

National Bank Holdings Corp
Form S-1/A
August 22, 2012
Table of Contents

As filed with the Securities and Exchange Commission on August 21, 2012

Registration No. 333-177971

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 3
To
FORM S-1
REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

National Bank Holdings Corporation

(Exact Name of Registrant as Specified in Its Charter)

Edgar Filing: National Bank Holdings Corp - Form S-1/A

Delaware
(State or other jurisdiction of
incorporation or organization)

6021
(Primary Standard Industrial
Classification Code Number)

27-0563799
(I.R.S. Employer
Identification Number)

5570 DTC Parkway

Greenwood Village, Colorado 80111

(720) 529-3336

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

G. Timothy Laney

President and Chief Executive Officer

National Bank Holdings Corporation

5570 DTC Parkway

Greenwood Village, Colorado 80111

(720) 529-3336

(Address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

Mark W. Yonkman, Esq.

David E. Shapiro, Esq.

Edward F. Petrosky, Esq.

General Counsel

Wachtell, Lipton, Rosen & Katz

James O. Connor, Esq.

National Bank Holdings Corporation

51 West 52nd Street

Sidley Austin LLP

5570 DTC Parkway

New York, New York 10019

787 Seventh Avenue

Greenwood Village, Colorado 80111

Telephone: (212) 403-1000

New York, New York 10019

Telephone: (720) 529-3336

Facsimile: (212) 403-2000

Telephone: (212) 839-5300

Facsimile: (617) 303-1809

Facsimile: (212) 839-5599

Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement becomes effective.

Edgar Filing: National Bank Holdings Corp - Form S-1/A

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933 check the following box: "

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

<i>Large accelerated filer</i>	<input type="checkbox"/>		<i>Accelerated Filer</i>	<input type="checkbox"/>
<i>Non-accelerated filer</i>	<input checked="" type="checkbox"/>	<i>(Do not check if a smaller reporting company)</i>	<i>Smaller reporting company</i>	<input type="checkbox"/>

The Registrant hereby amends this Registration Statement on such date as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, or until this Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

Table of Contents

The information in this preliminary prospectus is not complete and may be changed. Neither we nor the selling stockholders may sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell nor does it seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to Completion. Dated August 21, 2012

PROSPECTUS

Shares

National Bank Holdings Corporation

Class A Common Stock

This prospectus relates to the initial public offering of our Class A common stock. We are offering _____ shares of our Class A common stock. The selling stockholders identified in this prospectus are offering an additional _____ shares of Class A common stock in this offering. We will not receive any of the proceeds from the sale of shares by the selling stockholders. We will bear all expenses of registration incurred in connection with this offering, including those of the selling stockholders.

Prior to this offering, there has been no established public market for our Class A common stock. It is currently estimated that the public offering price per share of our Class A common stock will be between \$ _____ and \$ _____ per share. We have applied to list our Class A common stock on the New York Stock Exchange under the symbol NBHC.

We are an emerging growth company as defined in the Jumpstart Our Business Startups Act of 2012.

See Risk Factors beginning on page 16 to read about factors you should consider before making an investment decision to purchase our Class A common stock.

The shares of our Class A common stock that you purchase in this offering will not be savings accounts, deposits or other obligations of any of our bank or non-bank subsidiaries and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other governmental agency.

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

	Per Share	Total
Initial public offering price	\$	\$
Underwriting discounts	\$	\$
Proceeds, before expenses, to us	\$	\$
Proceeds, before expenses, to the selling stockholders	\$	\$

We have granted the underwriters the option to purchase up to an additional _____ shares of our Class A common stock from us at the initial public offering price less the underwriting discounts.

The underwriters expect to deliver the shares of our Class A common stock against payment in New York, New York on _____ .

Goldman, Sachs & Co.

Keefe, Bruyette & Woods

J.P. Morgan

FBR

Table of Contents

TABLE OF CONTENTS

	Page
<u>Prospectus Summary</u>	1
<u>Risk Factors</u>	16
<u>Cautionary Note Regarding Forward-Looking Statements</u>	41
<u>Use of Proceeds</u>	43
<u>Dividend Policy</u>	44
<u>Capitalization</u>	45
<u>Dilution</u>	47
<u>Selected Historical Consolidated Financial Information</u>	49
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	53
<u>Business</u>	131
<u>Supervision and Regulation</u>	145
<u>Management</u>	158
<u>Compensation Discussion and Analysis</u>	164
<u>Certain Relationships and Related Party Transactions</u>	187
<u>Security Ownership of Certain Beneficial Owners, Management and Selling Stockholders</u>	189
<u>Description of Capital Stock</u>	192
<u>Shares Eligible for Future Sale</u>	197
<u>Material U.S. Federal Tax Considerations</u>	199
<u>Underwriting</u>	202
<u>Legal Matters</u>	207
<u>Experts</u>	207
<u>Where You Can Find More Information</u>	208
<u>Index to Financial Statements</u>	F-1

Table of Contents

About this Prospectus

We, the selling stockholders and the underwriters have not authorized anyone to provide any information other than that contained in this prospectus or in any free writing prospectus prepared by or on behalf of us or to which we have referred you. We, the selling stockholders and the underwriters take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. We are not, and the selling stockholders and underwriters are not, making an offer of these securities in any jurisdiction where the offer is not permitted. You should not assume that the information contained in this prospectus is accurate as of any date other than the date on the front of this prospectus.

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

Unless otherwise expressly stated or the context otherwise requires, all information in this prospectus assumes that the underwriters have not exercised their option to purchase additional shares of Class A common stock.

Market Data

Market data used in this prospectus has been obtained from independent industry sources and publications as well as from research reports prepared for other purposes. Industry publications and surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable. We have not independently verified the data obtained from these sources. Forward-looking information obtained from these sources is subject to the same qualifications and the additional uncertainties regarding the other forward-looking statements in this prospectus.

Table of Contents

PROSPECTUS SUMMARY

This summary highlights selected information contained elsewhere in this prospectus. This summary does not contain all of the information that you should consider before making an investment decision to purchase Class A common stock in this offering. You should read the entire prospectus carefully, including the section entitled Risk Factors, our consolidated financial statements, as well as the statements of assets acquired and liabilities assumed for each of our acquisitions, and the related notes thereto and management's discussion and analysis of financial condition and results of operations included elsewhere in this prospectus, before making an investment decision to purchase our Class A common stock. Unless we state otherwise or the context otherwise requires, references in this prospectus to we, our, us, NBH, NBH Holdings Corp. and the Company refer to National Bank Holdings Corporation, a Delaware corporation, and its consolidated subsidiaries.

Company Overview

National Bank Holdings Corporation is a bank holding company incorporated in the State of Delaware in June 2009. In October 2009, we raised net proceeds of approximately \$974 million through a private offering of our common stock. We are executing a strategy to create long-term stockholder value through the acquisition and operation of community banking franchises and other complementary businesses in our targeted markets. We believe these markets exhibit attractive demographic attributes, are home to a substantial number of financial institutions, including troubled financial institutions, and present favorable competitive dynamics, thereby offering long-term opportunities for growth. Our emphasis is on creating meaningful market share with strong revenues complemented by operational efficiencies that we believe will produce attractive risk-adjusted returns.

We believe we have a disciplined approach to acquisitions, both in terms of the selection of targets and the structuring of transactions, which has been exhibited by our four acquisitions to date. As of June 30, 2012, we had approximately \$5.8 billion in assets, \$4.5 billion in deposits and \$1.1 billion in stockholders' equity. We currently operate a network of 101 full-service banking centers, with the majority of those banking centers located in the greater Kansas City region and Colorado. We believe that our established presence positions us well for growth opportunities in our current and complementary markets.

We have a management team consisting of experienced banking executives led by President and Chief Executive Officer G. Timothy Laney. Mr. Laney brings 30 years of banking experience, 24 of which were at Bank of America in a wide range of executive management roles, including serving on Bank of America's Management Operating Committee. In late 2007, Mr. Laney joined Regions Financial as Senior Executive Vice President and Head of Business Services. Mr. Laney leads our team of executives that have significant experience in completing and integrating mergers and acquisitions and operating banks. Additionally, our board of directors, led by Chairman Frank Cahouet, the former Chairman, President and Chief Executive Officer of Mellon Financial, is highly accomplished in the banking industry and includes individuals with broad experience operating and working with banking institutions, regulators and governance considerations.

Our Business Strategy

Our strategic plan is to become a leading regional bank holding company through selective acquisitions of financial institutions, including troubled financial institutions that have stable core franchises and significant local market share as well as other complementary businesses, while structuring the transactions to limit risk. We plan to achieve this through the acquisition of banking franchises from the Federal Deposit Insurance Corporation (the FDIC) and through conservatively structured unassisted transactions. We seek acquisitions that offer opportunities for clear financial benefits through add-on transactions, long-term organic growth opportunities and expense reductions. Additionally, our acquisition strategy is to identify markets that are relatively unconsolidated, establish a meaningful presence within those markets, and take advantage of operational efficiencies and enhanced market position. Our focus is on building strong banking relationships

Table of Contents

with small- and mid-sized businesses and consumers, while maintaining a low risk profile designed to generate reliable income streams and attractive risk-adjusted returns. The key components of our strategic plan are:

Disciplined acquisitions. We seek to carefully select banking acquisition opportunities that we believe have stable core franchises and significant local market share, while structuring the transactions to limit risk. Further, we seek acquisitions in attractive markets that offer substantial benefits through reliable income streams, potential add-on transactions, long-term organic growth opportunities and expense reductions. We believe we utilize a comprehensive, conservative due diligence process that is strongly focused on loan credit quality.

Attractive markets. We seek to acquire banking franchises in markets that exhibit attractive demographic attributes. Our focus is on comparatively healthy business markets that are home to a substantial number of financial institutions, including troubled financial institutions for which we believe there are a limited number of potential acquirors. Additionally, we seek banking markets that present favorable competitive dynamics and a lack of consolidation in order to position us for long-term growth. We believe that our two current markets the greater Kansas City region and Colorado meet these objectives. We intend to continue to make banking acquisitions in these markets and in complementary markets to expand our existing franchise.

Focus on client-centered, relationship-driven banking strategy. We continue to add consumer and commercial bankers to execute on a client-centered, relationship-driven banking model. Our consumer bankers focus on knowing their clients in order to best meet their financial needs, offering a full complement of loan, deposit and online banking solutions. Our commercial bankers focus on small- and mid-sized businesses with an advisory approach that emphasizes understanding the client's business and offering a complete array of loan, deposit and treasury management products and services.

Expansion through organic growth and enhanced product offerings. We believe that our focus on attractive markets will provide long-term opportunities for organic growth, particularly in an improving economic environment. We also believe that our focus on serving consumers and small- to mid-sized businesses, coupled with our enhanced product offerings, will provide an expanded revenue base and new sources of fee income.

Operating platform and efficiencies. We have consolidated our acquired banks under one charter and we intend to continue to utilize our comprehensive underwriting and risk management processes while maintaining local branding and leadership. We have integrated all of our acquired banks onto one state-of-the-art operating platform that we believe will provide scalable technology to support and integrate future growth and realize operating efficiencies throughout our enterprise.

We believe our strategy growth through selective acquisitions in attractive markets and growth through the retention, expansion and development of client-centered relationships provides flexibility regardless of economic conditions. We also believe that our established platform for assessing, executing and integrating acquisitions (including FDIC-assisted transactions) creates opportunities in a prolonged economic downturn while the combination of attractive market factors, franchise scale in our targeted markets and our relationship-centered banking focus creates opportunities in an improving economic environment.

Our Markets

Market Criteria

We focus on markets that we believe are characterized by some or all of the following:

Attractive demographics with household income and population growth above the national average

Concentration of business activity

Table of Contents

High-quality deposit bases

Advantageous competitive landscape that provides opportunity to achieve meaningful market presence

A substantial number of financial institutions, including troubled financial institutions as potential acquisition targets

Lack of consolidation in the banking sector and corresponding opportunities for add-on transactions

Markets sizeable enough to support our long-term growth objectives

Current Markets

Our current markets are broadly defined as the greater Kansas City region and Colorado. Our specific emphasis is on the I-35 corridor surrounding the Kansas City metropolitan statistical area (MSA) and the Colorado Front Range corridor, defined as the Denver, Boulder, Colorado Springs, Fort Collins and Greeley MSAs. The table below describes certain key statistics regarding our presence in these markets as of June 30, 2011 (the last date as of which data are available), adjusted to reflect our acquisitions of Bank of Choice and Community Banks of Colorado.

States	Deposit Market Share Rank (1)	Banking Centers (1)	Deposits (millions) (1)	Deposit Market Share (1)
Missouri	9	41	\$ 2,246.6	1.7%
Colorado	6	56	2,077.1	2.2
Kansas	12	24	909.2	1.5

MSAs	Deposit Market Share Rank (1)	Banking Centers (1)	Deposits (millions) (1)	Deposit Market Share (1)
Kansas City, MO-KS	6	50	\$ 2,269.8	5.2%
Denver-Aurora-Broomfield, CO	12	21	887.0	1.5
Greeley, CO	2	5	301.7	10.3
Saint Joseph, MO-KS	3	4	268.3	12.9
Maryville, MO	2	3	162.5	31.7
Kirksville, MO	2	2	157.1	25.3
Fort Collins-Loveland, CO	13	4	104.3	2.2

(1) Excludes our Texas and California operations and MSAs in which we have less than \$100 million in deposits.

Source: SNL Financial as of June 30, 2011, except Banking Centers, which reflects the most recently available data.

We believe that these markets have highly attractive demographic, economic and competitive dynamics that are consistent with our objectives and favorable to executing our acquisition and organic growth strategy. The table below describes certain key demographic statistics regarding these markets.

Markets	Deposits (billions)	# of Businesses (thousands)	Population (millions)	Population Density (#/sq. mile)	Population Growth (1)	Median Household Income	Top 3 Competitor Combined
---------	---------------------	-----------------------------	-----------------------	---------------------------------	-----------------------	-------------------------	---------------------------

Edgar Filing: National Bank Holdings Corp - Form S-1/A

							Deposit Market Share
Kansas City, MO-KS MSA	\$ 43.6	72.8	2.1	258.0	11.7%	\$ 54,393	33%
CO Front Range (2)	78.2	154.9	4.1	274.0	19.9	57,764	47
U.S.				88.0	10.4	50,227	53 ⁽³⁾

(1) Population growths are for the period 2000 through 2011.

Table of Contents

- (2) CO Front Range is a population weighted average of the following Colorado MSAs: Denver, Boulder, Colorado Springs, Fort Collins and Greeley.
- (3) Based on U.S. Top 20 MSAs (determined by population).

Source: SNL Financial as of December 31, 2011, except Deposits and Top 3 Competitor Combined Deposit Market Shares, which reflects data as of June 30, 2011.

Prospective Markets

We believe there is significant opportunity to both enhance our presence in our current markets and enter new complementary markets that meet our objectives. As we evaluate potential acquisition opportunities, we believe there are many financial institutions that continue to face credit challenges, capital constraints and liquidity issues. As of June 30, 2012, according to SNL Financial 49 banks in our current markets and in surrounding states had Texas Ratios either (1) in excess of 100% or (2) less than 0%. Texas Ratio is a key measure of a bank's financial health and is defined as the sum of nonaccrual loans, troubled debt restructurings (TDR s), other real estate owned (OREO) and loans 90 days or more past due and still accruing divided by the sum of the bank's tangible common equity and loan loss reserves. If a bank's Texas Ratio is negative, it indicates that the bank has negative tangible common equity and is therefore generally considered insolvent and also a potential acquisition target. Additionally, as of June 30, 2012, according to SNL Financial there were 79 other banks with assets between \$750 million and \$10 billion and Texas Ratios (1) less than 100% and (2) greater than 0%, which present potential acquisition opportunities that we believe would complement our product offerings while simultaneously taking advantage of operating efficiencies and scale and our local branding and leadership. We believe those dynamics will provide ongoing opportunities for us to continue to execute our acquisition strategy over the next several years. We also believe there are a number of healthy banks in these markets that would complement our breadth of products and services and benefit from our operating effectiveness and scale while welcoming our approach to local branding and leadership.

The table below highlights banks with a Texas Ratio either (1) in excess of 100% or (2) less than 0% and banks with a Texas Ratio less than 100% and assets between \$750 million and \$10 billion:

	Banks with Texas Ratios > 100% or <0%			Other Banks With Assets Between \$750mm and \$10bn		
	# of Banks	Total Assets (\$ millions)	Total Deposits (\$ millions)	# of Banks	Total Assets (\$ millions)	Total Deposits (\$ millions)
By Urban Corridor						
Kansas City MSA	8	\$ 4,442	\$ 3,319	4	\$ 4,729	\$ 3,477
Colorado Front Range	8	1,968	1,822	5	8,671	6,902
Urban Corridor Total	16	\$ 6,410	\$ 5,141	9	\$ 13,400	\$ 10,379
By State						
Missouri	19	\$ 13,216	\$ 11,284	20	\$ 27,089	\$ 21,275
Kansas	4	2,145	1,566	10	25,215	17,186
Colorado	13	3,800	3,447	6	10,953	8,820
State Total	36	\$ 19,162	\$ 16,297	36	\$ 63,257	\$ 47,281
Surrounding States (Iowa, Montana, Nebraska, Wyoming, South and North Dakota)						
Surrounding States Total	13	\$ 5,612	\$ 4,726	43	\$ 86,280	\$ 65,605
State & Surrounding States Total	49	\$ 24,774	\$ 21,023	79	\$ 149,537	\$ 112,886

Source: SNL Financial. Most recently available data through August 16, 2012 for the period ended March 30, 2012 or June 30, 2012.

Table of Contents**Our Acquisitions**

Since October 2010, we have completed four acquisitions. We established our presence in the greater Kansas City region through two complementary acquisitions completed in the fourth quarter of 2010. On October 22, 2010, we acquired selected assets and assumed selected liabilities of Hillcrest Bank of Overland Park, Kansas from the FDIC. Through this transaction, we acquired nine full-service banking centers and 32 retirement center locations, which are predominantly located in the greater Kansas City region but also include one full-service banking center and six retirement centers in Colorado and two full-service banking centers and six retirement centers in Texas. On December 10, 2010, we completed our acquisition, without FDIC assistance, of a portion of the franchise of Bank Midwest, N.A., which consisted of select performing loans and client deposits, and included 39 full-service banking centers. As a result of these acquisitions, at June 30, 2011 (the last date as of which data are available), we were the sixth largest depository institution in the Kansas City MSA ranked by deposits with a 5.2% deposit market share according to SNL Financial.

We expanded in the Colorado market through two complementary acquisitions beginning with the purchase of selected assets and assumption of selected liabilities of Bank of Choice, a state chartered commercial bank based in Greeley, Colorado, from the FDIC on July 22, 2011, which included 16 full-service banking centers. On October 21, 2011, we acquired selected assets and assumed selected liabilities of Community Banks of Colorado, a state chartered bank based in Greenwood Village, Colorado, from the FDIC, which included 36 full-service banking centers in Colorado and four in California. The Community Banks of Colorado acquisition enhanced our penetration into the Colorado market, giving us a combined network of 52 full-service banking centers in that state ranking us as the sixth largest depository institution by deposits with a 2.2% deposit market share as of June 30, 2011 (the last date as of which data are available) according to SNL Financial.

We believe we have a disciplined approach to acquisitions, which has been exhibited in our four acquisitions to date. We believe that we have established critical mass in our current markets and have structured acquisitions that limit our credit risk, which have positioned us for attractive risk-adjusted returns. Selected highlights of our acquisitions as of the respective acquisition dates appear in the following table (dollars in thousands):

Acquisition	Date of Acquisition	Fair Value		Full-Service Banking Centers Acquired	After-tax Bargain Purchase Gain(1)	After-tax Accretible Yield(1)	Goodwill and Core Deposit Intangible
		Assets Acquired	Deposits Assumed				
Greater Kansas City Region:							
Hillcrest Bank (FDIC-assisted)	10/22/2010	\$ 1,376,745	\$ 1,234,013	9	\$ 22,840	\$ 68,523	\$ 5,760
Bank Midwest	12/10/2010	2,426,406	2,385,897	39		13,747	74,092
Subtotal		\$ 3,803,151	\$ 3,619,910	48	\$ 22,840	\$ 82,270	\$ 79,852
Colorado Market:							
Bank of Choice (FDIC-assisted)	7/22/2011	\$ 949,503	\$ 760,227	16	\$ 36,589	\$ 23,710	\$ 5,190
Community Banks of Colorado (FDIC-assisted)	10/21/2011	1,228,284	1,194,987	40		74,749	11,998
Subtotal		\$ 2,177,787	\$ 1,955,214	56	\$ 36,589	\$ 98,459	\$ 17,188
Total		\$ 5,980,938	\$ 5,575,124	104	\$ 59,429	\$ 180,729	\$ 97,040

(1) Tax adjustments are calculated at a rate equal to the effective tax rate for the Company in 2011.

Table of Contents**Our Competitive Strengths**

Leading risk-adjusted operating and expense performance Since the fourth quarter of 2010, the beginning of our operating history, we have been able to achieve profitability. For the six months ended June 30, 2012, we had a leading risk-adjusted operating and expense performance for a bank of our size, as measured by our top quartile rank among U.S. bank holding companies with \$3 billion to \$10 billion of total assets in terms the following metrics.

	Pre-Tax Pre-Provision Net Revenue (1)/ Risk Weighted Assets	Non-Interest Expense/ Average Assets
For the six months ended June 30, 2012		
NBH (Actual)	2.75%	3.27%
NBH (Adjusted) (2)	3.20%	3.10%
Median of U.S. bank holding companies with \$3.0 to \$10.0 billion in Total Assets	2.21%	2.98%
1st Quartile Cut-Off	2.68%	2.55%

- (1) Pre-tax pre-provision net revenue is defined as net income without giving effect to loan loss provision and income tax expense. Pre-tax pre-provision net revenue to risk-weighted assets is a financial measure not reported in accordance with the accounting principles generally accepted in the United States (GAAP) (a non-GAAP financial measure), which we use as supplemental measure to evaluate our performance. We believe that the most comparable GAAP financial measure to the ratio of pre-tax pre-provision net revenue to risk weighted assets is the ratio of net income to risk weighted assets, which was 0.44% for the six months ended June 30, 2012. For a reconciliation of all non-GAAP financial measures, see Management s Discussion and Analysis of Financial Condition and Results of Operations About Non-GAAP Financial Measures.
- (2) Adjusted pre-tax pre-provision net revenue to risk-weighted average and adjusted non-interest expense to average assets are non-GAAP financial measures that exclude stock-based compensation expense, loss (gain) on sale of securities, bargain purchase gains, and related acquisition expenses. We believe that it is appropriate to adjust for these items because these expenses do not fluctuate in the same manner, or for the same reasons, as do our other operating expenses or the comparable expenses of our peers, and we believe that the adjusted measures are more representative of management s plans for the future operations and compensatory policies. In connection with the formation of the Company, all members of our board of directors and executive management and other select members of management were granted equity awards, and we do not expect grants of such large quantities to be granted at any single time in the near future. As a result, once the vesting requirements of these awards have been satisfied, we expect that the related compensation expense will decrease substantially. Information with respect to bank holding companies included in the median and first quartile comparative data has not been adjusted to exclude any stock-based compensation expense, loss (gain) on sale of securities, bargain purchase gains and related acquisition expenses. For a reconciliation of these non-GAAP financial measures, see note 6 to the Selected Historical Consolidated Financial Information.

Source: SNL Financial

We believe our ability to operate efficiently is enhanced by our centralized management structure, our access to attractive labor and real estate costs in our markets, and an infrastructure that is unencumbered by legacy systems. Furthermore, we anticipate additional expense synergies from the integration of our recent acquisitions, which we believe will enhance our financial performance.

Disciplined focus on building meaningful scale in attractive markets. We believe our current and prospective markets present substantial acquisition and long-term organic growth opportunities, based on the number of financial institutions, including troubled financial institutions, retrenching competitors and attractive demographic characteristics. We are actively executing on our strategy to build further scale in our markets and, as of June 30, 2011 (the last date as of which data are available),

Table of Contents

according to SNL Financial, after giving effect to the Bank of Choice and Community Banks of Colorado acquisitions (as of their acquisition dates):

over 77% of our deposits were concentrated in the Kansas City MSA and Colorado;

we were ranked as the sixth largest depository institution in the Kansas City MSA with a 5.2% deposit market share; and

we were ranked as the sixth largest depository institution in Colorado with a 2.2% deposit market share.

Attractive risk profile. Nearly our entire loan portfolio has been subjected to acquisition accounting adjustments and, in some cases, is also subject to loss sharing arrangements with the FDIC:

as of June 30, 2012, approximately 86.2% of our loans (by dollar amount) were acquired loans and all of those loans were adjusted to their estimated fair values at the time of acquisition;

as of June 30, 2012, 38.7% of our loans and 56.3% of our OREO (each by dollar amount) were covered by a loss sharing arrangement with the FDIC; and

for our Bank Midwest acquisition, we selected the acquired assets based on comprehensive due diligence and purchased only select performing loans at that time and client deposits.

We believe we have developed a disciplined and comprehensive credit due diligence process that takes into consideration the potential for a prolonged economic downturn and continued pressure on real estate values. In addition, we have been able to quickly implement conservative credit and operating policies in acquired franchises, allowing for the application of consistent, enterprise-wide risk management procedures, which we believe will help drive continued improvements in asset quality.

Expertise in FDIC-assisted and unassisted bank transactions. We believe our discipline and selectivity in identifying target franchises, along with our successful history of working with the FDIC and directly with troubled financial institutions, provide us a substantial advantage in pursuing and consummating future acquisitions. Additionally, we believe our strengths in structuring transactions to limit our risk, our experience in the financial reporting and regulatory process related to troubled bank acquisitions, and our ongoing risk management expertise, particularly in problem loan workouts, collectively enable us to capitalize on the potential of the franchises we acquire.

