31, 2003, were audited by the firm of T. E. Lott & Company. T. E. Lott & Company has also been appointed to audit the Corporation's financial statements for 2004. A representative of the firm is expected to be present at the annual meeting. If present, the representative will have the opportunity to make a statement and will be available to respond to appropriate questions.

The fees billed for services rendered by T. E. Lott & Company for the fiscal year 2003 were as follows:

**Audit Fees** Aggregate fees for professional services rendered by T. E. Lott & Company in connection with the audit of NBC Capital Corporation's consolidated financial statements, for reviews of the financial information in the Company's quarterly reports on Form 10-Q, and consents included in SEC filings were approximately \$133,835 in 2003 and \$125,460 in 2002.

**Audit Related Fees** Aggregate fees for services rendered by T. E. Lott & Company for audit related services which included employee benefit plan audits, regulatory examinations, acquisition consultations, regulatory filings, and consultations concerning accounting and financial reporting standards were approximately \$48,495 in 2003 and \$49,540 in 2002.

**Tax Service Fees** - Aggregate fees for services rendered by T. E. Lott & Company for preparation of income and other tax returns, tax advice and tax planning were approximately \$30,018 in 2003 and \$21,590 in 2002.

**All Other Fees** There were no other fees for services provided by T. E. Lott & Company other than those set forth above.

All of the services listed above were pre-approved by the Audit Committee. The committee has considered the compatibility of the performance of these non-audit services with maintaining T. E. Lott & Company's independence.

In connection with the engagement of the independent auditor, the Audit Committee's pre-approval process of specific services and fees, includes a review of specific services to be performed based on the four categories of services outlined above, a review of fees incurred for such services in the past, a review of expected fees to be incurred, a comparison of fees for similar services, and the establishment of pre-approval limits. The term of any pre-approval is twelve months from the date of the pre-approval, unless the Audit Committee specifically provides for a more definitive period. Fees for any services that will exceed the pre-approval limits must be separately approved by the Audit Committee. During the year, circumstances may also arise when it becomes necessary to engage the independent auditor for additional services not contemplated by the original pre-approval engagement. In those instances, the Audit Committee requires separate pre-approval before engaging the independent auditor for such services. In this regard, the Audit Committee may delegate pre-approval authority to one or more of its members. The member or members to whom such authority is delegated shall report any pre-approval decisions to the Audit Committee at its next meeting. The Audit Committee may not delegate its responsibilities to pre-approve services performed by the independent auditor to management.

#### **CERTAIN RELATIONSHIPS, RELATED TRANSACTIONS AND INDEBTEDNESS**

During the fiscal year 2003, the law firm of Gholson, Hicks and Nichols provided legal services to the Corporation and its subsidiary bank. Hunter Gholson, a director of the

Corporation, is associated with Gholson, Hicks and Nichols, a professional association. Gholson, Hicks, and Nichols received a total of \$60,464 in legal fees from the Corporation during the fiscal year 2003.

Certain directors and officers of the Corporation, businesses with which they are associated, and members of their immediate families are customers of the bank and had transactions with the bank in the ordinary course of its business during the year ended December 31, 2003. As of December 31, 2003, the aggregate principal amount of indebtedness (including unfunded commitments) owed to the bank by these related parties was \$48,574,204. This indebtedness comprised approximately 7.38% of the total currently outstanding loans as of December 31, 2003. In the opinion of the board, such transactions were made in the ordinary course of business, were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons, and do not involve more than the normal risk of collectibility or present other unfavorable features.

Under Section 402 of the Sarbanes-Oxley Act of 2002, loans to executive officers are generally prohibited. However, the law exempts any loan made or maintained by an insured depository institution if the loan is subject to the insider lending restrictions of Section 22(h) of the Federal Reserve Act. All loans to executive officers made by the Corporation's subsidiary bank are subject to the above referenced section of the Federal Reserve Act. All such loans are included in the total of related party transactions discussed in the preceding paragraph.

#### **SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Securities Exchange Act of 1934 requires the Corporation's directors, executive officers, and any person beneficially owning more than 10% of the Corporation's common stock to file reports of securities ownership and changes in that ownership with the Commission. Officers, directors and greater than 10% stockholders also are required to furnish the Corporation with copies of all Section 16(a) forms that they file. Based solely upon a review of the copies of the forms filed during 2003 and to the date of this Proxy, the Corporation believes that its officers, directors and greater than 10% beneficial owners complied with all applicable Section 16(a) filing requirements, except Allen B. Puckett, III, who filed a late Form 4 on March 9, 2004, for 4,213 shares transferred from a custodian account for his child, over which Mr. Puckett exercised both voting and investment authority, to the child's personal account, over which Mr. Puckett has neither voting nor investment authority.

