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YEAR TO DATE EARNINGS REPORT

NBT Holdings Inc. (OTC Markets:NBTH), a bank holding company and the parent of Nashville Bank & Trust Company, reported net income of \$630,000 for the second quarter of 2012, a 46 percent increase compared with \$431,000 for the second quarter of 2011. Earnings per fully diluted share for the quarter ending June 30, 2012 totaled \$0.27 versus \$0.19 for the same period in 2011.

For the six months ending June 30, 2012, net income was \$1,210,000 compared to \$815,000 for the comparable period in 2011, a 48 percent increase. Earnings per fully diluted share rose to \$0.52 for the six-month period compared to \$0.36 in 2011.

At June 30, 2012, the bank reported total assets of \$272.6 million, a 23.3 percent increase from June 30, 2011. Over the same period, deposits increased 25 percent to \$227.3 million, while total loans rose 9 percent to \$177.2 million. At June 30, 2012, the Bank's Tier 1 leverage ratio was 9.88%.

Non-interest income for second quarter 2012 was \$1,148,000, compared to \$948,000 for same period in 2011, an increase of 21 percent.

Tangible Book Value per share at June 30, 2012 was \$12.05 compared to \$10.91 at the same time a year ago.

"We experienced solid loan and deposit growth in the second quarter and our credit quality continues to be superb," said Chief Executive Officer Tom Stumb. "We continue to see excellent growth in our Wealth Management area which constitutes the vast majority of our non-interest income." ■

New Faces at NBT

Kay O. Berry, Diana Blines, Patrick Manning and Brooke Rice have recently joined Nashville Bank & Trust: Kay as vice pres-



Kay Berry



Diana Blines



Patrick Manning



Brooke Rice

ident and credit risk officer, Diana as senior wealth management services assistant, Patrick as credit analyst and Brooke as private banking assistant. ■

Chairman's Corner

Three Indicators Show Local Economy Recovering



*Charlie Cook,
Chairman*

Maybe it's my age, maybe it's my profession as a life-long banker, maybe people are just looking anywhere for hope – at any rate, I frequently am asked what I think about the economy and where I think it is headed. I am not an economist, but I do read and try to understand the economic news as published in various publications. Additionally, I am an optimist.

And I think there is some encouraging news, particularly for those of us who live and work here in the Middle Tennessee marketplace. While the economic indicators do not reflect a return to pre-recession levels in most categories, there is certainly evidence that our local economy is on the move to recovery.

Let's take sales tax collections. In May, The Business and Economic Research Center (BERC) at MTSU reported: "Tennessee state sales tax collections have grown rapidly in the past few months. In fact, for some areas current collections exceed the pre-recession peak." This data implies that consumers are beginning to spend more, and consumer spending is a major factor in supporting a growing economy.

Employment is also on the rise. A recent report from the Bureau of Labor Statistics shows two Middle Tennessee counties are among the fastest job producers in the country. Williamson and Rutherford Counties have seen year over year employment growth of 4 percent or more, while Davidson County has enjoyed 2.3 percent growth. This compares to the U.S. average growth rate of 1.4 percent. Tennessee's unemployment rate has dropped from 9.5 percent in the first quarter of 2011 to 8 percent in the first quarter of 2012.

Housing is also showing some improvement, though the results are mixed based on first quarter numbers. Nashville home sales are up 22 percent year over year through the first quarter. Statewide, building permits for single-family homes dropped in the first quarter as compared to the last quarter of 2011, but remained higher than the first quarter of the previous year. On the other hand, building permits for multi-family units continue to show some growth offsetting the softness in single-family activity.

Granted, our recovery is slower than we would hope for, but I see definite signs of recovery that should make us all thankful we live in Middle Tennessee. I certainly am!

The positive sign that hits closest to home has been the continued growth and prosperity of our company. As is described in detail in the mid-year earnings release included in this newsletter, NBT has continued to enjoy steady growth in our banking and wealth management businesses, with loans, deposits, net interest income and non-interest income all up nicely from prior year levels. If you are already a client of NBT, I thank you for your support. If you are thinking about coming to NBT, I implore you to come on soon! We need your help to continue to grow.

Charlie Cook

DEBIT CARDS VS. CREDIT CARDS

By Julie Marr, Senior Vice President and Controller

There are times when paying with your debit card may be more appropriate than your credit card and visa versa. In the article “10 Places NOT to Use Your Debit Card” by Dana Dratch on CreditCards.com, she discusses a few instances where paying with plastic can cause confusion and inconvenience – namely when paying for future travel or hotel stays.