Experienced and respected management team and board of directors. Our management team is led by Mr. Laney, a 30-year veteran of the banking industry with significant experience in running complex franchises at both Bank of America and Regions Financial. Mr. Laney leads a respected executive team of bankers with extensive experience at nationally recognized financial institutions who have, on average, 32 years of banking experience and have, collectively, completed 56 acquisitions worth over \$139.0 billion in assets. Many of our management team members have extensive experience working together, including at Bank of America or Citizens Financial Group. In addition, our board of directors, led by Chairman Frank Cahouet, is highly accomplished and well versed in the banking industry and provides substantial expertise and experience and valuable perspective to our growth and operating strategies.

New operating platform implemented and positioned for growth. We have invested in our infrastructure and technology through the implementation of an efficient, industry-leading, scalable platform that supports our risk management activities and our potential for

Edgar Filing: National Bank Holdings Corp - Form S-1/A

significant future growth and new product offerings. We have centralized many of our operational functions in Kansas City, which has desirable cost and labor market characteristics. We have built enterprise-wide finance and risk management capabilities that we expect will afford efficiencies as we grow. As we continue to pursue acquisitions, we will seek to integrate new banks quickly and seamlessly convert them to our platform, with a focus on exceeding expectations of our clients and employees while keeping our operating costs low.

Table of Contents

Available capital to support growth. As of June 30, 2012, adjusted to reflect the net proceeds that we expect to receive from this offering (based on the midpoint of the offering price range set forth on the cover page of this prospectus), we had approximately \$ million and \$ million of excess capital available on a consolidated basis, assuming a 10% and 8% Tier 1 leverage ratio, respectively, to continue to implement our acquisition strategy and to support growth in our existing banking franchises. As of June 30, 2012, our capital ratios exceeded both regulatory guidelines and the level at which we would expect to operate long-term following the deployment of our excess capital.

The Restructuring

In connection with the Hillcrest Bank and Bank Midwest acquisitions, we established two newly chartered banks, Hillcrest Bank, N.A. and Bank Midwest, N.A. Subsequently, Bank Midwest, N.A. acquired Bank of Choice and Community Banks of Colorado. In November 2011, we merged Hillcrest Bank, N.A. into Bank Midwest, N.A., consolidating our banking operations under a single charter. We changed the legal name of Bank Midwest, N.A. to NBH Bank, N.A., which we refer to as NBH Bank or the Bank, on May 20, 2012. Through our subsidiary NBH Bank, we operate under the following brand names: Bank Midwest in Kansas and Missouri, Community Banks of Colorado in Colorado and California and Hillcrest Bank in Texas. We believe that conducting our banking operations under a single charter streamlines our operations and enables us to more effectively and efficiently execute our growth strategy. On March 26, 2012, we changed our legal name from NBH Holdings Corp. to National Bank Holdings Corporation.

Additional Information

Our principal executive offices are located at 5570 DTC Parkway, Greenwood Village, Colorado 80111. Our telephone number is (720) 529-3336. Our internet address is www.nationalbankholdings.com. Information on, or accessible through, our web site is not part of this prospectus.

Table of Contents

The Offering

Class A common stock offered by us	shares of Class A common stock.
Class A common stock offered by the selling stockholders	shares of Class A common stock.
Option to purchase additional shares of Class A common stock from us	shares of Class A common stock.
Common stock to be outstanding after this offering	shares of Class A common stock and shares of Class B common stock. (1)
Use of proceeds	Assuming an initial public offering price of \$ per share, which is the midpoint of the offering price range set forth on the cover page of this prospectus, we estimate that the net proceeds to us from the sale of our Class A common stock in this offering will be \$ (or \$ if the underwriters exercise in full their option to purchase additional shares of Class A common stock from us), after deducting estimated underwriting discounts and offering expenses. We intend to use our net proceeds from this offering for general corporate purposes. We will not receive any proceeds from the sale of shares of our Class A common stock by the selling stockholders in this offering. For additional information, see Use of Proceeds.
Regulatory ownership restrictions	We are a bank holding company. A holder of shares of common stock (or group of holders acting in concert) that (i) directly or indirectly owns, controls or has the power to vote more than 5% of the total voting power of the Company, (ii) directly or indirectly owns, controls or has the power to vote 10% or more of any class of voting securities of the Company, (iii) directly or indirectly owns, controls or has the power to vote 25% or more of the total equity of the Company, or (iv) is otherwise deemed to control the Company under applicable regulatory standards, may be subject to important restrictions, such as prior regulatory notice or approval requirements and applicable provisions of the FDIC Statement of Policy on Qualifications for Failed Bank Acquisitions, or the FDIC Policy Statement. For a further discussion of regulatory ownership restrictions, see Supervision and Regulation.
Oversight by the Office of the Comptroller of the Currency and Federal Deposit Insurance Corporation	Our bank subsidiary, NBH Bank, N.A., is a national bank chartered under federal law and is subject to supervision and examination by the Office of the Comptroller of the Currency (the OCC). The Bank is subject to specific requirements pursuant to an operating agreement it entered into with the OCC (the OCC Operating Agreement) in connection with its acquisition. Until the termination of the OCC Operating Agreement, the OCC Operating Agreement requires, among other things, that the Bank maintain various financial and capital ratios, restrict dividend payments, provide notice to, and obtain consent from,

Table of Contents

the OCC with respect to any additional failed bank acquisitions from the FDIC or, until December 2013, the appointment of any new director or senior executive officer of the Bank and review progress under its comprehensive business plan quarterly. The OCC Operating Agreement requires that the Bank maintain total capital at least equal to 12% of risk-weighted assets, tier 1 capital at least equal to 11% of risk-weighted assets and tier 1 capital at least equal to 10% of adjusted total assets. See Supervision and Regulation NBH Bank, N.A. as a National Bank.

The Bank's deposits are insured by the FDIC. The Bank (and, with respect to certain provisions, the Company) is subject to an Order of the FDIC (the FDIC Order) issued in connection with the FDIC's approval of our applications for deposit insurance for the Bank. The FDIC Order requires, among other things, that, until December 2013, the Bank must obtain the FDIC's approval before implementing certain compensation plans, submit updated business plans and reports of material deviations from those plans to the FDIC and comply with the applicable requirements of the FDIC Policy Statement. Additionally, the FDIC Order requires that the Bank maintain capital levels of at least a 10% tier 1 leverage ratio and a 10% tier 1 risk-based capital ratio until December 2013.

Dividend policy

From our inception to date, we have not paid cash dividends to holders of our Class A or Class B common stock. Following the completion of this offering, we intend to commence the payment of a \$0.05 per share dividend on a quarterly basis to holders of our common stock. It is also our intent to establish a dividend policy pursuant to which we will distribute 25% of our consolidated annual net income in the form of dividends to holders of our common stock.

Currently, NBH Bank, N.A., our bank subsidiary, is prohibited by its OCC Operating Agreement from paying dividends to us until December 2013 and, therefore, any dividends on our common stock would have to be paid from funds available at the holding company level.

For additional information, see Dividend Policy.

Class A common stock and Class B non-voting common stock

The Class A common stock possesses all of the voting power for all matters requiring action by holders of our common stock, with certain limited exceptions. Our certificate of incorporation provides that, except with respect to voting rights and conversion rights, the Class A common stock and Class B non-voting common stock are treated equally and identically.

Listing

We have applied to list our Class A common stock on the New York Stock Exchange under the trading symbol NBHC.

Risk factors

Investing in our Class A common stock involves risks. Please read the section entitled Risk Factors beginning on page 16 for a discussion of various matters you should consider before making an investment decision to purchase our Class A common stock.

Table of Contents

- (1) Based on 44,645,886 shares of Class A common stock and 7,545,353 shares of Class B non-voting common stock issued and outstanding as of June 30, 2012. As of June 30, 2012, there were 98 holders of our Class A common stock and six holders of our Class B non-voting common stock. Unless otherwise indicated, information contained in this prospectus regarding the number of shares of our common stock outstanding immediately after this offering does not include an aggregate of up to _____ shares of Class A common stock comprised of:

up to _____ shares of Class A common stock which may be issued by us upon exercise in full of the underwriters' option to purchase additional shares of our Class A common stock;

1,174,793 shares of restricted Class A common stock issued but not yet vested under the NBH Holdings Corp. 2009 Equity Incentive Plan;

830,750 shares of Class A common stock or Class B non-voting common stock issuable upon exercise of outstanding warrants with an exercise price of \$20.00 per share;

_____ shares of Class A common stock issuable upon exercise of outstanding value appreciation instruments issued to the FDIC at a weighted average exercise price of \$18.44 per share, assuming (1) the FDIC exercises its right to receive payment in full in shares of Class A common stock, and (2) the price at which the FDIC exercises such right is the initial public offering price of \$ _____ per share of Class A common stock, which is the midpoint of the offering price range set forth on the cover page of this prospectus;

3,473,332 shares of Class A common stock issuable upon exercise of outstanding stock options with a weighted average exercise price of \$20.00 per share, of which 1,070,418 shares were vested as of June 30, 2012; and

_____ shares of Class A common stock reserved for future issuance under the NBH Holdings Corp. 2009 Equity Incentive Plan, assuming the exercise in full of the underwriters' option to purchase additional shares of our Class A common stock (excluding the 3,473,332 shares issuable upon exercise of outstanding stock options as noted above).

Table of Contents**Summary Selected Historical Consolidated Financial Information**

The following table sets forth summary selected historical financial information as of December 31, 2009 and for the period from June 16, 2009 (inception) to December 31, 2009 and as of and for the years ended December 31, 2010 and December 31, 2011, and as of and for the six months ended June 30, 2012 and for the six months ended June 30, 2011 and the three months ended June 30, 2012 and March 31, 2012. The summary selected historical consolidated financial information set forth below as of December 31, 2009 and for the period from June 16, 2009 (inception) to December 31, 2009 and as of and for the years ended December 31, 2010 and December 31, 2011 is derived from our audited consolidated financial statements included elsewhere in this prospectus. The summary historical consolidated financial information set forth below as of and for the six months ended June 30, 2012 and June 30, 2011 and the three months ended June 30, 2012 and March 31, 2012 is derived from our unaudited consolidated financial statements included elsewhere in this prospectus.

Although we were incorporated on June 16, 2009, we did not have any substantive operations prior to the Hillcrest Bank acquisition on October 22, 2010. Our results of operations for the post-Hillcrest Bank acquisition periods are not comparable to our results of operations for the pre-Hillcrest Bank acquisition periods. Our results of operations for the post-Hillcrest Bank acquisition periods reflect, among other things, the acquisition method of accounting. In addition, we consummated the Bank Midwest acquisition on December 10, 2010, the Bank of Choice acquisition on July 22, 2011 and the Community Banks of Colorado acquisition on October 21, 2011. The Bank Midwest, Bank of Choice and Community Banks of Colorado acquisitions were significant acquisitions and were also accounted for using the acquisition method of accounting. See Management's Discussion and Analysis of Financial Condition and Results of Operations.

The summary unaudited selected historical consolidated financial information set forth below should be read together with Selected Historical Consolidated Financial Data, Management's Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements, as well as the statements of assets acquired and liabilities assumed for each of our acquisitions, and the related notes thereto included elsewhere in this prospectus. Such information is not necessarily indicative of our results in any future periods, including the year ending December 31, 2012.

Summary Selected Historical Consolidated Financial Data

	June 30, 2012	March 31, 2012	December 31, 2011	December 31, 2010	December 31, 2009 (1)
Consolidated Balance Sheet Information (\$ in thousands):					
Cash and cash equivalents	\$ 704,586	\$ 844,311	\$ 1,628,137	\$ 1,907,730	\$ 1,099,288
Investment securities available-for-sale	1,803,843	1,738,929	1,862,699	1,254,595	
Investment securities held-to-maturity	707,110	760,744	6,801		
Non-marketable equity securities	33,076	29,087	29,117	17,800	
Loans receivable (2):					
Covered under FDIC loss sharing agreements	767,683	861,636	952,715	703,573	
Not covered under FDIC loss sharing agreements	1,216,391	1,244,854	1,321,336	865,297	
Less: Allowance for loan losses	(17,294)	(12,408)	(11,527)	(48)	
Loans receivable, net	1,966,780	2,094,082	2,262,524	1,568,822	
FDIC indemnification asset	148,527	187,136	223,402	161,395	
Other real estate owned	137,712	144,619	120,636	54,078	
Premises and equipment, net	116,908	111,901	87,315	37,320	
Goodwill and other intangible assets	89,885	91,217	92,553	79,715	
Other assets	80,648	72,781	38,842	24,066	565
Total assets	5,789,075	6,074,807	6,352,026	5,105,521	1,099,853
Transaction account deposits	2,343,048	2,365,501	2,278,457	1,209,322	
Time deposits	2,186,501	2,406,648	2,784,596	2,264,017	
Other liabilities	162,785	211,269	200,244	638,423	2,357
Total liabilities	4,692,334	4,983,418	5,263,297	4,111,762	2,357

Edgar Filing: National Bank Holdings Corp - Form S-1/A

Total stockholders' equity (5)	1,096,741	1,091,389	1,088,729	993,759	1,097,496
Total liabilities and stockholders' equity	\$ 5,789,075	\$ 6,074,807	\$ 6,352,026	\$ 5,105,521	\$ 1,099,853

Table of Contents

	For the Six Months Ended June 30, 2012	For the Six Months Ended June 30, 2011	For the Three Months Ended June 30, 2012	For the Three Months Ended March 31, 2012	For the Twelve Months Ended December 31, 2011	For the Twelve Months Ended December 31, 2010	For the Period June 16, 2009 through December 31, 2009 (1)
Consolidated Income Statement Data:							
Interest income	\$ 122,735	\$ 85,653	\$ 59,845	\$ 62,890	\$ 197,159	\$ 21,422	\$ 481
Interest expense	17,564	20,934	7,932	9,632	41,696	5,512	
Net interest income	105,171	64,719	51,913	53,258	155,463	15,910	481
Provision for loan losses	20,062	12,686	12,226	7,836	20,002	88	
Net interest income after provision for loan losses	85,109	52,033	39,687	45,422	135,461	15,822	481
Bargain purchase gain					60,520	37,778	
Non-interest income	20,319	20,091	10,049	10,270	28,966	4,385	
Non-interest expense	98,274	63,146	45,301	52,973	155,538	48,981	1,847
Income (loss) before income taxes	7,154	8,978	4,435	2,719	69,409	9,004	(1,366)
Provision for income taxes	2,809	3,220	1,733	1,076	27,446	2,953	168
Net income (loss)	\$ 4,345	\$ 5,758	\$ 2,703	\$ 1,643	\$ 41,963	\$ 6,051	\$ (1,534)
Share Information (3):							
Earnings (loss) per share, basic	\$ 0.08	\$ 0.11	\$ 0.05	\$ 0.03	\$ 0.81	\$ 0.11	\$ (0.07)
Earnings (loss) per share, diluted	\$ 0.08	\$ 0.11	\$ 0.05	\$ 0.03	\$ 0.81	\$ 0.11	\$ (0.07)
Book value per share	\$ 21.01	\$ 19.75	\$ 0.10	\$ 20.91	\$ 20.87	\$ 19.13	\$ 18.82
Tangible book value per share (4)	\$ 19.29	\$ 18.25	\$ 19.29	\$ 19.16	\$ 19.10	\$ 17.60	\$ 18.82
Weighted average common shares outstanding, basic (5)	52,184,501	51,936,280	52,191,239	52,176,863	51,978,744	53,000,454	21,251,006
Weighted average common shares outstanding, diluted (5)	52,311,348	52,228,053	52,319,170	52,303,771	52,104,021	53,000,454	21,251,006
Common shares outstanding (5)	52,191,239	51,936,280	52,191,239	52,191,239	52,157,697	51,936,280	58,318,304
Other Financial Data:							
Adjusted pre-tax, pre-provision net revenue (7)	\$ 31,671	\$ 30,569	\$ 18,752	\$ 12,919	\$ 47,035	\$ 1,991	\$ (1,366)
Adjusted non-interest expense (7)	\$ 93,145	\$ 54,051	\$ 43,210	\$ 49,935	\$ 138,039	\$ 18,293	\$ 1,847

Table of Contents

	As of and for the Six Months Ending June 30, 2012	As of and for the Six Months Ended June 30, 2011	As of and for the Three Months Ending June 30, 2012	As of and for the Three Months Ending March 31, 2012	As of and for the Twelve Months Ending December 31, 2011	As of and for the Twelve Months Ending December 31, 2010	As of and for the period June 16, 2009 through December 31, 2009 (1)
Other Information							
(unaudited):							
<i>Financial ratios</i>							
Return on average assets (6)	0.14%	0.25%	0.18%	0.11%	0.81%	0.60%	-0.33%
Return on average tangible assets (4)(6)	0.24%	0.34%	0.28%	0.20%	0.91%	0.60%	NM
Adjusted return on average assets (6)(7)	0.24%	0.48%	0.27%	0.20%	0.32%	0.13%	-0.33%
Return on average equity (6)	0.80%	1.15%	0.99%	0.60%	4.01%	0.61%	-0.33%
Return on average tangible common equity (4)(6)	1.52%	1.68%	1.63%	1.20%	4.81%	0.61%	NM
Adjusted return on average equity (6)(7)	1.30%	2.24%	1.45%	1.13%	1.57%	0.13%	-0.33%
Return on risk weighted assets (6)	0.44%	0.84%	0.55%	0.32%	2.21%	0.46%	NM
Pre-tax pre-provision net revenue to risk weighted assets (6)(7)	2.75%	3.15%	3.37%	2.07%	4.70%	0.69%	0.70%
Adjusted pre-tax pre-provision net revenue to risk weighted assets (6)(7)	3.20%	4.45%	3.79%	2.54%	2.47%	0.15%	NM
Interest earning assets to interest-bearing liabilities (end of period) (8)	130.30%	119.48%	130.30%	128.62%	127.91%	129.91%	N/A
Loans to deposits ratio (end of period) (2)	43.80%	39.33%	43.80%	44.14%	44.91%	45.17%	N/A
Non-interest bearing deposits to total deposits (end of period)	14.00%	10.11%	14.00%	13.35%	13.41%	9.39%	N/A
Yield on earning assets (8)	4.62%	4.16%	4.61%	4.62%	4.31%	1.63%	0.23%
Cost of interest bearing liabilities (8)	0.84%	1.32%	0.78%	0.90%	1.15%	1.65%	N/A
Interest rate spread (9)	3.78%	2.84%	3.83%	3.72%	3.17%	-0.02%	NM
Net interest margin (10)	3.96%	3.14%	4.00%	3.91%	3.40%	1.21%	N/A
Non-interest expense to average assets (6)	3.27%	2.74%	3.09%	3.45%	3.01%	4.86%	NM
Adjusted non-interest expense to average assets (6)(7)	3.10%	2.34%	2.95%	3.25%	2.67%	1.81%	NM
Efficiency Ratio (11)	90.68%	84.84%	88.41%	92.72%	67.21%	84.47%	NM
<i>Asset quality ratios (2)(12)(13)</i>							
Non-performing loans to total loans	2.51%	2.33%	2.51%	1.76%	2.23%	0.95%	N/A
Covered non-performing loans to total non-performing loans	15.59%	49.61%	15.59%	19.85%	29.19%	97.12%	N/A
Non-performing assets to total assets	3.26%	2.25%	3.26%	3.06%	2.75%	1.35%	N/A
Covered non-performing assets to total non-performing assets	45.41%	84.50%	45.41%	49.41%	53.98%	99.38%	N/A
Allowance for loan losses to total loans	0.87%	0.36%	0.87%	0.59%	0.51%	0.00%	N/A
	1.42%	0.64%	1.42%	1.00%	0.87%	0.01%	N/A

Edgar Filing: National Bank Holdings Corp - Form S-1/A

Allowance for loan losses to total non-covered loans							
Allowance for loan losses to non-performing loans	34.69%	15.61%	34.69%	33.42%	22.71%	0.32%	N/A
Net charge-offs to average loans (6)	0.96%	1.08%	0.62%	1.27%	0.51%	0.01%	N/A
<i>Capital ratios</i>							
Total Stockholders' equity to total assets	18.95%	22.32%	18.95%	17.97%	17.14%	19.46%	99.79%
Tangible common equity to tangible assets (4)	17.67%	20.98%	17.67%	16.72%	15.91%	18.19%	99.79%
Tier 1 leverage	17.02%	20.50%	17.02%	15.92%	15.10%	17.88%	N/A
Tier 1 risk-based capital	49.32%	66.70%	49.32%	46.60%	49.92%	69.57%	N/A
Total risk-based capital	50.21%	66.07%	50.21%	47.22%	50.53%	69.57%	N/A

(1) The Company was incorporated on June 16, 2009, but neither the Company nor the Bank had any substantive operations prior to the first acquisition on October 22, 2010. The period from June 16, 2009 to December 31, 2009 contained 200 days.

(2) Total loans are net of unearned discounts and deferred fees and costs.

Table of Contents

- (3) Per share information is calculated based on the aggregate number of our shares of Class A common stock outstanding, including 250,000 founders' shares that were issued in 2009 at par value and vested during 2011, and Class B non-voting common stock outstanding.
- (4) Tangible book value per share, return on tangible average assets, return on tangible common average equity, and tangible common equity to tangible assets are non-GAAP financial measures. Tangible book value per share is computed as total stockholders' equity less goodwill and other intangible assets, net, divided by common shares outstanding at the balance sheet date. For purposes of computing tangible common equity to tangible assets, tangible common equity is calculated as common stockholders' equity less goodwill and other intangible assets, net, and tangible assets is calculated as total assets less goodwill and other intangible assets, net. We believe that the most directly comparable GAAP financial measures are book value per share and total stockholders' equity to total assets. See the reconciliation under Management's Discussion and Analysis of Financial Condition and Results of Operations About Non-GAAP Financial Measures.
- (5) On March 11, 2010, we repurchased 6,382,024 shares of our Class A common stock in response to the FDIC's issued guidance in the FDIC Policy Statement. More information on the FDIC Policy Statement is described under Supervision and Regulation FDIC Statement of Policy on Qualifications for Failed Bank Acquisitions.
- (6) Ratio is annualized for interim periods and for the period from June 16, 2009 to December 31, 2009. See note 1 above.
- (7) Adjusted calculations exclude stock-based compensation expense, loss (gain) on sale of securities, bargain purchase gains and related acquisition expenses. In addition, the adjusted pre-tax pre-provision net revenue calculation excludes income taxes and provision for loan losses. Tax adjustments are calculated at a rate equal to the effective tax rate for each period. See the table below and Management's Discussion and Analysis of Financial Condition and Results of Operations - About Non-GAAP Financial Measures.

	For the Six Months Ended June 30, 2012	For the Six Months Ended June 30, 2011	For the Three Months Ended June 30, 2012	For the Three Months Ended March 31, 2012	For the Year Ended December 31, 2011	For the Year Ended December 31, 2010(1)	For the Year Ended December 31, 2009(1)
Net income (loss)	\$ 4,345	\$ 5,758	\$ 2,702	\$ 1,643	\$ 41,963	\$ 6,051	\$ (1,534)
Add: impact of income taxes	2,809	3,220	1,733	1,076	27,446	2,953	168
Add: impact of provision	20,062	12,686	12,226	7,836	20,002	88	
Pre-tax, pre-provision net revenue	27,216	21,664	16,661	10,555	89,411	9,092	(1,366)
Less: bargain purchase gain					(60,520)	(37,778)	
Add: impact of stock-based compensation	4,259	8,623	2,076	2,183	12,564	16,612	
Add: impact of acquisition costs	870	474	15	855	4,935	14,076	
Less: Gain (loss) on sale of investment securities	(674)	(192)		(674)	645	(11)	
Adjusted pre-tax, pre-provision net revenue	\$ 31,671	\$ 30,569	\$ 18,752	\$ 12,919	\$ 47,035	\$ 1,991	\$ (1,366)
Net income (loss)	\$ 4,345	\$ 5,758	\$ 2,702	\$ 1,643	\$ 41,963	\$ 6,051	\$ (1,534)
Less: bargain purchase gain, after tax					(36,589)	(25,388)	
Add: impact of stock-based compensation, after tax	2,587	5,213	1,261	1,326	7,596	11,164	
Add: impact of acquisition costs, after tax	528	287	9	519	2,984	9,460	
Less: Gain (loss) on sale of investment securities, after tax	(409)	(116)		(409)	390	(7)	
Adjusted net revenue after tax	\$ 7,051	\$ 11,142	\$ 3,972	\$ 3,079	\$ 16,344	\$ 1,280	\$ (1,534)
Non-interest expense	\$ 98,274	\$ 63,148	\$ 45,301	\$ 52,973	\$ 155,538	\$ 48,981	\$ 1,847
Less: impact of stock-based compensation	(4,259)	(8,623)	(2,076)	(2,183)	(12,564)	(16,612)	
Less: impact of acquisition costs	(870)	(474)	(15)	(855)	(4,935)	(14,076)	
Adjusted non-interest expense	\$ 93,145	\$ 54,051	\$ 43,210	\$ 49,935	\$ 138,039	\$ 18,293	\$ 1,847

- (8) Interest-earning assets include assets that earn interest/accretion or dividends, except for the FDIC indemnification asset that earns accretion but is not part of interest earning assets. Interest-earning assets as of December 31, 2010 exclude investment securities that were purchased (and therefore included in investment securities balances) but not settled as of the balance sheet date. Additionally, any market value adjustments on investment securities are excluded from interest-earning assets. Interest-bearing liabilities include liabilities that must be paid interest.
- (9)

Edgar Filing: National Bank Holdings Corp - Form S-1/A

Interest rate spread represents the difference between the weighted average yield of interest-earning assets and the weighted average cost of interest-bearing liabilities.