#### **OTHER MATTERS**

Management of the Corporation is not aware of any other matters to be brought before the annual meeting. However, if any other matters are properly brought before the annual meeting, the persons named in the enclosed form of proxy will have discretionary authority to vote all proxies with respect to such matters in accordance with their judgment.

**PROPOSALS OF SHAREHOLDERS**

At the annual meeting each year, the board of directors submits to shareholders its nominees for election as directors. The board of directors may also submit other matters to the shareholders for action at the annual meeting. Shareholders of the Corporation may also submit proposals for inclusion in the proxy materials. Proposals of shareholders intended to be presented at the 2005 annual meeting of shareholders must be received by Lewis F. Mallory, Jr., Chairman of the Board and Chief Executive Officer of the Corporation at 301 East Main Street, Starkville, Mississippi 39759, no later than Friday, December 17, 2004, in order for such proposals to be considered for inclusion in the proxy statement and form of proxy relating to the 2005 annual meeting. Nominees to be proposed for election as directors must be delivered in accordance with the Corporation's bylaws and received by Hunter M. Gholson, Secretary of the Corporation at 301 East Main Street, Starkville, Mississippi 39759, no later than Saturday, January 16, 2005 in order for such nominations to be considered duly nominated. Nominations received after business reopens will be untimely.

**AVAILABILITY OF ANNUAL REPORT ON FORM 10-K**

Upon the written request of any record holder or beneficial owner of the shares entitled to vote at the annual meeting, the Corporation, without charge, will provide a copy of its annual report on Form 10-K for the year ended December 31, 2003, which was filed with the Securities and Exchange Commission on March 11, 2004. Requests should be mailed to Richard T. Haston, Executive Vice President and Chief Financial Officer, at P.O. Box 1187, Starkville, Mississippi, 39760.

**The Board of Directors recommends a vote**

**FOR all nominees listed below.**

	FOR	WITHHOLD AUTHORITY		FOR	AGAINST	ABSTAIN
ITEM 1. To elect twenty two directors of NBC Capital Corporation to serve until the 2005 annual meeting, or until their Successors are duly elected and qualified.	"	"	ITEM 2. In their discretion, the proxies are authorized to vote upon such other business as may properly come before the annual meeting or any adjournment thereof.	"	"	"

(INSTRUCTION: To withhold authority to vote for any individual nominees check the box above to vote FOR all nominees and strike a line through the nominee's name in the list below. Holders of common stock may cumulate their votes for one or more directors. To cumulate votes, place the number of votes for a director on the line next to such director's name)

- |                           |                         |
|---------------------------|-------------------------|
| " Lewis F. Mallory, Jr.   | " Bobby L. Harper       |
| " Mark A. Abernathy       | " Robert S. Jones       |
| " David Byars             | " Dan R. Lee            |
| " Robert S. Caldwell, Jr. | " Robert D. Miller      |
| " Robert L. Calvert, III  | " Ralph E. Pogue        |
| " Robert A. Cunningham    | " Thomas J. Prince, Jr. |
| " J. Nutie Dowdle         | " Allen B. Puckett, III |
| " Clifton B. Fowler       | " Dr. James C. Ratcliff |
| " James C. Galloway, Jr.  | " Sammy J. Smith        |
| " Hunter M. Gholson       | " H. Stokes Smith       |
| " James D. Graham         | " Henry S. Weiss        |

Signature of Stockholder	Date
Signature if held jointly	Date

NOTE: Please sign exactly as the name appears on the certificate or certificates representing shares to be voted by this proxy. When signing as executor, administrator, attorney, trustee or guardian please give full title as such. If a corporation, please sign full corporation name by president or other authorized officer. If a partnership, please sign in partnership name by authorized person(s).

Please mail in the accompanying postpaid envelope.

**Ù FOLD AND DETACH HERE Ù**

**PROXY**

PROXY SOLICITED BY THE BOARD OF DIRECTORS

FOR THE ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD ON May 18, 2004

**NBC CAPITAL CORPORATION**

**Starkville, Mississippi**

The undersigned shareholder(s) hereby appoint(s) Robert L. Calvert, III, Robert A. Cunningham, Robert D. Miller, Allen B. Puckett, III and Sammy J. Smith or any one of them (with full power to act alone), proxies for the undersigned to attend the annual meeting of the shareholders of NBC Capital Corporation to be held on Tuesday, May 18, 2004 at 5:00 p.m. at the National Bank of Commerce, Starkville Banking Center, 301 East Main Street, Starkville, Mississippi, and any and all adjournments, thereof, with full power for any of them to appoint and to revoke the appointment of a substitute for themselves at such meeting or at any and all adjournments thereof, and to vote as many shares of the capital stock of NBC Capital Corporation as the undersigned would be entitled to vote if personally present.

This proxy will be voted as directed below on the proposals set forth in the proxy statement of the meeting.

**(Continued, and to be marked, dated and signed, on the other side)**

**Ù FOLD AND DETACH HERE Ù**