Julie Marr

When paying for airfare, you may want to think twice about using your debit card. The purchase is processed immediately and your checking account is debited right away even though the travel is sometime in the future. Some customers have even experienced an airline ticket purchase posting twice to their checking account for as long as 14 days. This happens because the airline generates a debit item on the card at the time of reservation and then debits the card again for the actual transaction. In effect, this one purchase will appear as two different transactions posting to your account. It will remain that way until the initial debit for your reservation reconciles with the final truncation, which generally takes up to 14 days.

Moreover, did you know that when checking into a hotel your card (debit or credit) is charged more than the estimated amount of your stay? Hotels place holds on your card larger than the estimated amount of the stay to cover customers who may run up large mini bar expenses, long distance phone bills or even vandalize the room. So if you check into a hotel in Atlanta, Georgia for a seven-day stay and your room rate is \$125, your estimated payment is \$875.00 for the week. The hotel may charge your debit card \$1,750, double the actual amount due, and refund you only after a final room inspection

following check out. Rental car agencies often charge your account in the same manner.

One other card issue to be aware of during your travels, is a transaction hold based on “suspicious activity.” Both credit and debit cards have issuing banks that track each cardholder’s spending to develop “normal” spending habits of the cardholder. If the card is used to purchase items outside the “normal” behavior, or is used in a geographical area other than the “normal” developed area, the transaction may be flagged as suspicious. In this situation, the cardholder must call to verify the transaction is legitimate. If the card company cannot contact the cardholder, the card will be deactivated until the cardholder is reached. Just last month, a Nashville Bank & Trust customer traveled to Florida for a week vacation. The customer used her debit card to purchase gas in Georgia on the way to Daytona Beach. While in Daytona, she made a few small purchases at a mall and bought



a meal or two, but then, when she attempted to use her debit card to pay for gas, her card was denied. Her Nashville Bank and Trust contact explained that the card was flagged for suspicious activity because it was rarely activated outside the Nashville area. The hold was initiated to avoid a potential fraudulent activity. The debit card company contacted the customer, the transaction was verified and the card was reactivated.

We understand that it can be terribly frustrating and embarrassing when traveling not to have access to funds in your checking account due to card complications. The way to avoid issues with your debit card is to let your Nashville Bank & Trust Personal Banker know when and where you will be traveling. The Nashville Bank & Trust Company staff will make note of your plans which will reduce the chance of your transactions being placed on hold due to being outside the “normal” geographic location. ■

WE WANT TO HEAR FROM YOU!

We encourage you to send letters to the editor to tomstumb@nashvillebankandtrust.com.

IT IS TIME

By Derrick Jones, J.D., CFP®, CTFA, Managing Director, Wealth Management Services

In my first drafts of this article, I attempted to delineate all the new taxes coming our way on January 1, 2013 as a result of sun setting provisions in our tax laws and new taxes mandated by the Affordable Care Act. Due to space limitations or perhaps just a low tolerance for misery, I decided to simply say your taxes are going up in a big way, in several ways.

To summarize:

- Taxes on earned income are going up.
- Taxes on unearned income are going up.
- Transfer taxes (estate & gift) are going up.
- And your allowable deductions are going down.

Of all the new and higher taxes, the one that shouts a call to action the loudest is the rise in the estate tax. For a few more months, each individual can give away a little over \$5 million of assets free from federal transfer taxes. At midnight on December 31, this exemption drops to just \$1 million and the tax rate increases from 35 percent to about 45 percent. For Tennessee residents, this fleeting opportunity is even

more attractive since our state gift tax was recently repealed.

Certainly, there are several other important considerations other than just taxes to take into account when deciding to relinquish this level of wealth, but now is the time to have those conversations. Now is the time to talk about how to structure those transfers or re-title those assets. Yes, perhaps there is a thing or two you can do to prepare for the new Medicare taxes on earned and unearned income, and perhaps an adjustment is appropriate in light of higher capital gains taxes and the enormous hike in the tax on dividend income, but none of these are nearly as urgent as discussing the changes in the estate tax.

Because every family's situation is different, and the sands of 2012 are quickly slipping through the hourglass, it is time to make this a priority. In light of the various macro-issues in play, simply hoping that Washington makes some favorable changes by year-end doesn't appear to be the best plan. NBT's wealth advisors are available to meet with you and/or your attorney/CPA to discuss appropriate options. ■

The logo for Nashville Bank & Trust is a red square with the words "NASHVILLE BANK & TRUST" in white, serif, all-caps font. The ampersand is stylized and larger than the other characters.

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