- (10) Net interest margin represents net interest income, including accretion income, as a percentage of average interest-earning assets.
- (11) The efficiency ratio represents non-interest expense less intangible asset amortization, as a percentage of net interest income plus non-interest income.
- (12) Non-performing loans consist of non-accruing loans, loans 90 days or more past due and still accruing interest and restructured loans, but exclude loans accounted for under ASC Topic 310-30 in which the pool is still performing. These ratios may therefore not be comparable to similar ratios of our peers. For additional information on our treatment of loans acquired with deteriorated credit quality, see Management's Discussion and Analysis of Financial Condition and Results of Operations Financial Condition.
- (13) Non-performing assets include non-performing loans and OREO.

Table of Contents

RISK FACTORS

Investing in our Class A common stock involves a high degree of risk. You should carefully consider the following risk factors, as well as all of the other information contained in this prospectus, including our consolidated financial statements, as well as the statements of assets acquired and liabilities assumed for each of our acquisitions, and the related notes thereto, before making an investment decision to purchase our Class A common stock. The occurrence or realization of any of the following risks could materially and adversely affect our business, prospects, financial condition, liquidity, results of operations, cash flows and capital levels. In any such case, the market price of our Class A common stock could decline substantially, and you could lose all or part of your investment.

Risks Relating to Our Banking Operations

We have recently completed four acquisitions and have a limited operating history from which investors can evaluate our future prospects and financial and operating performance.

We were organized in June 2009 and acquired selected assets and assumed selected liabilities of Hillcrest Bank, Bank Midwest, Bank of Choice and Community Banks of Colorado in October 2010, December 2010, July 2011 and October 2011, respectively. Because our banking operations began in 2010, we have a limited operating history upon which investors can evaluate our operational performance or compare our recent performance to historical performance. Although we acquired selected assets and assumed selected liabilities of four depository institutions which had operated for longer periods of time than we have, their business models and experiences are not reflective of our plans. Accordingly, our limited time operating our acquired franchises may make it difficult for investors to evaluate our future prospects and financial and operating performance. Moreover, because 38.7% of our loans and 56.3% of our OREO (each by dollar amount), in each case as of June 30, 2012, were covered by loss sharing agreements with the FDIC and all of the loans and OREO we acquired were marked to fair value at the time of our acquisition, we believe that the historical financial results of the acquisitions are less instructive to an evaluation of our future prospects and financial and operating performance. Certain other factors may also make it difficult for investors to evaluate our future prospects and financial and operating performance, including, among others:

our current asset mix, loan quality and allowance for loan losses are not representative of our anticipated future asset mix, loan quality and allowance for loan losses, which may change materially as we undertake organic loan origination and banking activities and pursue future acquisitions;

38.7% of our loans and 56.3% of our OREO (each by dollar amount), in each case as of June 30, 2012, were covered by loss sharing agreements with the FDIC, which reimburse a variable percentage of losses experienced on these assets; thus, we may face higher losses once the FDIC loss sharing arrangement expires and losses may exceed the discounts we received;

the income we report from certain acquired assets due to loan discount, accretable yield and the accretion of the FDIC indemnification asset will be higher than the returns available in the current market and, if we are unable to make new performing loans and acquire other performing assets in sufficient volume, we may be unable to generate the earnings necessary to implement our growth strategy;

our significant cash reserves and liquid investment securities portfolio, which result in large part from the proceeds of our 2009 private offering of common stock and cash received in connection with our acquisitions of Hillcrest Bank, Bank Midwest, Bank of Choice and Community Banks of Colorado, are unlikely to be representative of our future cash position;

our historical cost structure and capital expenditure requirements are not reflective of our anticipated cost structure and capital spending as we integrate our acquisitions and operate our organic banking platform; and

our regulatory capital ratios, minimums of which are required by agreements we have reached with our regulators and which result in part from the proceeds of our private offering of common stock, are not necessarily representative of our future regulatory capital

ratios.

Table of Contents

Our acquisition history may not be indicative of our ability to execute our external growth strategy, and our inability to execute such strategy would materially and adversely affect us.

Our acquisition history should be viewed in the context of the recent opportunities available to us as a result of the confluence of our access to capital at a time when market dislocations of historical proportions resulted in attractive asset acquisition opportunities. As conditions change, we may prove to be unable to execute our external growth strategy, which would materially and adversely affect us. See Risks Relating to our Growth Strategy.

Continued or worsening general business and economic conditions could materially and adversely affect us.

Our business and operations are sensitive to general business and economic conditions in the United States, which remain guarded. If the U.S. economy is unable to steadily emerge from the recent recession that began in 2007 or we experience worsening economic conditions, such as a so-called double-dip recession, we could be materially and adversely affected. Weak economic conditions may be characterized by deflation, fluctuations in debt and equity capital markets, including a lack of liquidity and/or depressed prices in the secondary market for mortgage loans, increased delinquencies on loans, residential and commercial real estate price declines and lower home sales and commercial activity. All of these factors would be detrimental to our business. Our business is significantly affected by monetary and related policies of the U.S. federal government, its agencies and government-sponsored entities. Changes in any of these policies are influenced by macroeconomic conditions and other factors that are beyond our control and could have a material adverse effect on us.

The geographic concentration of our two core markets in the greater Kansas City region and Colorado makes our business highly susceptible to downturns in the local economies and depressed banking markets, which could materially and adversely affect us.

Unlike larger financial institutions that are more geographically diversified, we are a regional banking franchise concentrated in the greater Kansas City region and Colorado. We operate banking centers located primarily in Missouri, Kansas and Colorado. As of June 30, 2012, 38.8% of our total loans (by dollar amount) were in Colorado, 21.0% were in Missouri, 8.7% were in Texas, and 5.6% were in Kansas. A deterioration in local economic conditions in the loan market or in the residential or commercial real estate market could have a material adverse effect on the quality of our portfolio, the demand for our products and services, the ability of borrowers to timely repay loans and the value of the collateral securing loans. In addition, if the population, employment or income growth in one of our core markets is negative or slower than projected, income levels, deposits and real estate development could be adversely impacted and we could be materially and adversely affected. If any of these developments were to result in losses that materially and adversely affected NBH Bank's capital, we and NBH Bank might be subject to regulatory restrictions on operations and growth and to a requirement to raise additional capital. See Supervision and Regulation.

Our two core markets are susceptible to adverse weather and natural disasters and these events could negatively impact the economies of our markets, our operations or our customers, any of which could have a material adverse effect on us.

Our two core markets are the greater Kansas City region and Colorado. These markets are susceptible to severe weather, including tornadoes, droughts, wildfires, flooding, hail storms and damaging winds. The occurrence of adverse weather and natural or manmade disasters could destroy, or cause a decline in the value of, mortgaged properties, crops or other assets that serve as our collateral and increase the risk of delinquencies, defaults, foreclosures and losses on our loans, damage our banking facilities and offices, negatively impact regional economic conditions, result in a decline in local loan demand and loan originations and negatively impact the implementation of our growth strategy. Natural or manmade disasters or severe weather events and the damage that may be caused by them, be it to our operations, our collateral, our customers or the economies in our current or future markets, could materially and adversely affect us.

Table of Contents

Any changes in how we determine the impact of loss share accounting on our financial information could have a material adverse effect on us.

A material portion of our financial results is based on loss share accounting, which is subject to assumptions and judgments made by us and our regulators. Loss share accounting is a complex accounting methodology. If these assumptions are incorrect or we change or modify our assumptions, it could have a material adverse effect on us or our previously reported results. As such, any financial information generated through the use of loss share accounting is subject to modification or change. See Management's Discussion and Analysis of Financial Condition and Results of Operations Application of Critical Accounting Policies Accounting for Acquired Loans and the Related FDIC Indemnification Asset for additional information on loss share accounting.

Our financial information reflects the application of the acquisition method of accounting. Any change in the assumptions used in such methodology could have a material adverse effect on us.

As a result of our recent acquisitions, our financial information is heavily influenced by the application of the acquisition method of accounting. The acquisition method of accounting requires management to make assumptions regarding the assets acquired and liabilities assumed to determine their fair values at the time of acquisition. Additionally, we periodically remeasure the expected cash flows on certain loans that were acquired with deteriorated credit quality, and this remeasurement can cause fluctuations in the accretion rates of these loans. Our interest income, interest expense and net interest margin (which were equal to \$122.7 million, \$17.6 million and 3.96%, respectively, for the six months ended June 30, 2012) reflect the impact of accretion and amortization of the fair value adjustments made to the carrying amounts of interest-earning assets and interest-bearing liabilities, and our non-interest income (which totaled \$20.3 million for the six months ended June 30, 2012) for periods subsequent to the acquisitions includes the effects of discount accretion and accretion of the FDIC indemnification asset. In addition, the balances of many of our acquired assets were significantly reduced by the adjustments to fair value recorded in conjunction with the relevant acquisition. If our assumptions are incorrect and we change or modify our assumptions, it could have a material adverse effect on us or our previously reported results. See Management's Discussion and Analysis of Financial Condition and Results of Operations Application of Critical Accounting Policies Accounting for Acquired Loans and the Related FDIC Indemnification Asset for additional information on the impact of the acquisition method of accounting on our financial information.

Our business is highly susceptible to credit risk.

As a lender, we are exposed to the risk that our customers will be unable to repay their loans according to their terms and that the collateral securing the payment of their loans (if any) may not be sufficient to assure repayment. The risks inherent in making any loan include risks with respect to the ability of borrowers to repay their loans and, if applicable, the period of time over which the loan is repaid, risks relating to proper loan underwriting and guidelines, risks resulting from changes in economic and industry conditions, risks inherent in dealing with individual borrowers and risks resulting from uncertainties as to the future value of collateral. Similarly, we have credit risk embedded in our securities portfolio. Our credit standards, procedures and policies may not prevent us from incurring substantial credit losses, particularly in light of market developments in recent years.

We have restructured and in the future may restructure originated or acquired loans if we believe the borrowers are likely to fully repay their restructured obligations. We may also be subject to legal or regulatory requirements for restructured loans. For our originated loans, if interest rates or other terms are modified subsequent to extension of credit or if terms of an existing loan are renewed because a borrower is experiencing financial difficulty and a concession is granted, we may be required to classify such action as a troubled debt restructuring (which we refer to in this prospectus as TDR). With respect to restructured loans, we may grant concessions to borrowers experiencing financial difficulties in order to facilitate repayment of the loan by

Table of Contents

(1) reduction of the stated interest rate for the remaining life of the loan to lower than the current market rate for new loans with similar risk or (2) extension of the maturity date. In situations where a TDR is unsuccessful and the borrower is unable to satisfy the terms of the restructured loan, the loan would be placed on nonaccrual status and written down to the underlying collateral value less estimated selling costs. For further discussion of circumstances in which we restructure acquired and originated loans, see Management's Discussion and Analysis of Financial Condition and Results of Operations Financial Condition Asset Quality.

Our loan portfolio has been, and will continue to be, affected by the ongoing correction in residential and commercial real estate values and reduced levels of residential and commercial real estate sales.

Soft residential and commercial real estate markets, higher delinquency and default rates, heightened vacancy rates and volatile and constrained secondary credit markets have affected the real estate industry generally and in the areas in which our business is currently most heavily concentrated. We may be materially and adversely affected by declines in real estate values.

We make credit and reserve decisions based on the current conditions of borrowers or projects combined with our expectations for the future. As of June 30, 2012, approximately 77.3% of our total loans (by dollar amount) had real estate as a primary or secondary component of collateral. The real estate collateral provides an alternate source of repayment in the event of default by the borrower and may deteriorate in value during the time the loan is outstanding. A continued weakening of the real estate conditions in any of our markets could continue to result in an increase in the number of borrowers who default on their loans and a reduction in the value of any collateral securing their loans, which in turn could have a material adverse effect on us. If we are required to liquidate the collateral securing a loan to satisfy a borrower's obligations during a period of reduced real estate values, we could be materially and adversely affected. The declines in home prices in the markets we serve, along with the reduced availability of mortgage credit, also may result in increases in delinquencies and losses in our portfolio of loans related to residential real estate construction and development as the ability to refinance those loans decreases. Further declines in home prices coupled with a deepened economic recession and continued rises in unemployment levels could drive losses beyond that which is provided for in our allowance for loan losses. In that event, we could also be materially and adversely affected.

Additionally, recent weakness in the secondary market for residential lending could have a material adverse impact on us. Significant ongoing disruptions in the secondary market for residential mortgage loans have limited the market for and liquidity of most mortgage loans other than conforming Fannie Mae and Freddie Mac loans. The effects of ongoing mortgage market challenges, combined with the ongoing correction in residential real estate market prices and reduced levels of home sales, could adversely affect the value of collateral securing mortgage loans, mortgage loan originations and gains on sale of mortgage loans. Continued declines in real estate values and home sales volumes, and financial stress on borrowers as a result of job losses or other factors, could have further adverse effects on borrowers that result in higher delinquencies and greater charge-offs in future periods, which could materially and adversely affect us.

Our commercial real estate loans other than owner occupied commercial real estate loans may be dependent on factors outside the control of our borrowers.

Our loan portfolio includes commercial real estate loans other than owner occupied commercial real estate loans for individuals and businesses for various purposes, which are secured by commercial properties, as well as real estate construction and development loans. As of June 30, 2012, these loans totaled \$755.5 million, or 38.1% of our total loan portfolio. Of these loans \$12.0 million were non-performing as of June 30, 2012, none of which was covered by FDIC loss sharing agreements. These loans typically involve repayment dependent upon income generated, or expected to be generated, by the property securing the loan in amounts sufficient to cover operating expenses and debt service. This may be adversely affected by changes in the economy or local market conditions. These loans expose a lender to greater credit risk than loans secured by residential real estate because the collateral securing these loans typically cannot be liquidated as easily as residential real estate. If we foreclose on

Table of Contents

these loans, our holding period for the collateral typically is longer than for a 1-4 family residential property because there are fewer potential purchasers of the collateral. Additionally, these loans generally have relatively large balances to single borrowers or related groups of borrowers. Accordingly, charge-offs on these loans may be larger on a per loan basis than those incurred with our residential or consumer loan portfolios.

We depend on our executive officers and key personnel to implement our strategy and could be harmed by the loss of their services.

We believe that the implementation of our strategy will depend in large part on the skills of our executive management team and our ability to motivate and retain these and other key personnel. Accordingly, the loss of service of one or more of our executive officers or key personnel could reduce our ability to successfully implement our growth strategy and materially and adversely affect us. Leadership changes will occur from time to time, and if significant resignations occur, we may not be able to recruit additional qualified personnel. We believe our executive management team possesses valuable knowledge about the banking industry and that their knowledge and relationships would be very difficult to replicate. Although our Chief Executive Officer, Chief Financial Officer, Chief Risk Officer, President Midwest Division and Chief of Integration, Technology and Operations have entered into employment arrangements with us, it is possible that they may not complete the term of their employment arrangements or may choose not to renew them upon expiration. Furthermore, we do not currently have employment agreements with any of our other employees. Our success also depends on the experience of our branch managers and lending officers and on their relationships with the customers and communities they serve. The loss of these key personnel could negatively impact our banking operations. The loss of key senior personnel, or the inability to recruit and retain qualified personnel in the future, could have a material adverse effect on us.

Our allowance for loan losses and fair value adjustments may prove to be insufficient to absorb probable losses inherent in our loan portfolio.

Lending money is a substantial part of our business, and each loan carries a certain risk that it will not be repaid in accordance with its terms or that any underlying collateral will not be sufficient to assure repayment. This risk is affected by, among other things:

the financial condition and cash flows of the borrower and/or the project being financed;

the changes and uncertainties as to the future value of the collateral, in the case of a collateralized loan;

the discount on the loan at the time of its acquisition;

the duration of the loan;

the credit history of a particular borrower; and

changes in economic and industry conditions.

We maintain an allowance for loan losses, which is a reserve established through a provision for loan losses charged to expense, which we believe is appropriate to provide for probable losses inherent in our loan portfolio. The amount of this allowance is determined by our management through periodic reviews.

The application of the acquisition method of accounting to our completed acquisitions has impacted our allowance for loan losses. Under the acquisition method of accounting, all acquired loans were recorded in our consolidated financial statements at their fair value at the time of acquisition and the related allowance for loan loss was eliminated because credit quality, among other factors, was considered in the determination of fair value. To the extent that our estimates of fair value are too high, we will incur losses (some of which may be covered by our loss sharing arrangements with the FDIC) associated with the acquired loans.

Edgar Filing: National Bank Holdings Corp - Form S-1/A

The determination of the appropriate level of the allowance for loan losses inherently involves a high degree of subjectivity and requires us to make significant estimates of current credit risks and future trends, all of which may undergo material changes. Changes in economic conditions affecting borrowers, new information regarding our loans,

Table of Contents

identification of additional problem loans by us and other factors, both within and outside of our control, may require an increase in the allowance for loan losses. If current trends in the real estate markets continue, we expect that we will continue to experience increased delinquencies and credit losses, particularly with respect to construction, land development and land loans. In addition, our regulators periodically review our allowance for loan losses and may require an increase in the allowance for loan losses or the recognition of further loan charge-offs, based on judgments different than those of management. In addition, if charge-offs in future periods exceed the allowance for loan losses, we will need additional provisions to increase the allowance for loan losses. Any increases in the allowance for loan losses will result in a decrease in net income and capital and may have a material adverse effect on us.

Our loss sharing agreements impose restrictions on the operation of our business and extensive record-keeping requirements, and failure to comply with the terms of our loss sharing agreements with the FDIC may result in significant losses.

In October 2010, we acquired selected assets and assumed selected liabilities of Hillcrest Bank in an FDIC-assisted transaction. Subsequently, on October 21, 2011, we completed the FDIC-assisted acquisition of selected assets and assumption of selected liabilities of Community Banks of Colorado. A significant portion of our revenue is derived from assets acquired in those transactions. Certain of the loans, commitments and foreclosed assets acquired in those transactions are covered by the loss sharing agreements, which provide that a significant portion of the losses related to those covered assets will be borne by the FDIC. We may, however, experience difficulties in complying with the requirements of the loss sharing agreements, including the extensive record-keeping and documentation relating to the status and reimbursement of covered assets. The required terms of the agreements are extensive and failure to comply with any of the terms could result in a specific asset or group of assets losing their loss sharing coverage. Additionally, complying with the extensive requirements to avail ourselves of the loss sharing coverage could take management time and attention away from other aspects of running our business.

Our loss sharing agreements also impose limitations on the manner in which we manage loans covered by loss sharing. For example, under the loss sharing agreements, we may not, without FDIC consent, sell a covered loan even if in the ordinary course of our business we determine that taking such action would be advantageous for the Company. These restrictions could impair our ability to manage problem loans, extend the amount of time that such loans remain on our balance sheet and increase the amount of our losses.

We hold and acquire a significant amount of OREO from time to time, which may lead to increased operating expenses and vulnerability to additional declines in real property values.

When necessary, we foreclose on and take title to the real estate (some of which is covered by our FDIC loss sharing arrangement) serving as collateral for our loans as part of our business. Real estate that we own but do not use in the ordinary course of our operations is referred to as other real estate owned, or OREO property. At June 30, 2012, we had OREO with an aggregate book value of \$137.7 million. Increased OREO balances have led to greater expenses as we incur costs to manage and dispose of the properties. Despite some of the OREO being covered by loss sharing agreements with the FDIC, we expect that our earnings will continue to be negatively affected by various expenses associated with OREO, including personnel costs, insurance and taxes, completion and repair costs, valuation adjustments and other expenses associated with property ownership, as well as by the funding costs associated with OREO assets. We evaluate OREO properties periodically and write down the carrying value of the properties if the results of our evaluation require it. The expenses associated with OREO and any further OREO write-downs could have a material adverse effect on us.

We are subject to environmental liability risk associated with lending activities.

A significant portion of our loan portfolio is secured by real property, and we could become subject to environmental liabilities with respect to one or more of these properties. During the ordinary course of business,

Table of Contents

we may foreclose on and take title to properties securing defaulted loans. In doing so, there is a risk that hazardous or toxic substances could be found on these properties. If hazardous conditions or toxic substances are found on these properties, we may be liable for remediation costs, as well as for personal injury and property damage, civil fines and criminal penalties regardless of when the hazardous conditions or toxic substances first affected any particular property. Environmental laws may require us to incur substantial expenses to address unknown liabilities and may materially reduce the affected property's value or limit our ability to use or sell the affected property. In addition, future laws or more stringent interpretations or enforcement policies with respect to existing laws may increase our exposure to environmental liability. Although we have policies and procedures to perform an environmental review before initiating any foreclosure action on nonresidential real property, these reviews may not be sufficient to detect all potential environmental hazards. The remediation costs and any other financial liabilities associated with an environmental hazard could have a material adverse effect on us.

The expanding body of federal, state and local regulation and/or the licensing of loan servicing, collections or other aspects of our business may increase the cost of compliance and the risks of noncompliance.

We service our own loans, and loan servicing is subject to extensive regulation by federal, state and local governmental authorities as well as to various laws and judicial and administrative decisions imposing requirements and restrictions on those activities. The volume of new or modified laws and regulations has increased in recent years and, in addition, some individual municipalities have begun to enact laws that restrict loan servicing activities including delaying or temporarily preventing foreclosures or forcing the modification of certain mortgages. If regulators impose new or more restrictive requirements, we may incur additional significant costs to comply with such requirements which may further adversely affect us. In addition, our failure to comply with these laws and regulations could possibly lead to: civil and criminal liability; loss of licensure; damage to our reputation in the industry; fines and penalties and litigation, including class action lawsuits; and administrative enforcement actions. Any of these outcomes could materially and adversely affect us.

The fair value of our investment securities can fluctuate due to market conditions outside of our control.

As of June 30, 2012, the fair value of our investment securities portfolio was approximately \$2.5 billion. We have historically taken a conservative investment strategy, with concentrations of securities that are backed by government sponsored enterprises. In the future, we may seek to increase yields through more aggressive strategies, which may include a greater percentage of corporate securities and structured credit products. Factors beyond our control can significantly influence the fair value of securities in our portfolio and can cause potential adverse changes to the fair value of these securities. These factors include, but are not limited to, rating agency actions in respect of the securities, defaults by the issuer or with respect to the underlying securities, and changes in market interest rates and continued instability in the capital markets. Any of these factors, among others, could cause other-than-temporary impairments and realized and/or unrealized losses in future periods and declines in other comprehensive income, which could have a material adverse effect on us. The process for determining whether impairment of a security is other-than-temporary usually requires complex, subjective judgments about the future financial performance and liquidity of the issuer and any collateral underlying the security in order to assess the probability of receiving all contractual principal and interest payments on the security.

We face significant competition from other financial institutions and financial services providers, which may materially and adversely affect us.

Consumer and commercial banking is highly competitive. Our markets contain a large number of community and regional banks as well as a significant presence of the country's largest commercial banks. We compete with other state and national financial institutions, including savings and loan associations, savings banks and credit unions, for deposits and loans. In addition, we compete with financial intermediaries, such as consumer finance companies, mortgage banking companies, insurance companies, securities firms, mutual funds and several government agencies, as well as major retailers, in providing various types of loans and other financial services. Some of these competitors have a long history of successful operations in our markets, greater

Table of Contents

ties to local businesses and more expansive banking relationships, as well as better established depositor bases. Some of our competitors also have greater resources and access to capital and possess an advantage by being capable of maintaining numerous banking locations in more convenient sites, operating more ATMs and conducting extensive promotional and advertising campaigns or operating a more developed internet platform. Competitors may also exhibit a greater tolerance for risk and behave more aggressively with respect to pricing in order to increase their market share.

The financial services industry could become even more competitive as a result of legislative, regulatory and technological changes and continued consolidation. Increased competition among financial services companies due to the recent consolidation of certain competing financial institutions may adversely affect our ability to market our products and services. Technological advances have lowered barriers to entry and made it possible for banks to compete in our market without a retail footprint by offering competitive rates, as well as non-banks to offer products and services traditionally provided by banks. Our ability to compete successfully depends on a number of factors, including, among others:

the ability to develop, maintain and build upon long-term customer relationships based on quality service, effective and efficient products and services, high ethical standards and safe and sound assets;

the scope, relevance and pricing of products and services offered to meet customer needs and demands;

the rate at which we introduce new products and services relative to our competitors;

the ability to attract and retain highly qualified employees to operate our business;

the ability to expand our market position;

customer satisfaction with our level of service;

the ability to operate our business effectively and efficiently; and

industry and general economic trends.

Failure to perform in any of these areas could significantly weaken our competitive position, which could materially and adversely affect us.

We may not be able to meet the cash flow requirements of deposit withdrawals and other business needs unless we maintain sufficient liquidity.

We require liquidity to make loans and to repay deposit and other liabilities as they become due or are demanded by customers. As a result of a decline in depositor confidence, an increase in interest rates paid by competitors, general interest rate levels, FDIC insurance costs, higher returns being available to customers on alternative investments and general economic conditions, a substantial number of our customers could withdraw their bank deposits with us from time to time, resulting in our deposit levels decreasing substantially, and our cash on hand may not be able to cover such withdrawals and our other business needs, including amounts necessary to operate and grow our business. This would require us to seek third party funding or other sources of liquidity, such as asset sales. Our access to third party funding sources, including our ability to raise funds through the issuance of additional shares of our common stock or other equity or equity-related securities, incurrence of debt, and federal funds purchased, may be impacted by our financial strength, performance and prospects and may also be impaired by factors that are not specific to us, such as a disruption in the financial markets or negative views and expectations about the prospects for the financial services industry in light of recent turmoil faced by banking organizations and the unstable credit markets. We may not have access to third party funding in sufficient amounts on favorable terms, or the ability to undertake asset sales or access other sources of liquidity, when needed, or at all, which

could materially and adversely affect us.

We may not be able to retain or develop a strong core deposit base or other low-cost funding sources.

We expect to depend on checking, savings and money market deposit account balances and other forms of customer deposits as our primary source of funding for our lending activities. Our future growth will largely

Table of Contents

depend on our ability to retain and grow a strong, low-cost deposit base. Because 48.3% of our deposit base as of June 30, 2012 was time deposits, the large majority of which we acquired, it may prove harder to maintain and grow our deposit base than would otherwise be the case, especially since many of them currently pay interest at above-market rates. During the six months following June 30, 2012, \$1.1 billion of our time deposits are scheduled to mature. Additionally, as of June 30, 2012, \$359 million of those \$1.1 billion of time deposits and an additional \$211 million of time deposits maturing after December 31, 2012 were time deposits we assumed from the FDIC and are therefore not subject to early withdrawal penalties, making these deposits more volatile than typical time deposits.

We are working to transition certain of our customers to lower cost traditional banking services as higher cost funding sources, such as high interest time deposits, mature. From December 31, 2011 to June 30, 2012, our time deposits decreased by \$598.1 million while our transaction deposits increased by \$64.6 million. Many banks in the United States are struggling to maintain depositors in light of the recent financial crisis, and there may be competitive pressures to pay higher interest rates on deposits, which could increase funding costs and compress net interest margins. Customers may not transition to lower yielding savings and investment products or continue their business with us, which could materially and adversely affect us. In addition, with recent concerns about bank failures, customers have become concerned about the extent to which their deposits are insured by the FDIC, particularly customers that may maintain deposits in excess of insured limits. Customers may withdraw deposits in an effort to ensure that the amount that they have on deposit with us is fully insured and may place them in other institutions or make investments that are perceived as being more secure. Further, even if we are able to grow and maintain our deposit base, the account and deposit balances can decrease when customers perceive alternative investments, such as the stock market, as providing a better risk/return tradeoff. If customers move money out of bank deposits, we could lose a relatively low cost source of funds, increasing our funding costs and reducing our net interest income and net income. Additionally, any such loss of funds could result in lower loan originations, which could materially and adversely affect us.

Recent market disruptions caused increased liquidity risks which could recur in the future.

The recent disruption and illiquidity in the credit markets created challenges for banking institutions that made potential funding sources more difficult to access, less reliable and more expensive. In addition, liquidity in the inter-bank market, as well as the markets for commercial paper and other short-term instruments, contracted significantly. Current market conditions continue to present challenges in the management of banks and banks' customers' liquidity, which may exceed those challenges experienced in the recent past and could materially and adversely affect us.

Extended foreclosure processes and new homeowner protection laws and regulations might restrict or delay our ability to foreclose and collect payments for loans under the loss sharing agreements.

For the loans covered by the loss sharing agreements, we cannot collect loss share payments until we liquidate the properties securing those loans. These loss share payments could be delayed by an extended foreclosure process, including delays resulting from a court backlog, local or national foreclosure moratoriums or other delays, and these delays could have a material adverse effect on us. New homeowner protection laws and regulations may also delay the initiation or completion of foreclosure proceedings on specified types of residential mortgage loans. Any such limitations are likely to cause delayed or reduced collections from borrowers. Any restriction on our ability to foreclose on a loan, any requirement that we forgo a portion of the amount otherwise due on a loan or any requirement that we advance principal, interest, tax and insurance payments or that we modify any original loan terms could materially and adversely affect us.

Like other financial services institutions, our asset and liability structures are monetary in nature. Such structures are affected by a variety of factors, including changes in interest rates, which can impact the value of financial instruments held by us.

Like other financial services institutions, we have asset and liability structures that are essentially monetary in nature and are directly affected by many factors, including domestic and international economic and political

Table of Contents

conditions, broad trends in business and finance, legislation and regulation affecting the national and international business and financial communities, monetary and fiscal policies, inflation, currency values, market conditions, the availability and terms (including cost) of short-term or long-term funding and capital, the credit capacity or perceived creditworthiness of customers and counterparties and the level and volatility of trading markets. Such factors can impact customers and counterparties of a financial services institution and may impact the value of financial instruments held by a financial services institution.

Our earnings and cash flows largely depend upon the level of our net interest income, which is the difference between the interest income we earn on loans, investments and other interest earning assets, and the interest we pay on interest bearing liabilities, such as deposits and borrowings. Because different types of assets and liabilities may react differently and at different times to market interest rate changes, changes in interest rates can increase or decrease our net interest income. When interest-bearing liabilities mature or reprice more quickly than interest earning assets in a period, an increase in interest rates would reduce net interest income. Similarly, when interest earning assets mature or reprice more quickly, and because the magnitude of repricing of interest earning assets is often greater than interest bearing liabilities, falling interest rates would reduce net interest income.

Accordingly, changes in the level of market interest rates affect our net yield on interest earning assets and liabilities, loan and investment securities portfolios and our overall results. Changes in interest rates may also have a significant impact on any future loan origination revenues. Historically, there has been an inverse correlation between the demand for loans and interest rates. Loan origination volume and revenues usually decline during periods of rising or high interest rates and increase during periods of declining or low interest rates. Changes in interest rates also have a significant impact on the carrying value of a significant percentage of the assets, both loans and investment securities, on our balance sheet. We may incur debt in the future and that debt may also be sensitive to interest rates and any increase in interest rates could materially and adversely affect us. Interest rates are highly sensitive to many factors beyond our control, including general economic conditions and policies of various governmental and regulatory agencies, particularly the Board of Governors of the Federal Reserve System (the "Federal Reserve"). Adverse changes in the Federal Reserve's interest rate policies or other changes in monetary policies and economic conditions could materially and adversely affect us.

We are dependent on our information technology and telecommunications systems and third-party servicers, and systems failures, interruptions or breaches of security could have a material adverse effect on us.

Our business is highly dependent on the successful and uninterrupted functioning of our information technology and telecommunications systems and third-party servicers. We outsource many of our major systems, such as data processing, loan servicing and deposit processing systems. The failure of these systems, or the termination of a third-party software license or service agreement on which any of these systems is based, could interrupt our operations. Because our information technology and telecommunications systems interface with and depend on third-party systems, we could experience service denials if demand for such services exceeds capacity or such third-party systems fail or experience interruptions. If significant, sustained or repeated, a system failure or service denial could compromise our ability to operate effectively, damage our reputation, result in a loss of customer business, and/or subject us to additional regulatory scrutiny and possible financial liability, any of which could have a material adverse effect on us.

In addition, we provide our customers with the ability to bank remotely, including online over the internet and over the telephone. The secure transmission of confidential information over the internet and other remote channels is a critical element of remote banking. Our network could be vulnerable to unauthorized access, computer viruses, phishing schemes and other security breaches. We may be required to spend significant capital and other resources to protect against the threat of security breaches and computer viruses, or to alleviate problems caused by security breaches or viruses. To the extent that our activities or the activities of our customers involve the storage and transmission of confidential information, security breaches and viruses could expose us to claims, regulatory scrutiny, litigation and other possible liabilities. Any inability to prevent security breaches or computer viruses could also cause existing customers to lose confidence in our systems and could materially and adversely affect us.

Table of Contents

As a public company, we will be required to meet periodic reporting requirements under the rules and regulations of the U.S. Securities and Exchange Commission. Complying with federal securities laws as a public company is expensive, and we will incur significant time and expense enhancing, documenting, testing, and certifying our internal control over financial reporting. Any deficiencies in our financial reporting or internal controls could materially and adversely affect us, including resulting in material misstatements in our financial statements, and could materially and adversely affect the market price of our Class A common stock.

Prior to becoming a public company, we have not been required to comply with the requirements of the U.S. Securities and Exchange Commission (the "SEC") to have our consolidated financial statements completed, reviewed or audited and filed within a specified time. As a publicly traded company following completion of this offering, we will be required to file periodic reports containing our consolidated financial statements with the SEC within a specified time following the completion of quarterly and annual periods. We will also be required to comply with Section 404 of the Sarbanes-Oxley Act of 2002 concerning internal control over financial reporting. We may experience difficulty in meeting the SEC's reporting requirements. Any failure by us to file our periodic reports with the SEC in a timely manner could harm our reputation and cause investors and potential investors to lose confidence in us and reduce the market price of our Class A common stock.

As a public company, we will incur significant legal, accounting, insurance and other expenses. Compliance with these and other rules of the SEC and the rules of the New York Stock Exchange will increase our legal and financial compliance costs and make some activities more time consuming and costly. Beginning with our Annual Report on Form 10-K for our 2013 fiscal year, SEC rules will require that our Chief Executive Officer and Chief Financial Officer periodically certify the existence and effectiveness of our internal control over financial reporting. Beginning with the fiscal year ending December 31, 2018, or such earlier time as we are no longer an emerging growth company as defined in the Jumpstart Our Business Startups Act (which we refer to as the "JOBS Act"), our independent registered public accounting firm will be required to attest to our assessment of our internal control over financial reporting. This process will require significant documentation of policies, procedures and systems, review of that documentation by our internal auditing and accounting staff and our outside independent registered public accounting firm, and testing of our internal control over financial reporting by our internal auditing and accounting staff and our outside independent registered public accounting firm. This process will involve considerable time and attention, may strain our internal resources, and will increase our operating costs. We may experience higher than anticipated operating expenses and outside auditor fees during the implementation of these changes and thereafter.

During the course of our testing, we may identify deficiencies that would have to be remediated to satisfy the SEC rules for certification of our internal control over financial reporting. A material weakness is defined by the standards issued by the Public Company Accounting Oversight Board as a deficiency, or combination of deficiencies, in internal control over financial reporting that results in a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. As a consequence, we would have to disclose in periodic reports we file with the SEC any material weakness in our internal control over financial reporting. The existence of a material weakness would preclude management from concluding that our internal control over financial reporting is effective and would preclude our independent auditors from attesting to our assessment of the effectiveness of our internal control over financial reporting is effective. In addition, disclosures of this type in our SEC reports could cause investors to lose confidence in our financial reporting and may negatively affect the market price of our Class A common stock. Moreover, effective internal controls are necessary to produce reliable financial reports and to prevent fraud. If we have deficiencies in our disclosure controls and procedures or internal control over financial reporting, it may materially and adversely affect us.

Table of Contents

A material weakness in our internal control over financial reporting was identified for the year ended December 31, 2011. Material weaknesses in our financial reporting or internal controls could materially and adversely affect us, including resulting in material misstatements in our financial statements, and could materially and adversely affect the market price of our Class A common stock.

In connection with executing management's process for identifying, documenting and testing existing internal controls used to validate inputs to our financial reporting process (i.e., management's assessment of internal control over financial reporting), we identified a material weakness in such internal control during the audit of our consolidated financial statements for the year ended December 31, 2011. Due to the recent formation of the Company and the acquisition of four troubled financial institutions, we did not complete the recruitment of certain professionals to fully implement, enforce, document or assess the effectiveness of our internal control on a timely basis or to remediate identified internal control deficiencies prior to December 31, 2011. This material weakness was considered in determining the nature, timing, and extent of audit tests applied in the audit of our consolidated financial statements for the year ended December 31, 2011. We provided our independent auditors with detailed transaction-level documentation to enable them to sufficiently expand substantive testing procedures in order to obtain reasonable assurance that the consolidated financial statements were free of material misstatements and as a result, the noted material weakness in internal control did not affect our independent auditor's report on the consolidated financial statements dated March 27, 2012, which expressed an unqualified opinion on our consolidated financial statements. We have implemented and are continuing to implement measures designed to improve our internal control over financial reporting. In connection with our growth, we have expanded, and continue to expand, personnel to augment our internal control environment, including having hired over the last few quarters, among others, a new Chief Financial Officer, Controller, an Assistant Controller, a Treasurer, a Director of External Reporting, a General Counsel/Chief of Compliance and an additional senior credit officer. Additionally, we plan to separate the role of Chief Accounting Officer from that of the Chief Financial Officer. The measures we have taken to date and may take in the future may not be sufficient to avoid potential future material weaknesses and the consequences referenced above, though we believe that the actions we are taking are sufficient to address the identified weakness in internal control over financial reporting.

We are an emerging growth company and we cannot be certain if the reduced disclosure requirements applicable to emerging growth companies will make our Class A common stock less attractive to investors.

We are an emerging growth company, as defined in the JOBS Act, and we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies, including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved. Among other things, this means that our independent registered public accounting firm will not be required to provide an attestation report on the effectiveness of our internal control over financial reporting so long as we qualify as an emerging growth company, which may increase the risk that material weaknesses or other deficiencies in our internal control over financial reporting go undetected. In addition, even if we comply with the greater obligations of public companies that are not emerging growth companies immediately after this offering, we may avail ourselves of the reduced requirements applicable to emerging growth companies from time to time in the future, so long as we are an emerging growth company. We will remain an emerging growth company for up to five years, though we may cease to be an emerging growth company earlier under certain circumstances, including if, before the end of such five years, we are deemed to be a large accelerated filer under the rules of the SEC (which depends on, among other things, having a market value of common stock held by non-affiliates in excess of \$700 million). Investors and securities analysts may find it more difficult to evaluate our Class A common stock because we will rely on one or more of these exemptions, and, as a result, investor confidence and the market price of our Class A common stock may be materially and adversely affected.

Table of Contents

Further, Section 102(b)(1) of the JOBS Act exempts emerging growth companies from being required to comply with new or revised financial accounting standards until private companies (that is, those that have not had a Securities Act registration statement declared effective or do not have a class of securities registered under the Exchange Act) are required to comply with the new or revised financial accounting standards. The JOBS Act provides that a company can elect to opt out of the extended transition period and comply with the requirements that apply to non-emerging growth companies. We have elected to opt out of such extended transition period, which election is irrevocable.

We rely on our systems and employees, and any errors or fraud could materially and adversely affect us.

We are exposed to many types of operational risk, including the risk of fraud by employees and outsiders, clerical recordkeeping errors and transactional errors. Our business is dependent on our employees as well as third parties to process a large number of increasingly complex transactions. We could be materially and adversely affected if one of our employees causes a significant operational breakdown or failure, either as a result of human error or where an individual purposefully sabotages or fraudulently manipulates our operations or systems. Third parties with which we do business also could be sources of operational risk to us, including breakdowns or failures of such parties' own systems or employees. Any of these occurrences could result in our diminished ability to operate our business, potential liability to customers, reputational damage and regulatory intervention, which could materially and adversely affect us.

Risks Relating to our Growth Strategy

We may not be able to effectively manage our growth.

Our future operating results depend to a large extent on our ability to successfully manage our rapid growth. Our rapid growth has placed, and it may continue to place, significant demands on our operations and management. Whether through additional acquisitions or organic growth, our current plan to expand our business is dependent upon our ability to:

continue to implement and improve our operational, credit, financial, management and other internal risk controls and processes and our reporting systems and procedures in order to manage a growing number of client relationships;

scale our technology platform;

integrate our acquisitions and develop consistent policies throughout the various businesses; and

attract and retain management talent.

We may not successfully implement improvements to, or integrate, our management information and control systems, procedures and processes in an efficient or timely manner and may discover deficiencies in existing systems and controls. In particular, our controls and procedures must be able to accommodate an increase in loan volume in various markets and the infrastructure that comes with new banking centers and banks. Thus, our growth strategy may divert management from our existing franchises and may require us to incur additional expenditures to expand our administrative and operational infrastructure and, if we are unable to effectively manage and grow our banking franchise, we could be materially and adversely affected. In addition, if we are unable to manage future expansion in our operations, we may experience compliance and operational problems, have to slow the pace of growth, or have to incur additional expenditures beyond current projections to support such growth, any one of which could materially and adversely affect us.

Our acquisitions generally will require regulatory approvals, and failure to obtain them would restrict our growth.

We intend to complement and expand our business by pursuing strategic acquisitions of community banking franchises. Generally, any acquisition of target financial institutions, banking centers or other banking assets by

Table of Contents

us will require approval by, and cooperation from, a number of governmental regulatory agencies, possibly including the Federal Reserve, the OCC and the FDIC, as well as state banking regulators. In acting on applications, federal banking regulators consider, among other factors:

the effect of the acquisition on competition;

the financial condition, liquidity, results of operations, capital levels and future prospects of the applicant and the bank(s) involved;

the quantity and complexity of previously consummated acquisitions;

the managerial resources of the applicant and the bank(s) involved;

the convenience and needs of the community, including the record of performance under the Community Reinvestment Act (which we refer to in this prospectus as the "CRA");

the effectiveness of the applicant in combating money laundering activities; and

the extent to which the acquisition would result in greater or more concentrated risks to the stability of the United States banking or financial system.

Such regulators could deny our application based on the above criteria or other considerations, which would restrict our growth, or the regulatory approvals may not be granted on terms that are acceptable to us. For example, we could be required to sell banking centers as a condition to receiving regulatory approvals, and such a condition may not be acceptable to us or may reduce the benefit of any acquisition.

The success of future transactions will depend on our ability to successfully identify and consummate acquisitions of banking franchises that meet our investment objectives. Because of the intense competition for acquisition opportunities and the limited number of potential targets, we may not be able to successfully consummate acquisitions on attractive terms, or at all, that are necessary to grow our business.

The success of future transactions will depend on our ability to successfully identify and consummate transactions with target banking franchises that meet our investment objectives. There are significant risks associated with our ability to identify and successfully consummate these acquisitions. There are a limited number of acquisition opportunities, and we expect to encounter intense competition from other banking organizations competing for acquisitions and also from other investment funds and entities looking to acquire financial institutions. Many of these entities are well established and have extensive experience in identifying and consummating acquisitions directly or through affiliates. Many of these competitors possess ongoing banking operations with greater financial, technical, human and other resources and access to capital than we do, which could limit the acquisition opportunities we pursue. Our competitors may be able to achieve greater cost savings, through consolidating operations or otherwise, than we could. These competitive limitations give others an advantage in pursuing certain acquisitions. In addition, increased competition may drive up the prices for the acquisitions we pursue and make the other acquisition terms more onerous, which would make the identification and successful consummation of those acquisitions less attractive to us. Competitors may be willing to pay more for acquisitions than we believe are justified, which could result in us having to pay more for them than we prefer or to forego the opportunity. As a result of the foregoing, we may be unable to successfully identify and consummate acquisitions on attractive terms, or at all, that are necessary to grow our business.

To the extent that we are unable to identify and consummate attractive acquisitions, or increase loans through organic loan growth, we may be unable to successfully implement our growth strategy, which could materially and adversely affect us.

We intend to grow our business through strategic acquisitions of banking franchises coupled with organic loan growth. Previous availability of attractive acquisition targets may not be indicative of future acquisition opportunities, and we may be unable to identify any acquisition targets that meet our investment objectives. Additionally, loan growth, excluding the effects of our acquisitions, has so far been limited and such loan

Table of Contents

balances have declined by \$290 million from December 31, 2011 to June 30, 2012 as loan repayments from our customers have generally outpaced loan originations due not only to our limited time to cultivate relationships with our customers, but also due to the generally weakened economy and lower levels of quality borrowing demand. As a result, a significant portion of our income thus far has been derived from the accretion recognized on acquired assets rather than from cash interest income. As our acquired loan portfolio, which produces higher yields than our originated loans due to loan discount, accretable yield and the accretion of the FDIC indemnification asset, is paid down, we expect downward pressure on our income to the extent that the runoff is not replaced with other high-yielding loans. For example, the yield on our acquired loans accounted for under ASC Topic 310-30 for the six months ended June 30, 2012 was 8.94% while the yield on our originated loans for the same period ranged from approximately 3.0% to 6.0% depending on loan type and characteristics. As a result of the foregoing, if we are unable to replace loans in our existing portfolio with comparable high-yielding loans, we could be materially and adversely affected. We could also be materially and adversely affected if we choose to pursue riskier higher-yielding loans that fail to perform.

Because we intend to make acquisitions that involve distressed assets, we may not be able to realize the value we predict from these assets or make sufficient provision for future losses in the value of, or accurately estimate the future writedowns to be taken in respect of, these assets.

Delinquencies and losses in the loan portfolios and other assets we acquire may exceed our initial forecasts developed during our due diligence investigation prior to their acquisition and, thus, produce lower risk-adjusted returns than we believed our purchase price supported. Furthermore, our due diligence investigation may not reveal all material issues. The diligence process in FDIC-assisted transactions is also expedited due to the short acquisition timeline that is typical for these transactions. If, during the diligence process, we fail to identify all relevant issues related to an acquisition, we may be forced to later write down or write off assets, restructure our operations, or incur impairment or other charges that could result in significant losses. Any of these events could materially and adversely affect us. Current economic conditions have created an uncertain environment with respect to asset valuations and there is no certainty that we will be able to sell assets or institutions after we acquire them if we determine it would be in our best interests to do so. In addition, currently there is limited or no liquidity for certain asset classes we hold, including commercial real estate and construction and development loans.

The success of future transactions will depend on our ability to successfully combine the target financial institution's banking franchises with our existing banking business and, if we experience difficulties with the integration process, the anticipated benefits of the acquisition may not be realized fully, or at all, or may take longer to realize than expected.

The success of future transactions will depend, in part, on our ability to successfully combine the target financial institution's banking franchises with our existing banking business. As with any acquisition involving financial institutions, there may be business disruptions that result in the loss of customers or cause customers to remove their accounts and move their business to competing financial institutions. It is possible that the integration process could result in additional expenses, the disruption of ongoing business and inconsistencies in standards, controls, procedures and policies that adversely affect our ability to maintain relationships with clients, customers, depositors and employees and to achieve the anticipated benefits of the acquisition. Integration efforts, including integration of a target financial institution's systems into our systems, may divert our management's attention and resources, and we may be unable to develop, or experience prolonged delays in the development of, the systems necessary to operate our acquisitions, such as a financial reporting platform or a human resources reporting platform call center. If we experience difficulties with the integration process, the anticipated benefits of the particular acquisition may not be realized fully, or at all, or may take longer to realize than expected. Additionally, we may be unable to recognize synergies, operating efficiencies and/or expected benefits within expected timeframes and cost projections, or at all. We may also not be able to preserve the goodwill of an acquired financial institution.

Table of Contents

Projected operating results for banking franchises to be acquired by us may be inaccurate and may vary significantly from actual results.

We will generally establish the pricing of transactions and the capital structure of banking franchises to be acquired by us on the basis of financial projections for such banking franchises. In general, projected operating results will be based on the judgment of our management team. In all cases, projections are only estimates of future results that are based upon assumptions made at the time that the projections are developed and the projected results may vary significantly from actual results. General economic, political and market conditions can have a material adverse impact on the reliability of such projections. In the event that the projections made in connection with our acquisitions, or future projections with respect to new acquisitions, are not accurate, such inaccuracies could materially and adversely affect us. Any of the foregoing matters could materially and adversely affect us.

Our officers and directors may have conflicts of interest in determining whether to present business opportunities to us or another entity for which they have fiduciary or contractual obligations.

Our officers and directors may become subject to fiduciary obligations in connection with their service on the boards of directors of other corporations. To the extent that our officers and directors become aware of acquisition opportunities that may be suitable for entities other than us to which they have fiduciary or contractual obligations, or they are presented with such opportunities in their capacities as fiduciaries to such entities, they may honor such obligations to such other entities. In addition, our officers and directors will not have any obligation to present us with any acquisition opportunity that does not fall within the parameters of our business (see Business). You should assume that to the extent any of our officers or directors becomes aware of an opportunity that may be suitable both for us and another entity to which such person has a fiduciary or contractual obligation to present such opportunity as set forth above, he or she may first give the opportunity to such other entity or entities and may give such opportunity to us only to the extent such other entity or entities reject or are unable to pursue such opportunity. In addition, you should assume that to the extent any of our officers or directors becomes aware of an acquisition opportunity that does not fall within the above parameters but that may otherwise be suitable for us, he or she may not present such opportunity to us. In general, officers and directors of a corporation incorporated under Delaware law are required to present business opportunities to a corporation if the corporation could financially undertake the opportunity, the opportunity is within the corporation's line of business and it would not be fair to the corporation and its stockholders for the opportunity not to be brought to the attention of the corporation.

Risks Relating to the Regulation of Our Industry

The enactment of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 may have a material adverse effect on our business.

On July 21, 2010, President Obama signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (which we refer to as the Dodd-Frank Act), which imposes significant regulatory and compliance changes. The key effects of the Dodd-Frank Act on our business are:

changes to regulatory capital requirements;

exclusion of hybrid securities, including trust preferred securities, issued on or after May 19, 2010 from tier 1 capital;

creation of new government regulatory agencies (such as the Financial Stability Oversight Council, which will oversee systemic risk, and the Consumer Financial Protection Bureau, which will develop and enforce rules for bank and non-bank providers of consumer financial products);

potential limitations on federal preemption;

changes to deposit insurance assessments;

regulation of debit interchange fees we earn;

Table of Contents

changes in retail banking regulations, including potential limitations on certain fees we may charge; and

changes in regulation of consumer mortgage loan origination and risk retention.

In addition, the Dodd-Frank Act restricts the ability of banks to engage in certain proprietary trading or to sponsor or invest in private equity or hedge funds. The Dodd-Frank Act also contains provisions designed to limit the ability of insured depository institutions, their holding companies and their affiliates to conduct certain swaps and derivatives activities and to take certain principal positions in financial instruments.

Some provisions of the Dodd-Frank Act became effective immediately upon its enactment. Many provisions, however, will require regulations to be promulgated by various federal agencies in order to be implemented, some of which have been proposed by the applicable federal agencies. The provisions of the Dodd-Frank Act may have unintended effects, which will not be clear until implementation. The changes resulting from the Dodd-Frank Act could limit our business activities, require changes to certain of our business practices, impose upon us more stringent capital, liquidity and leverage requirements or otherwise materially and adversely affect us. These changes may also require us to invest significant management attention and resources to evaluate and make any changes necessary to comply with new statutory and regulatory requirements. Failure to comply with the new requirements could also materially and adversely affect us. Any changes in the laws or regulations or their interpretations could be materially adverse to investors in our Class A common stock. For a more detailed description of the Dodd-Frank Act, see *Supervision and Regulation Changes in Laws, Regulations or Policies and the Dodd-Frank Act*.

We operate in a highly regulated environment and the laws and regulations that govern our operations, corporate governance, executive compensation and accounting principles, or changes in them, or our failure to comply with them, could materially and adversely affect us.

We are subject to extensive regulation, supervision, and legislation that govern almost all aspects of our operations. Intended to protect customers, depositors and the Deposit Insurance Fund (the DIF) these laws and regulations, among other matters, prescribe minimum capital requirements, impose limitations on the business activities in which we can engage, limit the dividends or distributions that we can pay, restrict the ability of institutions to guarantee our debt, and impose certain specific accounting requirements on us that may be more restrictive and may result in greater or earlier charges to earnings or reductions in our capital than GAAP. Compliance with laws and regulations can be difficult and costly, and changes to laws and regulations often impose additional compliance costs. Our failure to comply with these laws and regulations, even if the failure follows good faith effort or reflects a difference in interpretation, could subject us to restrictions on our business activities, fines and other penalties, any of which could materially and adversely affect us. Further, any new laws, rules and regulations could make compliance more difficult or expensive and also materially and adversely affect us.

We are subject to substantial regulatory limitations that limit the way in which we may operate our business.

Our bank subsidiary, NBH Bank, N.A. (NBH Bank or the Bank), is subject to specific requirements pursuant to the OCC Operating Agreement entered into in connection with our acquisition of certain assets of Bank Midwest, N.A. The OCC Operating Agreement requires, among other things, that the Bank maintain various financial and capital ratios and provide notice to, and obtain consent from, the OCC with respect to any additional failed bank acquisitions from the FDIC or the appointment of any new director or senior executive officer of the Bank. Additionally, the OCC Operating Agreement prohibits the Bank from paying a dividend to the Company until December 2013 and, once the prohibition period has elapsed, imposes other restrictions on the Bank's ability to pay dividends, including requiring prior approval from the OCC before any distribution is made. Also, the OCC Operating Agreement requires that the Bank maintain total capital at least equal to 12% of risk-weighted assets, tier 1 capital at least equal to 11% of risk-weighted assets and tier 1 capital at least equal to 10% of adjusted total assets.

Table of Contents

The Bank (and, with respect to certain provisions, the Company) is also subject to the FDIC Order issued in connection with the FDIC's approval of our application for deposit insurance for the Bank. The FDIC Order requires, among other things, that, until December 2013, must obtain the FDIC's approval before implementing certain compensation plans, submit updated business plans and reports of material deviations from those plans to the FDIC and comply with the applicable requirements of the FDIC Policy Statement. Additionally, the FDIC Order requires that the Bank maintain capital levels of at least a 10% tier 1 leverage ratio and a 10% tier 1 risk-based capital ratio until December 2013.

A failure by us or the Bank to comply with the requirements of the OCC Operating Agreement or the FDIC Order, or the objection by the OCC or the FDIC to any materials or information submitted pursuant to the OCC Operating Agreement or the FDIC Order, could prevent us from executing our business strategy and materially and adversely affect us.

The FDIC's restoration plan and the related increased assessment rate could materially and adversely affect us.

The FDIC insures deposits at FDIC-insured depository institutions, such as our subsidiary bank, up to applicable limits. The amount of a particular institution's deposit insurance assessment is based on that institution's risk classification under an FDIC risk-based assessment system. An institution's risk classification is assigned based on its capital levels and the level of supervisory concern the institution poses to its regulators. Market developments have significantly depleted the DIF of the FDIC and reduced the ratio of reserves to insured deposits. As a result of recent economic conditions and the enactment of the Dodd-Frank Act, the FDIC has increased the deposit insurance assessment rates and thus raised deposit insurance premiums for insured depository institutions. If these increases are insufficient for the DIF to meet its funding requirements, there may need to be further special assessments or increases in deposit insurance premiums. We are generally unable to control the amount of premiums that we are required to pay for FDIC insurance. If there are additional bank or financial institution failures, we may be required to pay even higher FDIC premiums than the recently increased levels. Any future additional assessments, increases or required prepayments in FDIC insurance premiums may materially and adversely affect us, including by reducing our profitability or limiting our ability to pursue certain business opportunities.

Federal banking agencies periodically conduct examinations of our business, including compliance with laws and regulations, and our failure to comply with any supervisory actions to which we become subject as a result of such examinations could materially and adversely affect us.

Federal banking agencies periodically conduct examinations of our business, including compliance with laws and regulations. If, as a result of an examination, a federal banking agency were to determine that the financial condition, capital resources, asset quality, earnings prospects, management, liquidity or other aspects of any of our operations had become unsatisfactory, or that the Company or its management was in violation of any law or regulation, it may take a number of different remedial actions as it deems appropriate. These actions include the power to enjoin unsafe or unsound practices, to require affirmative actions to correct any conditions resulting from any violation or practice, to issue an administrative order that can be judicially enforced, to direct an increase in our capital, to restrict our growth, to assess civil monetary penalties against our officers or directors, to remove officers and directors and, if it is concluded that such conditions cannot be corrected or there is an imminent risk of loss to depositors, to terminate our deposit insurance. If we become subject to such regulatory actions, we could be materially and adversely affected.

We are subject to the Community Reinvestment Act and fair lending laws, and failure to comply with these laws could lead to a wide variety of sanctions.

The CRA, the Equal Credit Opportunity Act, the Fair Housing Act and other fair lending laws and regulations impose nondiscriminatory lending requirements on financial institutions. The Department of Justice and other federal agencies are responsible for enforcing these laws and regulations. A successful challenge to an

Table of Contents

institution's performance under the CRA or fair lending laws and regulations could result in a wide variety of sanctions, including damages and civil money penalties, injunctive relief, restrictions on mergers and acquisitions activity, and restrictions on expansion activity. Private parties may also have the ability to challenge an institution's performance under fair lending laws in private class action litigation.

The Federal Reserve may require us to commit capital resources to support our subsidiary bank.

As a matter of policy, the Federal Reserve, which examines us and our subsidiaries, expects a bank holding company to act as a source of financial and managerial strength to a subsidiary bank and to commit resources to support such subsidiary bank. Under the source of strength doctrine, the Federal Reserve may require a bank holding company to make capital injections into a troubled subsidiary bank and may charge the bank holding company with engaging in unsafe and unsound practices for failure to commit resources to such a subsidiary bank. In addition, the Dodd-Frank Act directs the federal bank regulators to require that all companies that directly or indirectly control an insured depository institution serve as a source of strength for the institution. Under this requirement, we could be required to provide financial assistance to our subsidiary bank should our subsidiary bank experience financial distress.

A capital injection may be required at times when we do not have the resources to provide it and therefore we may be required to borrow the funds or raise additional equity capital from third parties. Any loans by a holding company to its subsidiary bank are subordinate in right of payment to deposits and to certain other indebtedness of the subsidiary bank. In the event of a bank holding company's bankruptcy, the bankruptcy trustee will assume any commitment by the holding company to a federal bank regulatory agency to maintain the capital of a subsidiary bank. Moreover, bankruptcy law provides that claims based on any such commitment will be entitled to a priority of payment over the claims of the holding company's general unsecured creditors, including the holders of its indebtedness. Any financing that must be done by the holding company in order to make the required capital injection may be difficult and expensive and may not be available on attractive terms, or at all, which likely would have a material adverse effect on us.

The short-term and long-term impact of the new regulatory capital standards and the forthcoming new capital rules for U.S. banks is uncertain.

On September 12, 2010, the Group of Governors and Heads of Supervision, the oversight body of the Basel Committee on Banking Supervision, announced an agreement to a strengthened set of capital requirements for internationally active banking organizations in the United States and around the world, known as Basel III. Basel III increases the requirements for minimum common equity, minimum tier 1 capital, and minimum total capital, to be phased in over time until fully phased in by January 1, 2019.

Various provisions of the Dodd-Frank Act increase the capital requirements of bank holding companies, such as the Company, and non-bank financial companies that are supervised by the Federal Reserve. The leverage and risk-based capital ratios of these entities may not be lower than the leverage and risk-based capital ratios for insured depository institutions. In particular, bank holding companies, many of which have long relied on trust preferred securities as a component of their regulatory capital, will no longer be permitted to count trust preferred securities toward their tier 1 capital. In June 2012, the Federal Reserve, OCC and FDIC released proposed rules which would implement the Basel III and Dodd-Frank Act capital requirements. While the proposed capital requirements would result in generally higher regulatory capital standards, it is uncertain as to exactly how the new standards will ultimately be applied to us and our subsidiary bank and their impact on us or NBH Bank.

We face a risk of noncompliance and enforcement action with the Bank Secrecy Act and other anti-money laundering statutes and regulations.

The federal Bank Secrecy Act, the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (the PATRIOT Act) and other laws and regulations

Table of Contents

require financial institutions, among other duties, to institute and maintain an effective anti-money laundering program and file suspicious activity and currency transaction reports as appropriate. The federal Financial Crimes Enforcement Network, established by the U.S. Treasury Department to administer the Bank Secrecy Act, is authorized to impose significant civil money penalties for violations of those requirements, and has recently engaged in coordinated enforcement efforts with the individual federal banking regulators, as well as the U.S. Department of Justice, Drug Enforcement Administration, and Internal Revenue Service. There is also increased scrutiny of compliance with the rules enforced by the Office of Foreign Assets Control (the OFAC). If our policies, procedures and systems are deemed deficient or the policies, procedures and systems of the financial institutions that we have already acquired or may acquire in the future are deficient, we would be subject to liability, including fines and regulatory actions (such as restrictions on our ability to pay dividends and the necessity to obtain regulatory approvals to proceed with certain aspects of our business plan, including our acquisition plans), which could materially and adversely affect us. Failure to maintain and implement adequate programs to combat money laundering and terrorist financing could also have serious reputational consequences for us.

Federal, state and local consumer lending laws may restrict our ability to originate certain mortgage loans or increase our risk of liability with respect to such loans and could increase our cost of doing business.

Federal, state and local laws have been adopted that are intended to eliminate certain lending practices considered predatory. These laws prohibit practices such as steering borrowers away from more affordable products, selling unnecessary insurance to borrowers, repeatedly refinancing loans and making loans without a reasonable expectation that the borrowers will be able to repay the loans irrespective of the value of the underlying property. It is our policy not to make predatory loans, but these laws create the potential for liability with respect to our lending and loan investment activities. They increase our cost of doing business and, ultimately, may prevent us from making certain loans and cause us to reduce the average percentage rate or the points and fees on loans that we do make.

Risks Relating to Our Class A Common Stock

There is currently no market for our Class A common stock and an active, liquid market for our Class A common stock may not develop or be sustained, which likely would materially and adversely affect the market price of our Class A common stock.

Before this offering, there has been no established public market for our Class A common stock. We have applied to have our Class A common stock listed on the New York Stock Exchange, but our application may not be approved. Even if approved, an active, liquid trading market for our Class A common stock may not develop or be sustained following this offering, which likely would materially and adversely affect the market price of our Class A common stock. Stockholders also may not be able to sell their shares of our Class A common stock at the volume, prices and times desired.

The market price of our Class A common stock may fluctuate substantially and be highly volatile, which may make it difficult for stockholders to sell their shares of our Class A common stock at the volume, prices and times desired.

The market price of our Class A common stock may fluctuate substantially and be highly volatile, which may make it difficult for stockholders to sell their shares of our Class A common stock at the volume, prices and times desired. There are many factors that will impact the market price of our Class A common stock, including, without limitation:

general market conditions, including price levels and volume;

national, regional and local economic or business conditions;

the effects of, and changes in, trade, monetary and fiscal policies, including the interest rate policies of the Federal Reserve;

our actual or projected financial condition, liquidity, results of operations, cash flows and capital levels;

Table of Contents

changes in, or failure to meet, our publicly disclosed expectations as to our future financial and operating performance;

publication of research reports about us, our competitors or the financial services industry generally, or changes in, or failure to meet, securities analysts' estimates of our financial and operating performance, or lack of research reports by industry analysts or ceasing of coverage;

market valuations, as well as the financial and operating performance and prospects, of similar companies;

future issuances or sales, or anticipated issuances or sales, of our common stock or other securities convertible into or exchangeable or exercisable for our common stock;

expenses incurred in connection with changes in our stock price, such as changes in the value of the warrant liability and changes in the value of appreciation instruments issued to the FDIC;

additions or departures of key personnel;

the availability, terms and deployment of capital;

the impact of changes in financial services laws and regulations (including laws concerning taxes, banking, securities and insurance);

unanticipated regulatory or judicial proceedings, and related liabilities and costs;

the timely implementation of services and products by us and the acceptance of such services and products by customers;

our ability to continue to grow our business internally and through acquisitions and successful integration of new or acquired financial institutions, banking centers or other banking assets while controlling costs;

compliance with laws and regulatory requirements, including those of federal, state and local agencies;

our failure to satisfy the continuing listing requirements of the New York Stock Exchange;

our failure to comply with the Sarbanes-Oxley Act of 2002;

changes in accounting principles, policies and guidelines;

share-based compensation expense, including approximately \$5.0 million that we will incur upon the completion of this offering in connection with the achievement of one of the vesting requirements of previously granted share-based compensation;

actual, potential or perceived accounting problems affecting us, including the material weakness in our internal control over financial reporting that we identified during the audit of our consolidated financial statements for the year ended December 31, 2011.

our treatment as an emerging growth company under the federal securities laws;

rapidly changing technology;

other economic, competitive, governmental, regulatory and technological factors affecting our operations, pricing, products and services; and

other news, announcements or disclosures (whether by us or others) related to us, our competitors, our core markets or the financial services industry.

The stock markets in general have experienced substantial fluctuations and volatility that has often been unrelated to the operating performance and prospects of particular companies. These broad market movements may materially and adversely affect the market price of our Class A common stock. In the past, stockholders have sometimes instituted securities class action litigation against companies following significant declines in the

Table of Contents

market price of their securities. Any similar litigation against us could divert management's attention and resources and materially and adversely affect us.

Our ability to pay dividends is subject to regulatory limitations and our bank subsidiary's ability to pay dividends to us, which is also subject to regulatory limitations.

Prior to this offering, we have never paid cash dividends to holders of our common stock. Our ability to declare and pay dividends depends both on the ability of our bank subsidiary to pay dividends to us and on certain federal regulatory considerations, including the guidelines of the Federal Reserve regarding capital adequacy and dividends. Because we are a separate legal entity from our bank subsidiary and we do not have significant operations of our own, any dividends paid by us to our common stockholders would have to be paid from funds at the holding company level that are legally available therefor. However, as a bank holding company, we are subject to general regulatory restrictions on the payment of cash dividends. Federal bank regulatory agencies have the authority to prohibit bank holding companies from engaging in unsafe or unsound practices in conducting their business, which depending on the financial condition and liquidity of the holding company at the time, could include the payment of dividends. Additionally, various federal and state statutory provisions limit the amount of dividends that our bank subsidiary can pay to us as its holding company without regulatory approval. Our bank subsidiary is currently prohibited by our OCC Operating Agreement from paying dividends to us until December 2013. Therefore, other than the net proceeds that we received or will receive, as the case may be, from the 2009 private offering and this offering and from any future financing at the holding company level, we do not have, and do not expect to have in the near future, liquidity at the holding company level to pay dividends to our common stockholders. Finally, holders of our common stock are only entitled to receive such dividends as our board of directors may, in its unilateral discretion, declare out of funds legally available for such purpose based on a variety of considerations, including, without limitation, our historical and projected financial condition, liquidity and results of operations, capital levels, tax considerations, statutory and regulatory prohibitions and other limitations, general economic conditions and other factors deemed relevant by our board of directors.

You will incur immediate dilution as a result of this offering.

If you purchase our Class A common stock in this offering, you will pay more for your shares than the pro forma net tangible book value of your shares, as of June 30, 2012, after giving effect to this offering. As a result, you will incur immediate dilution of \$ per share, assuming an initial public offering price of \$ per share, which is the midpoint of the offering price range set forth on the cover page of this prospectus, representing the difference between such assumed initial public offering price and our pro forma net tangible book value per share of common stock, as of June 30, 2012, after giving effect to this offering. Accordingly, if we were liquidated at our pro forma net tangible book value, you would not receive the full amount of your investment. See Dilution.

The market price of our Class A common stock could decline significantly due to actual or anticipated issuances or sales of our common stock in the future.

Actual or anticipated issuances or sales of substantial amounts of our common stock following this offering could cause the market price of our Class A common stock to decline significantly and make it more difficult for us to sell equity or equity-related securities in the future at a time and on terms that we deem appropriate. The issuance of any shares of our common stock in the future also would, and equity-related securities could, dilute the percentage ownership interest held by stockholders prior to such issuance.

Upon completion of this offering, we will have outstanding shares of Class A common stock and outstanding shares of Class B non-voting common stock. All of the shares of Class A common stock sold in this offering (or shares if the underwriters exercise in full their option to purchase additional shares of Class A common stock from us) will be freely tradable, except that any shares purchased by affiliates (as that term is defined in Rule 144 under the Securities Act of 1933, as amended (the Securities Act)) may be

Table of Contents

sold publicly only in compliance with the limitations described under **Shares Eligible For Future Sale**. The remaining outstanding shares of our Class A common stock and all of our outstanding shares of Class B non-voting common stock will be deemed to be restricted securities as that term is defined in Rule 144. In addition, existing holders of 51,936,280 shares (or approximately 99.5%) of our common stock (including 44,390,927 shares of Class A common stock and 7,545,353 shares of Class B non-voting common stock) are entitled to the benefits of a registration rights agreement that we entered into in connection with our 2009 private offering. In accordance with the registration rights agreement, we filed a preliminary shelf registration statement on March 30, 2012. See **Certain Relationships and Related Party Transactions Registration Rights Agreement** for more information regarding the rights of existing stockholders under the registration rights agreement. Certain of these holders also hold warrants to purchase up to 830,750 additional shares of Class A common stock or Class B non-voting common stock. We also intend to file a registration statement on Form S-8 under the Securities Act to register an aggregate of approximately million shares of Class A common stock issued or reserved for future issuance under the NBH Holdings Corp. 2009 Equity Incentive Plan, assuming the exercise in full of the underwriters option to purchase additional shares of our Class A common stock. We may issue all of these shares without any action or approval by our stockholders, and these shares, once issued (including upon exercise of outstanding options), will be available for sale into the public market, subject to the restrictions described above, if applicable, for affiliate holders. The warrant liability increased \$0.1 million during the six months ended June 30, 2012. The value of the warrant liability, and the expense that results from an increase to this liability, has a direct correlation to our stock price. Accordingly, any increase in our stock price, whether it be through this offering or otherwise, would result in an increase in the warrant liability and the associated expense. More information on the accounting and measurement of the warrant liability can be found in Notes 2 and 19 in our audited consolidated financial statements.

Future incurrence of debt, which would rank senior to our Class A common stock upon our liquidation, and future issuances of equity securities, which would dilute the holdings of our existing Class A common stockholders and may be senior to our Class A common stock for the purposes of making distributions, periodically or upon liquidation, may negatively affect the market price of our Class A common stock.

In the future, we may issue debt or equity securities or incur other borrowings. Upon our liquidation, holders of our debt securities and other loans and preferred stock will receive a distribution of our available assets before Class A common stockholders. If we incur debt in the future, our future interest costs could increase, and adversely affect our liquidity, cash flows and results of operations.

We are not required to offer any additional equity securities to existing Class A common stockholders on a preemptive basis. Therefore, additional common stock issuances, directly or through convertible or exchangeable securities, warrants or options, will dilute the holdings of our existing Class A common stockholders and such issuances or the perception of such issuances may reduce the market price of our Class A common stock. Our preferred stock, if issued, would likely have a preference on distribution payments, periodically or upon liquidation, which could eliminate or otherwise limit our ability to make distributions to Class A common stockholders. Because our decision to issue debt or equity securities or incur other borrowings in the future will depend on market conditions and other factors beyond our control, the amount, timing, nature or success of our future capital raising efforts is uncertain. Thus, Class A common stockholders bear the risk that our future issuances of debt or equity securities or our incurrence of other borrowings will negatively affect the market price of our Class A common stock.

Provisions in our certificate of incorporation and the applicability of Section 203 of the Delaware General Corporation Law may inhibit a takeover of us, which could discourage transactions that would otherwise be in the best interests of our stockholders and could entrench management.

Our certificate of incorporation contains provisions that may discourage unsolicited takeover proposals that stockholders may consider to be in their best interests. These provisions include limits on the aggregate ownership of our outstanding shares of Class A common stock and the unilateral ability of the board of directors to designate the terms of and issue new series of preferred stock. In addition, we have not opted out of the limitations on business combinations with interested stockholders contained in Section 203 of the Delaware General Corporation Law. As a result, it may be more difficult to remove management and may discourage

Table of Contents

transactions that would otherwise be in the best interests of our stockholders, including those involving payment of a premium over the prevailing market price of our Class A common stock. See Description of Capital Stock Certain Anti-Takeover Provisions of Delaware Law and our Certificate of Incorporation and Bylaws.

Certain provisions of our loss sharing agreements may have anti-takeover effects and could limit our ability and the ability of our stockholders to engage in certain transactions.

The loss sharing agreements we entered into with the FDIC in connection with the Hillcrest Bank and Community Banks of Colorado acquisitions require that we receive prior FDIC consent, which may be withheld by the FDIC in its sole discretion, prior to us or our stockholders engaging in certain transactions, including those that would otherwise be in our or their best interests. If any such transaction is completed without prior FDIC consent, the FDIC would have the right to discontinue the loss sharing arrangement with us.

Among other things, prior FDIC consent is required for (1) a merger or consolidation of us with or into another company if our stockholders will own less than 66.66% of the combined company, or of our bank subsidiary with or into another company, if we will own less than 66.66% of the combined company, (2) the sale of all or substantially all of the assets of our bank subsidiary and (3) a sale of shares by a stockholder, or a group of related stockholders, that will effect a change in control of our bank subsidiary, as determined by the FDIC with reference to the standards set forth in the Change in Bank Control Act of 1978, as amended (the Change in Bank Control Act) (generally, the acquisition of between 10% and 25% of our voting securities where the presumption of control is not rebutted, or the acquisition by any person, acting directly or indirectly or through or in concert with one or more persons, of more than 25% of our voting securities). If we or any stockholder desired to enter into any such transaction, the FDIC may not grant its consent in a timely manner, without conditions, or at all. If one of these transactions were to occur without prior FDIC consent and the FDIC withdrew its loss share arrangement with us, we could be materially and adversely affected.

Our certificate of incorporation contains provisions renouncing our interest and expectancy in certain corporate opportunities.

We have renounced, in our certificate of incorporation, any interest or expectancy in any acquisition opportunities that our officers or directors become aware of and which may be suitable for other entities to which our officers or directors have a fiduciary or contractual obligation or which were presented to them in their capacity as fiduciaries of such other entities. This would apply even if the acquisition opportunity is in the same or similar line of business in which we operate. These potential conflicts of interest could have a material adverse effect on us.

Stockholders may be deemed to be acting in concert or otherwise in control of us and our bank subsidiary, which could impose prior approval requirements and result in adverse regulatory consequences for such holders.

We are a bank holding company regulated by the Federal Reserve. Any entity (including a group composed of natural persons) owning 25% or more of a class of our outstanding shares of voting stock, or a lesser percentage if such holder or group otherwise exercises a controlling influence over us, may be subject to regulation as a bank holding company in accordance with the Bank Holding Company Act of 1956, as amended (the BHCA). In addition, (1) any bank holding company or foreign bank with a U.S. presence is required to obtain the approval of the Federal Reserve under the BHCA to acquire or retain 5% or more of a class of our outstanding shares of voting stock, and (2) any person other than a bank holding company may be required to obtain prior regulatory approval under the Change in Bank Control Act to acquire or retain 10% or more of our outstanding shares of voting stock. Any stockholder that is deemed to control the Company for bank regulatory purposes would become subject to prior approval requirements and ongoing regulation and supervision. Such a holder may be required to divest amounts equal to or exceeding 5% of the voting shares of investments that may be deemed incompatible with bank holding company status, such as an investment in a company engaged in non-financial activities. Regulatory determination of control of a depository institution or holding company is based on all of the relevant facts and circumstances. Potential investors are advised to consult with their legal counsel regarding the applicable regulations and requirements.

Table of Contents

Our common stock owned by holders determined by a bank regulatory agency to be acting in concert would be aggregated for purposes of determining whether those holders have control of a bank or bank holding company. Each stockholder obtaining control that is a company would be required to register as a bank holding company. Acting in concert generally means knowing participation in a joint activity or parallel action towards the common goal of acquiring control of a bank or a parent company, whether or not pursuant to an express agreement. The manner in which this definition is applied in individual circumstances can vary and cannot always be predicted with certainty. Many factors can lead to a finding of acting in concert, including where: (i) the stockholders are commonly controlled or managed; (ii) the stockholders are parties to an oral or written agreement or understanding regarding the acquisition, voting or transfer of control of voting securities of a bank or bank holding company; (iii) the stockholders each own stock in a bank and are also management officials, controlling stockholders, partners or trustees of another company; or (iv) both a stockholder and a controlling stockholder, partner, trustee or management official of such stockholder own equity in the bank or bank holding company.

We and certain of our stockholders are required to comply with the applicable provisions of the FDIC Policy Statement, including a prohibition on sales or transfers of our securities by each such stockholder until three years after the Company's acquisition of certain failed institutions (except in the case of certain mutual fund holders) without prior FDIC approval.

As the agency responsible for resolving the failure of banks, the FDIC has discretion to determine whether a party is qualified to bid on a failed institution. The FDIC adopted the FDIC Policy Statement in August 2009 and issued related guidance in January and April 2010. The FDIC Policy Statement imposes restrictions and requirements on certain institutions including us and our bank subsidiary and their investors. Unless we, together with a group of investors holding an aggregate of at least 30% of our common stock, along with all investors holding more than 5% of our total voting power, are then in compliance with the FDIC Policy Statement, the FDIC may not permit us to bid on failed institutions.

The FDIC Policy Statement imposes the following restrictions and requirements, among others. First, our bank subsidiary is required to maintain capital levels of at least a 10% tier 1 leverage ratio and a 10% tier 1 risk-based capital ratio until December 2013. This amount of capital exceeds that required under otherwise applicable regulatory requirements. Second, investors that collectively own 80% or more of two or more depository institutions are required to pledge to the FDIC their proportionate interests in each institution to indemnify the FDIC against any losses it incurs in connection with the failure of one of the institutions. Third, our bank subsidiary is prohibited from extending credit to its investors and to affiliates of its investors. Fourth, investors may not employ ownership structures that use entities domiciled in bank secrecy jurisdictions (which the FDIC has interpreted to apply to a wide range of non-U.S. jurisdictions). Fifth, investors are prohibited from selling or otherwise transferring shares of our common stock that they own for a three-year period following the time of certain acquisitions of failed institutions by us without FDIC approval. The transfer restrictions in the FDIC Policy Statement do not apply to open-ended investment companies that are registered under the Investment Company Act of 1940, as amended (the Investment Company Act), issue redeemable securities and allow investors to redeem on demand. Sixth, investors may not employ complex and functionally opaque ownership structures to own a beneficial interest in our bank subsidiary. Seventh, investors that own 10% or more of the equity of a failed institution are not eligible to bid for that institution in a FDIC auction. Eighth, investors may be required to provide information to the FDIC regarding the investors and all entities in their ownership chains, such as information with respect to the size of the capital fund or funds, their diversification, their return profiles, their marketing documents, their management teams, and their business models. Ninth, the FDIC Policy Statement does not replace or substitute for otherwise applicable regulations or statutes.

The FDIC Policy Statement applies to any of our stockholders, including purchasers of our Class A common stock in this offering, who hold more than 5% of our total voting power.

Table of Contents

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements. Any statements about our expectations, beliefs, plans, predictions, forecasts, objectives, assumptions or future events or performance are not historical facts and may be forward-looking. These statements are often, but not always, made through the use of words or phrases such as anticipate, believes, can, would, should, could, may, predicts, potential, show, plans, projects, continuing, ongoing, expects, intends and similar words or phrases. These statements are only predictions and involve estimated known and unknown risks, assumptions and uncertainties. Our actual results could differ materially from those expressed in or contemplated by such forward-looking statements as a result of a variety of factors, some of which are more fully described under the caption "Risk Factors" and elsewhere in this prospectus.

Any or all of our forward-looking statements in this prospectus may turn out to be inaccurate. The inclusion of such forward-looking statements should not be regarded as a representation by us, the selling stockholders, the underwriters or any other person that the results expressed in or contemplated by such forward-looking statements will be achieved. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, liquidity, results of operations, business strategy and growth prospects. There are important factors that could cause our actual results, level of activity, performance or achievements to differ materially from the results, level of activity, performance or achievements expressed in or contemplated by the forward looking statements, including, but not limited to:

ability to execute our business strategy;

changes in the regulatory environment, including changes in regulation that affect the fees that we charge;

economic, market, operational, liquidity, credit and interest rate risks associated with our business;

our ability to identify potential candidates for, and consummate, acquisitions of banking franchises on attractive terms, or at all;

our ability to integrate acquisitions and to achieve synergies, operating efficiencies and/or other expected benefits within expected time-frames, or at all, or within expected cost projections, and to preserve the goodwill of acquired banking franchises;

our ability to achieve organic loan and deposit growth and the composition of such growth;

business and economic conditions generally and in the financial services industry;

increased competition in the financial services industry, nationally, regionally or locally, resulting in, among other things, lower risk-adjusted returns;

changes in the economy or supply-demand imbalances affecting local real estate values;

volatility and direction of market interest rates;

effects of any changes in trade and monetary and fiscal policies and laws, including the interest rate policies of the Federal Reserve;

the ability in certain states to amend the state constitution by a simple majority of the people who actually vote;

governmental legislation and regulation, including changes in accounting regulation or standards;

failure of politicians to reach consensus on a bipartisan basis;

acts of war or terrorism, natural disasters such as tornadoes, flooding, hail storms and damaging winds, earthquakes, hurricanes or fires, or the effects of pandemic flu;

the timely development and acceptance of new products and services and perceived overall value of these products and services by users;

Table of Contents

changes in the Company's management personnel;

continued consolidation in the financial services industry;

ability to maintain or increase market share;

ability to implement and/or improve operational management and other internal risk controls and processes and our reporting system and procedures;

a weakening of the economy which could materially impact credit quality trends and the ability to generate quality loans;

the impact of current economic conditions and the Company's performance, liquidity, financial condition and prospects and on its ability to obtain attractive third-party funding to meet its liquidity needs;

fluctuations in face value of investment securities due to market conditions;

changes in fiscal, monetary and related policies of the U.S. federal government, its agencies and government sponsored entities;

inability to receive dividends from our subsidiary bank and to service debt and satisfy obligations as they become due;

costs and effects of legal and regulatory developments, including the resolution of legal proceedings or regulatory or other governmental inquiries, and the results of regulatory examinations or reviews;

changes in estimates of future loan reserve requirements based upon the periodic review thereof under relevant regulatory and accounting requirements;

changes in capital classification;

impact of reputational risk on such matters as business generation and retention; and

the Company's success at managing the risks involved in the foregoing items.

All forward-looking statements are necessarily only estimates of future results. Accordingly, actual results may differ materially from those expressed in or contemplated by the particular forward-looking statement, and, therefore, you are cautioned not to place undue reliance on such statements. Any forward-looking statement is qualified in its entirety by reference to the matters discussed elsewhere in this prospectus. Further, any forward-looking statement speaks only as of the date on which it is made, and we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events or circumstances, except as required by applicable law.

Table of Contents

USE OF PROCEEDS

We estimate that the net proceeds to us from the sale of our Class A common stock in this offering will be approximately \$, or approximately \$ if the underwriters' option to purchase additional shares of our Class A common stock from us is exercised in full, assuming an initial public offering price of \$ per share, which is the midpoint of the offering price range set forth on the cover page of this prospectus, and after deducting estimated underwriting discounts and offering expenses. Each \$1.00 increase (decrease) in the assumed initial public offering price of \$ per share of Class A common stock would increase (decrease) the net proceeds to us of this offering by \$, or \$ if the underwriters' option to purchase additional shares of our Class A common stock from us is exercised in full, assuming that the number of shares of Class A common stock offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting estimated underwriting discounts and offering expenses.

We intend to use our net proceeds from this offering for general corporate purposes, including the acquisition of depository institutions through traditional unassisted and FDIC-assisted bank acquisitions, as well as through selective acquisitions of banking franchises and other complementary businesses that are consistent with our growth strategy. We will temporarily invest any of the proceeds we do not use immediately upon receipt in short-term investment grade instruments, interest-bearing bank accounts, certificates of deposit, money market securities or U.S. government securities.

We will not receive any proceeds from the sale of shares of our Class A common stock in this offering by our selling stockholders.

Table of Contents

DIVIDEND POLICY

From our inception date, we have not paid cash dividends to holders of our common stock. As approved by our board of directors following the completion of this offering, we intend to commence the payment of a \$0.05 per share dividend on a quarterly basis to holders of our common stock. It is also our intent to establish a dividend policy pursuant to which we will distribute 25% of our consolidated annual net income in the form of dividends to holders of our common stock.

As a bank holding company, any dividends paid to us by our bank subsidiary are subject to various federal and state regulatory limitations and also subject to the ability of our bank subsidiary to pay dividends to us. Currently, the Bank is prohibited by our OCC Operating Agreement from paying dividends to us until December 2013, and, therefore, any dividends to our common stockholders would have to be paid from funds legally available therefor at the holding company level. Other than the net proceeds that we received or will receive, as the case may be, from the 2009 private offering and this offering and from any future financing at the holding company level, we do not have, and do not expect to have in the near future, liquidity at the holding company level to pay dividends to our common stockholders. In addition, in the future we and our bank subsidiary may enter into credit agreements or other financing arrangements that prohibit or otherwise restrict our ability to declare or pay cash dividends. Any determination to pay cash dividends in the future will be at the unilateral discretion of our board of directors and will depend on a variety of considerations, including, without limitation, our historical and projected financial condition, liquidity and results of operations, capital levels, tax considerations, statutory and regulatory prohibitions and other limitations, general economic conditions and other factors deemed relevant by our board of directors.

See Risk Factors Our ability to pay dividends is subject to regulatory limitations and our bank subsidiary's ability to pay dividends to us, which is also subject to regulatory limitations ; Supervision and Regulation Dividend Restrictions and Material U.S. Federal Tax Considerations Dividends.

Table of Contents**CAPITALIZATION**

The following table sets forth our cash and cash equivalents and our capitalization as of June 30, 2012 on an actual basis and on an as adjusted basis to give effect to our sale of shares of Class A common stock in this offering at an assumed initial public offering price of \$ per share, which is the midpoint of the offering price range set forth on the cover page of this prospectus, after deducting estimated underwriting discounts and offering expenses.

This table should be read in conjunction with Selected Historical Consolidated Financial Information, Management's Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements, as well as the statements of assets acquired and liabilities assumed for each of our acquisitions, and the related notes thereto appearing elsewhere in this prospectus.

	At June 30, 2012	
	Actual	As Adjusted
	(unaudited)	
	(dollars in thousands, except share and per share data)	
Cash and cash equivalents	\$ 704,586	\$
Long-term debt		
Stockholders' equity:		
Preferred stock \$0.01 par value per share: 50,000,000 shares authorized, no shares issued and out-standing, actual; 50,000,000 shares authorized, no shares issued and outstanding, as adjusted		
Common stock, \$0.01 par value per share: 200,000,000 shares of Class A common stock authorized, 44,645,886 shares of Class A common stock issued and outstanding, actual, shares of Class A common stock issued and outstanding, as adjusted; and 200,000,000 shares of Class B non-voting common stock authorized, 7,545,353 shares of Class B non-voting common stock issued and outstanding, actual, shares of Class B non-voting common stock issued and outstanding, as adjusted (1)		522
Additional paid-in capital	998,963	
Retained earnings	50,825	
Accumulated other comprehensive income	46,431	
Total stockholders' equity	1,096,741	
Total capitalization	1,096,741	

- (1) Based on 44,645,886 shares of Class A common stock and 7,545,353 shares of Class B non-voting common stock issued and outstanding as of June 30, 2012 and excludes an aggregate of up to shares of Class A common stock comprised of:

up to shares of Class A common stock which may be issued by us upon exercise in full of the underwriters' option to purchase additional shares of our Class A common stock;

1,174,793 shares of restricted Class A common stock issued but not yet vested under the NBH Holdings Corp. 2009 Equity Incentive Plan;

830,750 shares of Class A common stock or Class B non-voting common stock issuable upon exercise of outstanding warrants with an exercise price of \$20.00 per share;

shares of Class A common stock issuable upon exercise of outstanding value appreciation instruments issued to the FDIC at a weighted average exercise price of \$18.44 per share, assuming (1) the FDIC exercises its right to receive payment in full in shares of Class

Edgar Filing: National Bank Holdings Corp - Form S-1/A

A common stock, and (2) an initial public offering price of \$ _____ per share of Class A common stock, which is the midpoint of the offering price range set forth on the cover page of this prospectus;

Table of Contents

3,473,332 shares of Class A common stock issuable upon exercise of outstanding stock options with a weighted average exercise price of \$20.00 per share, of which 1,070,418 shares were vested as of June 30, 2012; and

shares of Class A common stock reserved for future issuance under the NBH Holdings Corp. 2009 Equity Incentive Plan assuming the exercise in full of the underwriters' option to purchase additional shares of our Class A common stock (excluding the 3,473,332 issuable upon exercise of outstanding stock options as noted above).

Table of Contents

DILUTION

If you invest in our Class A common stock, your ownership interest will be diluted by the amount by which the initial offering price per share paid by the purchasers of Class A common stock in this offering exceeds the net tangible book value per share of our Class A and Class B common stock following this offering. As of June 30, 2012, our net tangible book value was approximately \$1.0 billion, or \$19.29 per share of common stock based on 52,191,239 shares of common stock issued and outstanding (including 44,645,886 shares of Class A common stock and 7,545,353 shares of Class B non-voting common stock). Net tangible book value per share equals total consolidated tangible assets minus total consolidated liabilities divided by the number of outstanding shares of our Class A common stock and Class B non-voting common stock.

Our net tangible book value, as of June 30, 2012, would have been approximately \$, or \$ per share of common stock based on shares of common stock issued and outstanding (including shares of Class A common stock and shares of Class B non-voting common stock), after giving effect to the sale by us of shares of Class A common stock in this offering at an assumed initial public offering price of \$ per share, the midpoint of the offering price range set forth on the cover page of this prospectus, after deducting the estimated underwriting discounts and offering expenses payable by us.

This represents an immediate increase in the net tangible book value of \$ per share to existing stockholders and an immediate dilution in the net tangible book value of \$ per share to the new investors who purchase our Class A common stock in this offering. Sales of shares by our selling stockholders in this offering do not affect our net tangible book value.

The following table illustrates this per share dilution:

Assumed initial public offering price per share	\$
Net tangible book value per share as of June 30, 2012	\$ 19.29
Increase in net tangible book value per share attributable to this offering	
Net tangible book value per share as of June 30, 2012, after giving effect to this offering	
Dilution per share to new investors	\$

Each \$1.00 increase (decrease) in the assumed initial public offering price of \$ per share of Class A common stock would increase (decrease) our net tangible book value, as of June 30, 2012, after giving effect to this offering, by approximately \$ million, or approximately \$ per share, and the dilution per share to new investors in this offering by approximately \$ per share, assuming that the number of shares offered by us, as set forth on the cover of this prospectus, remains the same and after deducting estimated underwriting discounts and offering expenses payable by us. The number of shares offered by us in this offering may be increased or decreased from the number of shares on the cover page of this prospectus. Each increase (decrease) of 1.0 million shares in the number of shares offered by us, together with a \$1.00 increase in the assumed initial public offering price of \$ per share of Class A common stock, would increase (decrease) our net tangible book value, as of June 30, 2012, after giving effect to this offering, by approximately \$ million, or approximately \$ per share, and the dilution per share to new investors in this offering by approximately \$ per share, assuming the assumed initial public offering price per share of \$ per share, the midpoint of the offering price range set forth on the cover of this prospectus, remains the same and after deducting estimated underwriting discounts and offering expenses. Similarly, a decrease of 1.0 million shares in the number of shares of Class A common stock offered by us, together with a \$1.00 decrease in the assumed initial public offering price of \$ per share, would result in our net tangible book value, as of June 30, 2012, after giving effect to this offering, of approximately \$ million, or \$ per share, and the dilution per share to investors in this offering would be \$ per share. The as adjusted information discussed above is illustrative only and will adjust based on the actual initial public offering price and other terms of this offering determined at pricing.

Table of Contents

If the underwriters exercise their option to purchase additional shares of our Class A common stock in full in this offering, assuming the number of shares offered by us, as set forth on the cover of this prospectus, remains the same and after deducting estimated underwriting discounts and offering expenses payable by us, our net tangible book value at June 30, 2012, after giving effect to this offering, would be \$ million, or \$ per share, representing an immediate increase in the net tangible book value of \$ per share to existing stockholders and an immediate dilution in the net tangible book value of \$ per share to the new investors who purchase our Class A common stock in this offering.

The following table summarizes, as of June 30, 2012, the difference between existing stockholders and new investors with respect to the number of shares of Class A common stock and Class B non-voting common stock purchased from us, the total consideration paid to us for these shares and the average price per share paid by our existing stockholders and to be paid by the new investors in this offering. The calculation below reflecting the effect of shares purchased by new investors is based on the assumed initial public offering price of \$ per share, the midpoint of the offering price range set forth in the cover of this prospectus, before deducting estimated underwriting discounts and offering expenses payable by us.

	Shares Purchased		Total Consideration		Average Price Per Share
	Number	Percent	Amount	Percent	
Existing stockholders		%		%	\$
New investors		%		%	\$
Total		100.0%		100.0%	\$

The above discussion and tables include 44,645,886 shares of Class A common stock and 7,545,353 shares of Class B non-voting common stock issued and outstanding as of June 30, 2012, and exclude 1,174,793 shares of restricted Class A common stock issued but not yet vested under the NBH Holdings Corp. 2009 Equity Incentive Plan, 830,750 shares of Class A common stock or Class B non-voting common stock issuable upon exercise of outstanding warrants issued to certain investors (as described more fully under Description of Capital Stock Common Stock Warrants), shares of Class A common stock issuable upon exercise of outstanding value appreciation instruments issued to the FDIC (as described more fully under the heading Description of Capital Stock Common Stock FDIC Value Appreciation Instrument), 3,473,332 shares of Class A common stock issuable upon exercise of outstanding stock options with a weighted average exercise price of \$20.00 per share, of which 1,070,418 shares of common stock were vested as of June 30, 2012, and shares of Class A common stock reserved for future issuance under the NBH Holdings Corp. 2009 Equity Incentive Plan assuming the exercise in full of the underwriters option to purchase additional shares of our Class A common stock, assuming the exercise in full of the underwriters option to purchase additional shares of our Class A common stock. To the extent any outstanding options, warrants and value appreciation rights are exercised, there will be further dilution to new investors. To the extent all outstanding options, warrants and value appreciation rights had been exercised as of June 30, 2012, the net tangible book value per share after this offering would have been \$ and dilution per share to new investors would have been \$.

Table of Contents**SELECTED HISTORICAL CONSOLIDATED FINANCIAL INFORMATION**

The following table sets forth summary selected historical financial information as of December 31, 2009 and for the period from June 16, 2009 (inception) to December 31, 2009, as of and for the years ended December 31, 2010 and December 31, 2011, and as of and for the six months ended June 30, 2012 and for the six months ended June 30, 2011 and the three months ended June 30, 2012 and March 31, 2012. The summary selected historical consolidated financial information set forth below as of December 31, 2009 and for the period from June 16, 2009 (inception) to December 31, 2009 and as of and for the years ended December 31, 2010 and December 31, 2011 is derived from our audited consolidated financial statements included elsewhere in this prospectus. The summary historical consolidated financial information set forth below as of and for the six months ended June 30, 2012 and June 30, 2011 and for the three months ended June 30, 2012 and March 31, 2012 is derived from our unaudited consolidated financial statements included elsewhere in this prospectus.

Although we were incorporated on June 16, 2009, we did not have any substantive operations prior to the Hillcrest Bank acquisition on October 22, 2010. Our results of operations for the post-Hillcrest Bank acquisition periods are not comparable to our results of operations for the pre-Hillcrest Bank acquisition periods. Our results of operations for the post-Hillcrest Bank acquisition periods reflect, among other things, the acquisition method of accounting. In addition, we consummated the Bank Midwest acquisition on December 10, 2010, the Bank of Choice acquisition on July 22, 2011 and the Community Banks of Colorado acquisition on October 21, 2011. The Bank Midwest, Bank of Choice and Community Banks of Colorado acquisitions were significant acquisitions and were also accounted for using the acquisition method of accounting. See Management's Discussion and Analysis of Financial Condition and Results of Operations.

The summary unaudited selected historical consolidated financial information set forth below should be read together with Management's Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements, as well as the statements of assets acquired and liabilities assumed for each of our acquisitions, and the related notes thereto included elsewhere in this prospectus. Such information is not necessarily indicative of our results in any future periods, including the year ending December 31, 2012.

Summary Selected Historical Consolidated Financial Data

	June 30, 2012	March 31, 2012	December 31, 2011	December 31, 2010	December 31, 2009 (1)
Consolidated Balance Sheet Information (\$ in thousands):					
Cash and cash equivalents	\$ 704,586	\$ 844,311	\$ 1,628,137	\$ 1,907,730	\$ 1,099,288
Investment securities available-for-sale	1,803,843	1,738,929	1,862,699	1,254,595	
Investment securities held-to-maturity	707,110	760,744	6,801		
Non-marketable equity securities	33,076	29,087	29,117	17,800	
Loans receivable (2):					
Covered under FDIC loss sharing agreements	767,683	861,636	952,715	703,573	
Not covered under FDIC loss sharing agreements	1,216,391	1,244,854	1,321,336	865,297	
Less: Allowance for loan losses	(17,294)	(12,408)	(11,527)	(48)	
Loans receivable, net	1,966,780	2,094,082	2,262,524	1,568,822	
FDIC indemnification asset	148,527	187,136	223,402	161,395	
Other real estate owned	137,712	144,619	120,636	54,078	
Premises and equipment, net	116,908	111,901	87,315	37,320	
Goodwill and other intangible assets	89,885	91,217	92,553	79,715	
Other assets	80,648	72,781	38,842	24,066	565
Total assets	5,789,075	6,074,807	6,352,026	5,105,521	1,099,853
Transaction account deposits	2,343,048	2,365,501	2,278,457	1,209,322	
Time deposits	2,186,501	2,406,648	2,784,596	2,264,017	
Other liabilities	162,785	211,269	200,244	638,423	2,357
Total liabilities	4,692,334	4,983,418	5,263,297	4,111,762	2,357
Total stockholders' equity (5)	1,096,741	1,091,389	1,088,729	993,759	1,097,496

Edgar Filing: National Bank Holdings Corp - Form S-1/A

Total liabilities and stockholders' equity	\$ 5,789,075	\$ 6,074,807	\$ 6,352,026	\$ 5,105,521	\$ 1,099,853
--	--------------	--------------	--------------	--------------	--------------

Table of Contents

	For the Six Months Ended June 30, 2012	For the Six Months Ended June 30, 2011	For the Three Months Ended June 30, 2012	For the Three Months Ended March 31, 2012	For the Twelve Months Ended December 31, 2011	For the Twelve Months Ended December 31, 2010	For the Period June 16, 2009 through December 31, 2009(1)
Consolidated Income Statement Data:							
Interest income	\$ 122,735	\$ 85,653	\$ 59,845	\$ 62,890	\$ 197,159	\$ 21,422	\$ 481
Interest expense	17,564	20,934	7,932	9,632	41,696	5,512	
Net interest income	105,171	64,719	51,913	53,258	155,463	15,910	481
Provision for loan losses	20,062	12,686	12,226	7,836	20,002	88	
Net interest income after provision for loan losses	85,109	52,033	39,687	45,422	135,461	15,822	481
Bargain purchase gain					60,520	37,778	
Non-interest income	20,319	20,091	10,049	10,270	28,966	4,385	
Non-interest expense	98,274	63,146	45,301	52,973	155,538	48,981	1,847
Income (loss) before income taxes	7,154	8,978	4,435	2,719	69,409	9,004	(1,366)
Provision (benefit) for income before taxes	2,809	3,220	1,733	1,076	27,446	2,953	168
Net income (loss)	\$ 4,345	\$ 5,758	\$ 2,703	\$ 1,643	\$ 41,963	\$ 6,051	\$ (1,534)
Share Information (3):							
Earnings (loss) per share, basic	\$ 0.08	\$ 0.11	\$ 0.05	\$ 0.03	\$ 0.81	\$ 0.11	\$ (0.07)
Earnings (loss) per share, diluted	\$ 0.08	\$ 0.11	\$ 0.05	\$ 0.03	\$ 0.81	\$ 0.11	\$ (0.07)
Book value per share	\$ 21.01	\$ 19.75	\$ 0.10	\$ 20.91	\$ 20.87	\$ 19.13	\$ 18.82
Tangible book value per share (4)	\$ 19.29	\$ 18.25	\$ 19.29	\$ 19.16	\$ 19.10	\$ 17.60	\$ 18.82
Weighted average common shares outstanding, basic (5)	52,184,501	51,936,280	52,191,239	52,176,863	51,978,744	53,000,454	21,251,006
Weighted average common shares outstanding, diluted (5)	52,311,348	51,936,280	52,319,170	52,303,771	52,104,021	53,000,454	21,251,006
Common shares outstanding (5)	52,191,239	51,936,280	52,191,239	52,191,239	52,157,697	51,936,280	58,318,304
Other Financial Data:							
Adjusted pre-tax, pre-provision net revenue (7)	\$ 31,671	\$ 30,569	\$ 18,752	\$ 12,919	\$ 47,035	\$ 1,991	\$ (1,366)
Adjusted non-interest expense (7)	\$ 93,145	\$ 54,051	\$ 43,210	\$ 49,935	\$ 138,039	\$ 18,293	\$ 1,847

Table of Contents

	As of and for the Six Months Ending June 30, 2012	As of and for the Six Months Ended June 30, 2011	As of and for the Three Months Ending June 30, 2012	As of and for the Three Months Ending March 31, 2012	As of and for the Twelve Months Ending December 31, 2011	As of and for the Twelve Months Ending December 31, 2010	As of and for the period June 16, 2009 through December 31, 2009 (1)
Other Information (unaudited):							
<i>Financial ratios</i>							
Return on average assets (6)	0.14%	0.25%	0.18%	0.11%	0.81%	0.60%	-0.33%
Return on average tangible assets (4)(6)	0.24%	0.34%	0.28%	0.20%	0.91%	0.60%	NM
Adjusted return on average assets (6)(7)	0.24%	0.48%	0.27%	0.20%	0.32%	0.13%	-0.33%
Return on average equity (6)	0.80%	1.15%	0.99%	0.60%	4.01%	0.61%	-0.33%
Return on average tangible common equity (4)(6)	1.52%	1.68%	1.63%	1.20%	4.81%	0.61%	NM
Adjusted return on average equity (6)(7)	1.30%	2.24%	1.45%	1.13%	1.57%	0.13%	-0.33%
Return on risk weighted assets (6)	0.44%	0.84%	0.55%	0.32%	2.21%	0.46%	NM
Pre-tax pre-provision net revenue to risk weighted assets (6)(7)	2.75%	3.15%	3.37%	2.07%	4.70%	0.69%	0.70%
Adjusted pre-tax pre-provision net revenue to risk weighted assets (6)(7)	3.20%	4.45%	3.79%	2.54%	2.47%	0.15%	NM
Interest earning assets to interest-bearing liabilities (end of period) (8)	130.30%	119.48%	130.30%	128.62%	127.91%	129.91%	N/A
Loans to deposits ratio (end of period) (2)	43.80%	39.33%	43.80%	44.14%	44.91%	45.17%	N/A
Non-interest bearing deposits to total deposits (end of period)	14.00%	10.11%	14.00%	13.35%	13.41%	9.39%	N/A
Yield on earning assets (8)	4.62%	4.16%	4.61%	4.62%	4.31%	1.63%	0.23%
Cost of interest bearing liabilities (8)	0.84%	1.32%	0.78%	0.90%	1.15%	1.65%	N/A
Interest rate spread (9)	3.78%	2.84%	3.83%	3.72%	3.17%	-0.02%	NM
Net interest margin (10)	3.96%	3.14%	4.00%	3.91%	3.40%	1.21%	N/A
Non-interest expense to average assets (6)	3.27%	2.74%	3.09%	3.45%	3.01%	4.86%	NM
Adjusted non-interest expense to average assets (6)	3.10%	2.34%	2.95%	3.25%	2.67%	1.81%	NM
Efficiency Ratio (11)	90.68%	84.84%	88.41%	92.72%	67.21%	84.47%	NM
<i>Asset quality ratios (2)(12)(13)</i>							
Non-performing loans to total loans	2.51%	2.33%	2.51%	1.76%	2.23%	0.95%	N/A
Covered non-performing loans to total non-performing loans	15.59%	49.61%	15.59%	19.85%	29.19%	97.12%	N/A
Non-performing assets to total assets	3.26%	2.25%	3.26%	3.06%	2.75%	1.35%	N/A
Covered non-performing assets to total non-performing assets	45.41%	84.50%	45.41%	49.41%	53.98%	99.38%	N/A
Allowance for loan losses to total loans	0.87%	0.36%	0.87%	0.59%	0.51%	0.00%	N/A
Allowance for loan losses to total non-covered loans	1.42%	0.64%	1.42%	1.00%	0.87%	0.01%	N/A
Allowance for loan losses to non-performing loans	34.69%	15.61%	34.69%	33.42%	22.71%	0.32%	N/A

Edgar Filing: National Bank Holdings Corp - Form S-1/A

Net charge-offs to average loans (6)	0.96%	1.08%	0.62%	1.27%	0.51%	0.01%	N/A
<i>Capital ratios</i>							
Total Stockholders' equity to total assets	18.95%	22.32%	18.95%	17.97%	17.14%	19.46%	99.79%
Tangible common equity to tangible assets (4)	17.67%	20.98%	17.67%	16.72%	15.91%	18.19%	99.79%
Tier 1 leverage	17.02%	20.50%	17.02%	15.92%	15.10%	17.88%	N/A
Tier 1 risk-based capital	49.32%	66.70%	49.32%	46.60%	49.92%	69.57%	N/A
Total risk-based capital	50.21%	66.07%	50.21%	47.22%	50.53%	69.57%	N/A

- (1) The Company was incorporated on June 16, 2009, but neither the Company nor the Bank had any substantive operations prior to the first acquisition on October 22, 2010. The period from June 16, 2009 to December 31, 2009 contained 200 days.
- (2) Total loans are net of unearned discounts and deferred fees and costs.

Table of Contents

- (3) Per share information is calculated based on the aggregate number of our shares of Class A common stock outstanding, including 250,000 founders' shares that were issued in 2009 at par value and vested during 2011, and Class B non-voting common stock outstanding.
- (4) Tangible book value per share, return on tangible average assets, return on tangible common average equity, and tangible common equity to tangible assets are non-GAAP financial measures. Tangible book value per share is computed as total stockholders' equity less goodwill and other intangible assets, net, divided by common shares outstanding at the balance sheet date. For purposes of computing tangible common equity to tangible assets, tangible common equity is calculated as common stockholders' equity less goodwill and other intangible assets, net, and tangible assets is calculated as total assets less goodwill and other intangible assets, net. We believe that the most directly comparable GAAP financial measures are book value per share and total stockholders' equity to total assets. See the reconciliation under Management's Discussion and Analysis of Financial Condition and Results of Operations About Non-GAAP Financial Measures.
- (5) On March 11, 2010, we repurchased 6,382,024 shares of our Class A common stock in response to the FDIC's issued guidance in the FDIC Policy Statement. More information on the FDIC Policy Statement is described under Supervision and Regulation FDIC Statement of Policy on Qualifications for Failed Bank Acquisitions.
- (6) Ratio is annualized for interim periods and for the period from June 16, 2009 to December 31, 2009. See note 1 above.
- (7) Adjusted calculations exclude stock-based compensation expense, loss (gain) on sale of securities, bargain purchase gains and related acquisition expenses. In addition, the adjusted pre-tax pre-provision net revenue calculation excludes income taxes and provision for loan losses. Tax adjustments are calculated at a rate equal to the effective tax rate for each period. See the table below and Management's Discussion and Analysis of Financial Condition and Results of Operations About Non-GAAP Financial Measures.

	For the Six Months Ended June 30, 2012	For the Six Months Ended June 30, 2011	For the Three Months Ended June 30, 2012	For the Three Months Ended March 31, 2012	For the Year Ended December 31, 2011	For the Year Ended December 31, 2010(1)	For the Year Ended December 31, 2009(1)
Net income (loss)	\$ 4,345	\$ 5,758	\$ 2,702	\$ 1,643	\$ 41,963	\$ 6,051	\$ (1,534)
Add: impact of income taxes	2,809	3,220	1,733	1,076	27,446	2,953	168
Add: impact of provision	20,062	12,686	12,226	7,836	20,002	88	
Pre-tax, pre-provision net revenue	27,216	21,664	16,661	10,555	89,411	9,092	(1,366)
Less: bargain purchase gain					(60,520)	(37,778)	
Add: impact of stock-based compensation	4,259	8,623	2,076	2,183	12,564	16,612	
Add: impact of acquisition costs	870	474	15	855	4,935	14,076	
Less: Gain (loss) on sale of investment securities	(674)	(192)		(674)	645	(11)	
Adjusted pre-tax, pre-provision net revenue	\$ 31,671	\$ 30,569	\$ 18,752	\$ 12,919	\$ 47,035	\$ 1,991	\$ (1,366)
Net income (loss)	\$ 4,345	\$ 5,758	\$ 2,702	\$ 1,643	\$ 41,963	\$ 6,051	\$ (1,534)
Less: bargain purchase gain, after tax					(36,589)	(25,388)	
Add: impact of stock-based compensation, after tax	2,587	5,213	1,261	1,326	7,596	11,164	
Add: impact of acquisition costs, after tax	528	287	9	519	2,984	9,460	
Less: Gain (loss) on sale of investment securities, after tax	(409)	(116)		(409)	390	(7)	
Adjusted net revenue after tax	\$ 7,051	\$ 11,142	\$ 3,972	\$ 3,079	\$ 16,344	\$ 1,280	\$ (1,534)
Non-interest expense	\$ 98,274	\$ 63,148	\$ 45,301	\$ 52,973	\$ 155,538	\$ 48,981	\$ 1,847
Less: impact of stock-based compensation	(4,259)	(8,623)	(2,076)	(2,183)	(12,564)	(16,612)	
Less: impact of acquisition costs	(870)	(474)	(15)	(855)	(4,935)	(14,076)	
Adjusted non-interest expense	\$ 93,145	\$ 54,051	\$ 43,210	\$ 49,935	\$ 138,039	\$ 18,293	\$ 1,847

- (8) Interest-earning assets include assets that earn interest/accretion or dividends, except for the FDIC indemnification asset that earns accretion but is not part of interest earning assets. Interest-earning assets as of December 31, 2010 exclude investment securities that were purchased (and therefore included in investment securities balances) but not settled as of the balance sheet date. Additionally, any market value adjustments on investment securities are excluded from interest-earning assets. Interest-bearing liabilities include liabilities that must be paid interest.
- (9) Interest rate spread represents the difference between the weighted average yield of interest-earning assets and the weighted average cost of interest-bearing liabilities.
- (10) Net interest margin represents net interest income, including accretion income, as a percentage of average interest-earning assets.
- (11) The efficiency ratio represents non-interest expense, less intangible asset amortization, as a percentage of net interest income plus non-interest income.
- (12) Non-performing loans consist of non-accruing loans, loans 90 days or more past due and still accruing interest and restructured loans, but exclude loans accounted for under ASC Topic 310-30 in which the pool is still performing. These ratios may therefore not be comparable to similar ratios of our peers. For additional information on our treatment of loans acquired with deteriorated credit quality, see Management's Discussion and Analysis of Financial Condition and Results of Operations Financial Condition.
- (13) Non-performing assets include non-performing loans and OREO.

Table of Contents**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following management discussion and analysis of our financial condition and results of operations should be read in conjunction with our unaudited consolidated financial statements and related notes for the three and six months ended June 30, 2012 and 2011, with our audited consolidated financial statements and related notes as of and for the years ended December 31, 2011 and 2010, and for the period from June 16, 2009 (date of inception) through December 31, 2009, and with the other financial and statistical data presented in this prospectus, as well as the statements of assets acquired and liabilities assumed for each of our acquisitions. This discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions that may cause actual results to differ materially from management's expectations. Factors that could cause such differences are discussed in the sections entitled "Cautionary Note Regarding Forward-Looking Statements" and "Risk Factors" and should be read herewith.

Readers are cautioned that meaningful comparability of current period financial information to prior periods is limited. Prior to the completion of the Hillcrest Bank acquisition on October 22, 2010, we had no banking operations and our activities were limited to corporate organization matters and due diligence. Following our Hillcrest Bank acquisition, we completed three additional acquisitions: Bank Midwest on December 10, 2010, Bank of Choice on July 22, 2011 and Community Banks of Colorado on October 21, 2011. As a result, our operating results are limited to the periods since these acquisitions, and the comparability of periods is compromised due to the timing of these acquisitions. Additionally, the comparability of data related to our acquisitions prior to the respective dates of acquisition is limited because, in accordance with Accounting Standards Codification (ASC) Topic 805, Business Combinations, the assets acquired and liabilities assumed were recorded at fair value at their respective dates of acquisition and do not have a significant resemblance to the assets and liabilities of the predecessor banking franchises. The comparability of pre-acquisition data is compromised not only by the fair value accounting applied, but also by the FDIC loss sharing agreements in place that cover a portion of losses incurred on certain assets acquired in the Hillcrest Bank and the Community Banks of Colorado acquisitions. In the Bank Midwest acquisition, only specific, performing loans were chosen for acquisition. Additionally, we acquired the assets of Bank of Choice at a substantial discount from the FDIC. We received a considerable amount of cash during the settlement of these acquisitions, we paid off certain borrowings, and we contributed significant capital to each banking franchise we acquired. All of these actions materially changed the balance sheet composition, liquidity, and capital structure of the acquired banking franchises.

In May 2012, we changed the name of Bank Midwest, N.A. to NBH Bank, N.A. (NBH Bank or the Bank) and all references to NBH Bank, N.A. should be considered synonymous with references to Bank Midwest, N.A. prior to the name change.

Overview

National Bank Holdings Corporation is a bank holding company that was incorporated in the State of Delaware in June 2009. In October 2009, we raised net proceeds of approximately \$974 million through a private offering of our common stock. We are executing a strategy to create long-term stockholder value through the acquisition and operation of community banking franchises and other complementary businesses in our targeted markets. We believe these markets exhibit attractive demographic attributes, are home to a substantial number of financial institutions, including troubled financial institutions, and present favorable competitive dynamics, thereby offering long-term opportunities for growth. Our emphasis is on creating meaningful market share with strong revenues complemented by operational efficiencies that we believe will produce attractive risk-adjusted returns.

We believe we have a disciplined approach to acquisitions, both in terms of the selection of targets and the structuring of transactions, which has been exhibited by our four acquisitions to date. As of June 30, 2012, we had approximately \$5.8 billion in assets, \$4.5 billion in deposits and \$1.1 billion in stockholders' equity. We

Table of Contents

currently operate a network of 101 full-service banking centers, with the majority of those banking centers located in the greater Kansas City region and Colorado. We believe that our established presence positions us well for growth opportunities in our current and complementary markets.

Our strategic plan is to become a leading regional bank holding company through selective acquisitions of financial institutions, including troubled financial institutions that have stable core franchises and significant local market share, as well as other complementary businesses, while structuring the transactions to limit risk. We plan to achieve this through the acquisition of banking franchises from the FDIC and through conservatively structured unassisted transactions. We seek acquisitions that offer opportunities for clear financial benefits through add-on transactions, long-term organic growth opportunities and expense reductions. Additionally, our acquisition strategy is to identify markets that are relatively unconsolidated, establish a meaningful presence within those markets, and take advantage of operational efficiencies and enhanced market position. Our focus is on building strong banking relationships with small- and mid-sized businesses and consumers, while maintaining a low risk profile designed to generate reliable income streams and attractive risk-adjusted returns. Through our acquisitions, we have established a solid core banking franchise with operations in the greater Kansas City region and in Colorado, with a sizable presence for deposit gathering and customer relationship building necessary for growth.

Operating Highlights and Key Challenges

Prior to completion of the Hillcrest Bank acquisition on October 22, 2010, we had no banking operations and our activities were limited to corporate organization matters and acquisition due diligence. Our first full year with banking operations was 2011 and includes the results of operations of Hillcrest Bank and NBH Bank for the entire year, Bank of Choice from July 22, 2011 and Community Banks of Colorado from October 21, 2011. The six months ended June 30, 2012 marked our first two full quarters with the operations of all four of our acquisitions. These operations resulted in the following highlights as of and for the six months ended June 30, 2012:

Attractive risk profile.

As of June 30, 2012, 86.3%, or \$272.6 million, of our total loans (by dollar amount) were acquired loans and all of those loans were recorded at their estimated fair value at the time of acquisition.

As of June 30, 2012, 38.7%, or \$767.7 million, of our total loans (by dollar amount) were covered by loss sharing agreements with the FDIC.

As of June 30, 2012, 56.3%, or \$77.5 million, of our total other real estate owned (by dollar amount) was covered by loss sharing agreements with the FDIC.

Strong capital position.

As of June 30, 2012, our tier 1 leverage ratio was 17.02% and our tier 1 risk-based capital ratio was 49.32%.

As of June 30, 2012, and excluding any proceeds from this offering, we had approximately \$350 million of capital available to deploy while maintaining a 10% tier 1 leverage ratio, and we had approximately \$475 million of available capital to deploy at an 8% tier 1 leverage ratio.

Tangible book value per share increased from \$17.60 at December 31, 2010 to \$19.10 at December 31, 2011 and to \$19.29 at June 30, 2012.

Edgar Filing: National Bank Holdings Corp - Form S-1/A

The after-tax accretable yield on ASC 310-30 loans plus the after-tax yield on the FDIC Indemnification asset, net, in excess of 4.5%, an approximate yield on new loan originations, and discounted at 5%, adds \$0.59 per share to our tangible book value per share as of June 30, 2012.

Foundation for loan growth.

As of June 30, 2012, we have over \$1.0 billion of loans outstanding that are associated with a strategic client relationship.

Table of Contents

Loans associated with our strategic client relationships had strong credit quality with less than 0.2% 90 days or more past due as of June 30, 2012.

For the six months ended June 30, 2012, loan originations totaled \$167 million, representing an increase of three times from \$50 million in the first six months of 2011.

Approximately \$251 million of the \$290 million decrease in loans during the six months ended June 30, 2012 was from the non-strategic portfolio, with the remaining decrease coming from our Colorado market as we integrate and build out our lending functions in that market.

Client deposit funded balance sheet.

As of June 30, 2012, total deposits made up 96.5% of our total liabilities.

Transaction accounts increased from 45.0% of total deposits at December 31, 2011 to 51.7% as of June 30, 2012.

As of June 30, 2012, we did not have any brokered deposits.

Attractive risk-adjusted returns and revenue streams.

For the six months ended June 30, 2012, our pre-tax pre-provision net revenue was 2.75% of total risk weighted assets (for reconciliation, see [About Non-GAAP Financial Measures](#)).

Our average annual yield on our loan portfolio was 8.49% during the six months ended June 30, 2012.

Cost of deposits declined 15 basis points during the six months ended June 30, 2012 and has decreased 43 basis points from June 30, 2011 to June 30, 2012 due to the continued emphasis on our consumer banking strategy on lower cost transaction accounts.

Non-interest expense to average assets of 3.27% for the six months ended June 30, 2012.

Integrated operating platform.

We have successfully integrated all of our acquired banks onto a single operating platform across our franchise. During 2011 and early 2012, we completed the deployment of much of the cash received in our acquisitions into our investment securities portfolio. We also actively worked to resolve the troubled loans and OREO that we acquired through our acquisition of three failed banks. Accordingly, we expect that continued steady resolution of troubled assets, coupled with loan payoffs, will offset loan originations in the near-term. As a result, we expect that our investment securities portfolio will continue to be one of the largest components of our balance sheet.

We have worked to actively grow our banking franchise and implement consistent lending policies and a technology infrastructure designed to support our acquisition strategy, provide for future growth and achieve operational efficiencies. This included the implementation of a scalable data processing and operating platform and hiring key personnel to execute our relationship banking strategy. In May and July 2012, we completed the integration of Community Banks of Colorado and Bank of Choice, respectively, onto our operating platform and we now have all of our operations on a single operating platform. We expect that the integration of these operations will provide additional efficiencies and

enable us to support growth.

Key Challenges

There are a number of significant challenges confronting us and our industry. Economic conditions remain guarded and increasing bank regulation is adding costs and uncertainty to all U.S. banks. We face a variety of

Table of Contents

challenges in implementing our business strategy, including being a new entity, hiring talented people, the challenges of acquiring distressed franchises and rebuilding them, deploying our remaining capital on quality targets, low interest rates and low demand from high quality borrowers.

Broad economic conditions, including those in our core markets, remain strained and both commercial and residential real estate values remain under pressure, which may lead to continued deterioration in credit quality and further elevated levels of non-performing assets, ultimately having a negative impact on the quality of our loan portfolio. Excluding the new loan balances contributed by our two 2011 acquisitions, loan balances declined during the first six months of 2012 and during 2011 due to the repayment and resolution of existing loans that have been outpacing organic loan growth resulting from curtailed real estate activities and constrained economic activity. Additionally, the historically low interest rate environment limits the yields we are able to obtain on interest earning assets, including both new assets acquired as we grow and assets that replace existing, higher yielding assets as they are paid down or mature. For example, our acquired loans generally have produced higher yields than our originated loans due to the recognition of accretion of fair value adjustments and accretable yield. As a result, we expect the yields on our loans to decline as our acquired loan portfolio pays down or matures and we expect downward pressure on our interest income to the extent that the runoff on our acquired loan portfolio is not replaced with comparable high-yielding loans.

Increased regulation, such as the passage of the Dodd-Frank Act or potential higher required capital ratios, could reduce our competitiveness as compared to other banks or lead to industry-wide decreases in profitability. While certain external factors are out of our control and may provide obstacles during the implementation of our business strategy, we believe we are prepared to deal with these challenges. We remain flexible, yet methodical, in our strategic decision making so that we can quickly respond to market changes and the inherent challenges and opportunities that accompany such changes.

Performance Overview

As a financial institution, we routinely evaluate and review our consolidated statements of financial condition and results of operations. We evaluate the levels, trends and mix of the statements of financial condition and statements of operations line items and compare those levels to our budgeted expectations, our peers, industry averages and trends. Due to our short operating history, comparisons to our prior historical performance are limited, but are used to the extent practical.

Within our statements of financial condition, we specifically evaluate and manage the following:

Loan balances We monitor our loan portfolio to evaluate loan originations, payoffs, and profitability. We forecast loan originations and payoffs within the overall loan portfolio, and we work to resolve problem loans and OREO in an expeditious manner. We track the runoff of our covered assets as well as the loan relationships that we have identified as non-strategic and put particular emphasis on the buildup of strategic relationships.

Asset quality We monitor the asset quality of our loans and OREO through a variety of metrics, and we work to resolve problem assets in an efficient manner. Specifically, we monitor the resolution of problem loans through payoffs, pay downs and foreclosure activity. We marked all of our acquired assets to fair value at the date of their respective acquisitions, taking into account our estimation of credit quality. Additionally, the majority of the loans and all of the OREO acquired in the Hillcrest Bank acquisition are covered by loss sharing agreements with the FDIC, and, as of the date of acquisition, approximately 61.8% of loans and 83.5% of OREO acquired in the Community Banks of Colorado acquisition were covered by a loss sharing agreement. As of June 30, 2012, 38.7% of our total loans and 56.3% of our OREO was covered by loss sharing agreements with the FDIC.

Many of the loans that we acquired in the Hillcrest Bank, Bank of Choice and Community Banks of Colorado acquisitions had deteriorated credit quality at the respective dates of acquisition. These loans have

Table of Contents

historically been and currently are accounted for under ASC Topic 310-30, *Loans and Debt Securities Acquired with Deteriorated Credit Quality*. As of June 30, 2012 and December 31, 2011, 53.4% and 57.5% of our loans were accounted for under this guidance, which is described more fully below under *Application of Critical Accounting Policies* and in Note 2 in our audited consolidated financial statements. Loans accounted for under ASC Topic 310-30 may be considered performing upon and subsequent to acquisition, regardless of whether the customer is contractually delinquent, if the timing and expected cash flows on such loans can be reasonably estimated and if collection of the new carrying value of such loans is expected.

Our evaluation of traditional credit quality metrics and the allowance for loan losses (ALL) levels, especially when compared to industry averages or to other financial institutions, takes into account that any credit quality deterioration that existed at the date of acquisition was considered in the original valuation of those assets on our balance sheet. Additionally, many of these assets are covered by the loss sharing agreements and at June 30, 2012 53.4% of our loans were accounted for under ASC Topic 310-30. All of these factors limit the comparability of our credit quality and ALL levels to peers or other financial institutions.

Deposit balances We monitor our deposit levels by type, market and rate. Our loans are funded primarily through our deposit base, and we seek to optimize our deposit mix in order to provide reliable, low-cost funding sources.

Liquidity We monitor liquidity based on policy limits and through projections of sources and uses of cash. In order to test the adequacy of our liquidity, we routinely perform various liquidity stress test scenarios that incorporate wholesale funding maturities, if any, certain deposit run-off rates and committed line of credit draws. We manage our liquidity primarily through our balance sheet mix, including our cash and our investment security portfolio, and the interest rates that we offer on our loan and deposit products, coupled with contingency funding plans as necessary.

Capital We monitor our capital levels, including evaluating the effects of potential acquisitions, to ensure continued compliance with regulatory requirements and with the OCC Operating Agreement and FDIC Order that we entered into with our regulators in connection with our Bank Midwest acquisition, which is described under *Supervision and Regulation* . We review our tier 1 leverage capital ratios, our tier 1 risk-based capital ratios and our total risk-based capital ratios on a quarterly basis.

Within our consolidated results of operations, we specifically evaluate the following:

Net interest income Net interest income represents the amount by which interest income on interest-earning assets exceeds interest expense incurred on interest-bearing liabilities. We generate interest income through interest and dividends on investment securities, interest-bearing bank deposits and loans. Our acquired loans have generally produced higher yields than our originated loans due to the recognition of accretion of fair value adjustments and accretable yield, as is more fully described under *Application of Critical Accounting Policies*. As a result, we expect downward pressure on our interest income to the extent that the runoff of our acquired loan portfolio is not replaced with comparable high-yielding loans. We incur interest expense on our interest-bearing deposits and repurchase agreements and would also incur interest expense on any future borrowings, including any debt assumed in acquisitions. We strive to maximize our interest income by acquiring and originating high-yielding loans and investing excess cash in investment securities. Furthermore, we seek to minimize our interest expense through low-cost funding sources, thereby maximizing our net interest income.

Provision for loan losses The provision for loan losses includes the amount of expense that is required to maintain the ALL at an adequate level to absorb probable losses inherent in the loan portfolio at the balance sheet date. Additionally, we incur a provision for loan losses on loans accounted for under ASC Topic 310-30 as a result of a decrease in the net present value of the expected future cash flows during the periodic remeasurement of the cash flows associated with these pools of loans. The determination of the amount of the provision for loan losses and the related ALL is complex and involves a high degree of judgment and subjectivity to maintain a level of ALL that is considered by management to be appropriate under GAAP.

Table of Contents

Non-interest income Non-interest income consists primarily of service charges, bank card fees, gains on sales of investment securities, and other non-interest income. Also included in non-interest income is FDIC loss sharing income (expense), which consists of accretion of our FDIC indemnification asset and reimbursement of costs related to the resolution of covered assets, and amortization of our clawback liability. For additional information on our clawback liability, see Application of Critical Accounting Policies Acquisition Accounting and the Valuation of Assets Acquired and Liabilities Assumed and Note 2 in our audited consolidated financial statements. Due to fluctuations in the accretion rates on the FDIC indemnification asset and the amortization of clawback liability and due to varying levels of expenses related to the resolution of covered assets, the FDIC loss sharing income (expense) is not consistent on a period-to-period basis and, absent additional acquisitions with FDIC loss sharing agreements, is expected to decline over time as covered assets are resolved.

Non-interest expense The primary components of our non-interest expense are salaries and employee benefits, occupancy and equipment, professional fees and data processing and telecommunications. Any expenses related to the resolution of covered assets are also included in non-interest expense. These expenses are dependent on individual resolution circumstances and, as a result, are not consistent from period to period. We seek to manage our non-interest expense in order to maximize efficiencies.

Net income We utilize traditional industry return ratios such as return on average assets, return on average equity and return on risk-weighted assets to measure and assess our returns in relation to our balance sheet profile.

Table of Contents

In evaluating the financial statement line items described above, we evaluate and manage our performance based on key earnings indicators, balance sheet ratios, asset quality metrics and regulatory capital ratios, among others. The table below presents some of the primary performance indicators that we use to analyze our business on a regular basis for periods indicated:

	As of and for the six months ended June 30, 2012	As of and for the three months ended June 30, 2012	As of and for the three months ended March 31, 2012	As of and for the twelve months ended December 31, 2011
Key Ratios (1)				
Return on average assets	0.14%	0.18%	0.11%	0.81%
Return on average tangible assets	0.24%	0.28%	0.20%	0.91%
Adjusted return on average assets (3)	0.24%	0.27%	0.20%	0.32%
Return on average equity	0.80%	0.99%	0.60%	4.01%
Return on average tangible common equity	1.52%	1.63%	1.20%	4.81%
Adjusted return on average equity (3)	1.30%	2.24%	1.13%	1.57%
Return on risk weighted assets	0.44%	0.55%	0.32%	2.21%
Pre-provision pre-tax net revenue to risk weighted assets (2)	2.75%	3.37%	2.07%	4.70%
Adjusted pre-provision pre-tax net revenue to risk weighted assets (2)(3)	3.20%	3.79%	2.54%	2.47%
Interest-earning assets to interest-bearing liabilities (end of period) (4)	130.30%	130.30%	128.62%	127.91%
Loans to deposits ratio (end of period)	43.80%	43.80%	44.14%	44.91%
Non-interest bearing deposits to total deposits (end of period)	14.00%	14.00%	13.35%	13.41%
Yield on earning assets (4)	4.62%	4.61%	4.62%	4.31%
Cost of interest bearing liabilities (4)	0.84%	0.78%	0.90%	1.15%
Interest rate spread (5)	3.78%	3.83%	3.72%	3.17%
Net interest margin (6)	3.96%	4.00%	3.91%	3.40%
Non-interest expense to average assets	3.27%	3.09%	3.45%	3.01%
Adjusted non-interest expense to average assets (3)	3.10%	2.95%	3.25%	2.67%
Efficiency ratio (7)	90.68%	88.41%	92.72%	62.71%

Table of Contents

	As of and for the Six Months Ended June 30, 2012	As of and for the Three Months Ended June 30, 2012	As of and for the Three Months Ended March 31, 2012	As of and for the Twelve Months Ended December 31, 2011
Asset Quality Data (8)(9)(10)				
Non-performing loans to total loans	2.51%	2.51%	1.76%	2.23%
Covered non-performing loans to total non-performing loans	15.59%	15.59%	19.85%	29.19%
Non-performing assets to total assets	3.26%	3.26%	3.06%	2.75%
Covered non-performing assets to total non-performing assets	45.41%	45.41%	49.41%	53.98%
Allowance for loan losses to total loans	0.87%	0.87%	0.59%	0.51%
Allowance for loan losses to total non-covered loans	1.42%	1.42%	1.00%	0.87%
Allowance for loan losses to non-performing loans	34.69%	34.69%	33.42%	22.71%
Net charge-offs to average loans	0.96%	0.62%	1.27%	0.51%
Consolidated Capital Ratios				
Total stockholders' equity to total assets	18.95%	18.95%	17.97%	17.14%
Tangible common equity to tangible assets (11)	17.67%	17.67%	16.72%	15.91%
Tier 1 leverage	17.02%	17.02%	15.92%	15.10%
Tier 1 risk-based capital	49.32%	49.32%	46.60%	49.92%
Total risk-based capital	50.21%	50.21%	47.22%	50.53%

- (1) Ratios are annualized
- (2) Ratio represents a non-GAAP financial measure. See Management's Discussion and Analysis of Financial Condition and Results of Operations About Non-GAAP Financial Measures. We believe that the most comparable GAAP financial measure to the ratio of pre-tax pre-provision net revenue to risk weighted assets is the ratio of net income to risk weighted assets.
- (3) Adjusted calculations exclude stock-based compensation expense, loss (gain) on sale of securities, bargain purchase gains and related acquisition expenses. In addition, the adjusted pre-tax pre-provision net revenue calculation excludes income taxes and provision for loan losses. Tax adjustments are calculated at a rate equal to the effective tax rate for each period. See Management's Discussion and Analysis of Financial Condition and Results of Operations About Non-GAAP Financial Measures.
- (4) Interest-earning assets include assets that earn interest/accretion or dividends, except for the FDIC indemnification asset that earns accretion but is not part of interest earning assets. Any market value adjustments on investment securities are excluded from interest-earning assets. Interest-bearing liabilities include liabilities that must be paid interest.
- (5) Interest rate spread represents the difference between the weighted average yield on interest earning assets and the weighted average cost of interest-bearing liabilities.
- (6) Net interest margin represents net interest income, including accretion income, as a percentage of average interest-earning assets.
- (7) The efficiency ratio represents non-interest expense, less intangible asset amortization, as a percentage of net interest income plus non-interest income.
- (8) Non-performing loans consist of non-accruing loans, loans 90 days or more past due and still accruing interest and restructured loans, but exclude any loans accounted for under ASC 310-30 in which the pool is still performing. These ratios may therefore not be comparable to similar ratios of our peers. For additional information on our treatment of loans acquired with deteriorated credit quality, see Management's Discussion and Analysis of Financial Condition and Results of Operations-Financial Condition.
- (9) Non-performing assets include non-performing loans, OREO and other repossessed assets.
- (10) Total loans are net of unearned discounts and deferred fees and costs.
- (11) Tangible common equity to tangible assets is a non-GAAP financial measure. For purposes of computing tangible common equity to tangible assets, tangible common equity is calculated as common stockholders' equity less goodwill and other intangible assets, net, and tangible assets is calculated as total assets less

Table of Contents

goodwill and other intangible assets, net. We believe that the most directly comparable GAAP financial measure is total stockholders equity to total assets. See the reconciliation under Management's Discussion and Analysis of Financial Condition and Results of Operations About Non-GAAP Financial Measures.

About Non-GAAP Financial Measures

Certain of the financial measures and ratios we present in this prospectus, including tangible common equity, tangible book value, tangible book value per share, and pre-provision pre-tax net revenue to risk weighted assets are supplemental measures that are not required by, or are not presented in accordance with, accounting principles generally accepted in the United States, or non-GAAP financial measures. We consider the use of select non-GAAP financial measures and ratios to be useful for financial and operational decision making and useful in evaluating period-to-period comparisons. We believe that these non-GAAP financial measures provide meaningful supplemental information regarding our performance by excluding certain expenditures or assets that we believe are not indicative of our primary business operating results. We believe that management and investors benefit from referring to these non-GAAP financial measures in assessing our performance and when planning, forecasting, analyzing and comparing past, present and future periods.

We believe that these measures provide useful information to management and investors that is supplementary to our financial condition, results of operations and cash flows computed in accordance with GAAP; however we acknowledge that our non-GAAP financial measures have a number of limitations relative to GAAP financial measures. First, certain non-GAAP financial measures exclude provisions for loan losses and income taxes, and both of these expenses significantly impact our financial statements. Additionally, the items that we exclude in our adjustments are not necessarily consistent with the items that our peers may exclude from their results of operations and key financial measures and therefore may limit the comparability of similarly named financial measures and ratios. We compensate for these limitations by providing the equivalent GAAP measures whenever we present the non-GAAP financial measures and by including the following reconciliation of the impact of the components adjusted for in the non-GAAP financial measure so that both measures and the individual components may be considered when analyzing our performance.

Table of Contents

Below is a reconciliation of our non-GAAP financial measures to the comparable GAAP financial measures:

	For the Six Months Ended June 30, 2012	For the Six Months Ended June 30, 2011	For the Three Months Ended June 30, 2012	For the Three Months Ended March 31, 2012	For the Year Ended December 31, 2011	For the Year Ended December 31, 2010	For the Year Ended December 31, 2009
Net income to risk weighted assets	0.44%	0.84%	0.55%	0.32%	2.21%	0.46%	NM
Add: impact of income taxes	0.28%	0.47%	0.35%	0.21%	1.44%	0.22%	NM
Add: impact of provision	2.03%	1.85%	2.47%	1.54%	1.05%	0.01%	NM
Pre-tax, pre-provision net revenue to risk-weighted assets	2.75%	3.15%	3.37%	2.07%	4.70%	0.69%	NM
Less: bargain purchase gain	0.00%	0.00%	0.00%	0.00%	-3.18%	-2.85%	NM
Add: impact of stock-based compensation	0.43%	1.25%	0.42%	0.43%	0.66%	1.25%	NM
Add: impact of acquisition costs	0.09%	0.07%	0.00%	0.17%	0.26%	1.06%	NM
Less: Gain (loss) on sale of investment securities	-0.07%	-0.03%	0.00%	-0.13%	0.03%	0.00%	NM
Adjusted pre-tax, pre-provision net revenue to risk-weighted assets	3.20%	4.45%	3.79%	2.54%	2.47%	0.15%	NM
Return on average assets	0.14%	0.25%	0.18%	0.11%	0.81%	0.60%	-0.33%
Less: bargain purchase gain, after tax	0.00%	0.00%	0.00%	0.00%	-0.71%	-2.52%	0.00%
Add: impact of stock-based compensation, after tax	0.09%	0.23%	0.09%	0.09%	0.15%	1.11%	0.00%
Add: impact of acquisition costs, after tax	0.02%	0.01%	0.00%	0.03%	0.06%	0.94%	0.00%
Less: Gain (loss) on sale of investment securities, after tax	-0.01%	-0.01%	0.00%	-0.03%	0.01%	0.00%	0.00%
Adjusted return on average assets	0.24%	0.48%	0.27%	0.20%	0.32%	0.13%	-0.33%
Return on average equity	0.80%	1.15%	0.99%	0.60%	4.01%	0.61%	-0.33%
Less: bargain purchase gain, after tax	0.00%	0.00%	0.00%	0.00%	-3.50%	-2.56%	0.00%
Add: impact of stock-based compensation, after tax	0.48%	1.05%	0.46%	0.49%	0.73%	1.13%	0.00%
Add: impact of acquisition costs, after tax	0.10%	0.06%	0.00%	0.19%	0.29%	0.95%	0.00%
Less: Gain (loss) on sale of investment securities, after tax	-0.08%	-0.02%	0.00%	-0.15%	0.04%	0.00%	0.00%
Adjusted return on average equity	1.30%	2.24%	1.45%	1.13%	1.57%	0.13%	-0.33%
Non-interest expense to average assets	3.27%	2.74%	3.09%	3.45%	3.01%	4.86%	NM
Less: impact of stock-based compensation	-0.14%	-0.37%	-0.14%	-0.13%	-0.24%	-1.65%	NM
Less: impact of acquisition costs	-0.03%	-0.02%	0.00%	-0.06%	-0.10%	-1.40%	NM

Edgar Filing: National Bank Holdings Corp - Form S-1/A

Adjusted non-interest expense to average assets	3.10%	2.34%	2.95%	3.25%	2.67%	1.81%	NM
---	-------	-------	-------	-------	-------	-------	----

Table of Contents

	June 30, 2012	March 31, 2012	December 31, 2011	December 31, 2010	December 31, 2009
Book value calculations: (in thousands, except share and per share data)					
Total stockholders' equity	\$ 1,096,741	1,091,389	\$ 1,088,729	\$ 993,759	\$ 1,097,496
Less: Goodwill and intangible assets	89,885	91,217	92,553	79,715	
Tangible book value	\$ 1,006,856	\$ 1,000,172	\$ 996,176	\$ 914,044	\$ 1,097,496
Common shares issued and outstanding	52,191,239	52,191,239	52,157,697	51,936,280	58,318,304
Tangible book value per share	\$ 19.29	\$ 19.16	\$ 19.10	\$ 17.60	\$ 18.82

(1) Tax adjustments are calculated at a rate equal to the effective tax rate incurred by the Company during each period.

Application of Critical Accounting Policies

We use accounting principles and methods that conform to GAAP and general banking practices. We are required to apply significant judgment and make material estimates in the preparation of our financial statements and with regard to various accounting, reporting and disclosure matters. Assumptions and estimates are required to apply these principles where actual measurement is not possible or practical. The most significant of these estimates relate to the fair value determination of assets acquired and liabilities assumed in business combinations and the application of acquisition accounting, the accounting for acquired loans and the related FDIC indemnification asset, the determination of the ALL, and the valuation of stock-based compensation. These critical accounting policies and estimates are summarized below, and are further analyzed with other significant accounting policies in Note 2 to the Summary of Significant Accounting Policies in the notes to the audited consolidated financial statements for the year ended December 31, 2011.

Implications of and Elections Under the JOBS Act

Pursuant to the JOBS Act, an emerging growth company can elect to opt out of the extended transition period for any new or revised accounting standards that may be issued by the Financial Accounting Standards Board or the SEC. We have elected to opt out of such extended transition period, which election is irrevocable.

Although we are still evaluating the JOBS Act, we may take advantage of some or all of the reduced regulatory and reporting requirements that will be available to us so long as we qualify as an emerging growth company, including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved.

Acquisition Accounting Application and the Valuation of Assets Acquired and Liabilities Assumed

We account for business combinations under the acquisition method of accounting in accordance with ASC Topic 805 *Business Combinations*. Assets acquired and liabilities assumed are measured and recorded at fair value at the date of acquisition, including any identifiable intangible assets. The initial fair values are determined in accordance with the guidance provided in ASC Topic 820, *Fair Value Measurements and Disclosures*. If the fair value of net assets acquired exceeds the fair value of consideration paid, a bargain purchase gain is recognized at the date of acquisition. Conversely, if the consideration paid exceeds the fair value of the net assets acquired, goodwill is recognized at the acquisition date. The determination of fair value requires the use of

Table of Contents

estimates and significant judgment is required. Fair values are subject to refinement for up to one year after the closing date of an acquisition as information relative to closing date fair values becomes available. Any change in the acquisition date fair value of assets acquired and liabilities assumed may materially affect our financial position, results of operations and liquidity.

The determination of the fair value of loans acquired takes into account credit quality deterioration and probability of loss; therefore, the related ALL is not carried forward. We segregate total loans into two separate categories: (a) loans receivable covered and (b) loans receivable non-covered, both of which are more fully described below. We further segregate loans based on the accounting treatment into (a) loans accounted for under ASC Topic 310-30 and (b) loans excluded from ASC Topic 310-30, which also includes our originated loans.

OREO is recorded at fair value, less estimated selling costs. The fair value of OREO property is generally estimated using both market and income approach valuation techniques incorporating observable market data to formulate an opinion of the estimated fair value. When current appraisals are not available, judgment is used based on managements experience for similar properties.

Identifiable intangible assets are recognized separately if they arise from contractual or other legal rights or if they are separable (i.e., capable of being sold, transferred, licensed, rented, or exchanged separately from the entity). Deposit liabilities and the related depositor relationship intangible assets, known as the core deposit intangible assets, may be exchanged in observable exchange transactions. As a result, the core deposit intangible asset is considered identifiable, because the separability criterion has been met. The fair value of core deposit intangible assets is determined based on a discounted cash flow methodology that considers primary asset attributes such as expected customer runoff rates, cost of the deposit base, and reserve requirements.

An FDIC indemnification asset is recognized when the FDIC contractually indemnifies, in whole or in part, us for a particular uncertainty. The recognition and measurement of an indemnification asset is based on the related indemnified items. We recognize an indemnification asset at the same time that the indemnified item is recognized and we measure it on the same basis as the indemnified items, subject to collectibility or contractual limitations on the indemnified amounts.

Under FDIC loss sharing agreements, we may be required to return a portion of cash received from the FDIC at acquisition in the event that losses do not reach a specified threshold, based on the initial discount less cumulative servicing amounts for the covered assets acquired. Such liabilities are referred to as clawback liabilities and are considered to be contingent consideration as they require the return of a portion of the initial consideration in the event that certain contingencies are met. We recognize clawback liabilities that represent contingent consideration at fair value at the date of acquisition. The clawback liabilities are included in due to FDIC in the accompanying consolidated statements of financial condition, and are periodically re-measured. Any changes in value are reflected in both the carrying amount of the clawback liability and the related accretion that is recognized through FDIC loss sharing income in the consolidated statements of operations until the contingency is resolved.

Accounting for Acquired Loans and the Related FDIC Indemnification Asset

The loan portfolio is segregated into covered loans, which consist of loans acquired in the Hillcrest Bank and Community Banks of Colorado transactions that are covered by FDIC loss sharing agreements, and non-covered loans, which consist of originated and acquired loans that are not covered by loss sharing agreements. The loan portfolio is segregated into these two categories due to their significantly different risk characteristics and due to the financial statement implications, which are summarized below. We further segregate our loan portfolio into loans that are accounted for under ASC Topic 310-30, and those that are excluded from this accounting guidance.

The estimated fair values of acquired loans are based on a discounted cash flow methodology that considers various factors, including the type of loan or pool of loans with similar characteristics, and related collateral,

Table of Contents

classification status, fixed or variable interest rate, maturity and any prepayment terms of loan, whether or not the loan is amortizing, and a discount rate reflecting our assessment of risk inherent in the cash flow estimates. The determination of the fair value of acquired loans, including covered loans, takes into account credit quality deterioration and probability of loss, and as a result, the related allowance for loan losses is not carried forward.

A significant portion of the loans acquired in the Hillcrest Bank, Bank of Choice, and Community Banks of Colorado acquisitions had deteriorated credit quality at the date of acquisition and management accounted for all acquired loans under ASC Topic 310-30 (with the exception of loans with revolving privileges which were outside the scope of ASC Topic 310-30). These loans are grouped based on purpose and/or type of loan, geography and risk rating, and take into account the sources of repayment and collateral, and each such grouping is treated as a pool. Each pool is accounted for as a single loan for which the integrity is maintained throughout the life of the asset. When a pool exhibits evidence of credit deterioration since origination and it is probable at the date of acquisition that we will not collect all principal and interest payments in accordance with the terms of the loan agreement, the expected shortfall in the expected future cash flows compared to the contractual amount due is recognized as a non-accretable difference. Any excess of the expected future cash flows over the acquisition date fair value is known as the accretable discount, or accretable yield, and through accretion, is recognized as interest income over the remaining life of each pool. Loans that meet the criteria for non-accrual of interest at the time of acquisition may be considered performing upon and subsequent to acquisition, regardless of whether the customer is contractually delinquent, if the timing and expected cash flows on such loans can be reasonably estimated and if collection of the new carrying value of such loans is expected.

The expected future cash flows of such pools are periodically re-estimated utilizing the same cash flow methodology used at the time of acquisition and subsequent decreases to the expected future cash flows will generally result in a provision for loan losses charge to our consolidated statements of operations. Conversely, subsequent increases in the expected future cash flows result in a transfer from the non-accretable difference to the accretable yield, which is then accreted as a yield adjustment over the remaining life of the pool. These cash flow estimations are inherently subjective as they require material estimates, all of which may be susceptible to significant change.

Loans outside the scope of ASC Topic 310-30 are accounted for under ASC Topic 310, *Receivables*. Discounts created when the loans are recorded at their estimated fair values at acquisition are accreted over the remaining life of the loan as an adjustment to the related loan's yield. Similar to originated loans, the accrual of interest income on acquired loans that do not have deteriorated credit quality at the time of acquisition is discontinued when the collection of principal or interest, in whole or in part, is doubtful. Interest is not accrued on loans 90 days or more past due unless they are well secured and in the process of collection.

The fair value of covered loans and covered OREO does not include the estimated fair value of the expected reimbursement of cash flows from the FDIC for the losses on the covered loans and OREO, as those cash flows are measured and recorded separately in the FDIC indemnification asset, which represents the estimated fair value of anticipated reimbursements from the FDIC for expected losses on covered assets, subject to the loss thresholds and any contractual limitations in the loss sharing agreements. Fair value is estimated using the net present value of projected cash flows related to the loss sharing agreements based on the expected reimbursements for losses and the applicable loss sharing percentages. These cash flows are discounted to reflect the uncertainty of the timing of the loss sharing reimbursement from the FDIC and the discount is accreted to income in connection with the expected speed of reimbursements. This accretion is included in FDIC loss sharing income in the consolidated statements of operations. The expected indemnification asset cash flows are re-estimated in conjunction with the periodic reestimation of cash flows on covered loans and covered OREO. Improvements in cash flow expectations on covered loans and covered OREO generally result in a related decline in the expected indemnification cash flows and are reflected prospectively as a yield adjustment on the indemnification asset. Declines in cash flow expectations on covered loans and covered OREO generally result in an increase in the net present value of the expected indemnification cash flows and are reflected as both FDIC loss sharing income and an increase to the indemnification asset in the current period. As indemnified assets are

Table of Contents

resolved, the indemnification asset is reduced by the amount owed by the FDIC and a corresponding claim receivable is recorded in other assets in the consolidated statements of financial condition until cash is received from the FDIC.

Allowance for Loan Losses

The determination of the ALL, which represents management's estimate of probable losses inherent in the our loan portfolio at the balance sheet date, including acquired and covered loans to the extent necessary, involves a high degree of judgment and complexity. The determination of the ALL takes into consideration, among other matters, the estimated fair value of the underlying collateral, economic conditions, particularly as such conditions relate to the market areas in which we operate, historical net loan losses and other factors that warrant recognition. Any change in these factors, or the rise of any other factors that we, or our regulators, may deem necessary to consider when estimating the ALL, may materially affect the ALL and provisions for loan losses. For further discussion of the ALL, see Financial Condition Asset Quality and Financial Condition Allowance for Loan Losses and Note 2 to our audited consolidated financial statements.

Stock-based Compensation

We utilize a Black-Scholes option pricing model to measure the expense associated with stock option awards and a Monte Carlo simulation model to measure the expense associated with market-vesting portions of restricted shares. These models require inputs of highly subjective assumptions with regard to expected stock price volatility, forfeiture and dividend rates and option life. These subjective input assumptions materially affect the fair value estimates and the associated stock-based compensation expense.

One of the key inputs to the Black-Scholes option pricing model is expected volatility. As a private entity, volatility was estimated using the calculated value method, whereby the expected volatility was calculated based on 16 comparable companies that were publicly traded. Upon becoming a public entity, the Company will be subject to a change in accounting policy under the provisions of ASC Topic 718 *Compensation-Stock Compensation*, whereby expected volatility of grants, modifications, repurchases or cancellations that occur subsequent to the Company becoming a public entity will be calculated based on the Company's own stock price volatility. Grants of stock-based awards that existed prior to the Company becoming a public entity will not be re-measured under the public-company provisions unless those grants are subsequently modified, repurchased, or cancelled. This change in accounting policy may have a material effect on the valuation of future grants of stock-based compensation. See Note 17 to our audited consolidated financial statements for more information on stock-based compensation.

Additionally, as of June 30, 2012, we had 1,214,000 stock options and 295,000 restricted shares that were granted starting in the fourth quarter of 2011 and that remain outstanding as of June 30, 2012, that have multiple vesting conditions, one of which is that the Company's shares are listed on a national exchange. In accordance with ASC Topic 718, the Company will start recognizing compensation expense on the grants that have vesting requirements tied to the Company's shares becoming listed on a national exchange subsequent to that vesting requirement being met, with an expense recognition catch-up for the portion of the expense that has been delayed until that vesting criteria is met. As a result, no expense has been recorded on these particular grants thus far. As of June 30, 2012, there was \$3.5 million of unrecognized stock-based compensation expense related to these grants that will be recognized upon the Company's shares becoming listed on a national exchange.

Acquisition Activity

An integral component of our growth strategy has been to capitalize on market opportunities and acquire banking franchises. We considered numerous factors and evaluated various geographic areas when we were assessing potential acquisition targets. Our primary focus was on markets that we believe are characterized by some or all of the following: (i) attractive demographics with household income and population growth above the

Table of Contents

national average; (ii) concentration of business activity; (iii) high quality deposit bases; (iv) an advantageous competitive landscape that provides opportunity to achieve meaningful market presence; (v) a substantial number of financial institutions, including troubled financial institutions; (vi) lack of consolidation in the banking sector and corresponding opportunities for add-on transactions; and (vii) markets sizeable enough to support our long-term growth objectives. We structured our business strategy around these criteria because we believed they would provide the best long-term opportunities for growth.

With these criteria in mind, and consistent with our growth strategy, we completed two acquisitions during the fourth quarter of 2010 that established a foundation to build upon in the future. Through the acquisitions of Bank Midwest and Hillcrest Bank, we have formed the sixth largest depository institution in the Kansas City MSA with a 5.2% deposit market share as of June 30, 2011 (the most recent data available), according to SNL Financial. Through our acquisition of Hillcrest Bank from the FDIC in October 2010, we acquired and now operate 8 full-service banking centers, along with 32 retirement center locations, which are predominantly in the greater Kansas City region, but also include six retirement centers in Colorado and two full-service banking centers and six retirement centers in Texas. We acquired approximately \$1.4 billion in assets and approximately \$1.2 billion in non-brokered deposits with a loss sharing agreement that covers losses incurred on commercial loans, single family residential loans and OREO, and the FDIC made a cash contribution of approximately \$183 million to us as part of the transaction. Through our Bank Midwest transaction in December 2010, we acquired approximately \$2.4 billion in assets and approximately \$2.4 billion in non-brokered deposits, and 39 full-service banking centers throughout Missouri and eastern Kansas.

In July 2011, we expanded our footprint with the acquisition of Greeley, Colorado-based Bank of Choice. The acquisition of Bank of Choice added 16 full-service banking centers in Colorado, which includes banking centers along the fast-growing Front Range of the Rocky Mountains. We acquired \$949.5 million in assets and assumed \$760.2 million of non-brokered deposits from Bank of Choice at a \$171.7 million asset discount in a no loss sharing structure from the FDIC. We believe this acquisition provided a significant presence in an attractive market with several potential add-on opportunities.

In October 2011, we broadened our Colorado presence with the acquisition of the Community Banks of Colorado from the FDIC. Through this acquisition, we added 36 full-service banking centers in Colorado and four full-service banking centers in California, along with selected assets and selected liabilities of the former Community Banks of Colorado. We acquired approximately \$1.2 billion in assets and approximately \$1.2 billion in deposits from the Community Banks of Colorado at a discount of approximately \$98 million with a commercial loss sharing agreement that covers losses incurred on certain loans and OREO, the majority of which are commercial in nature.

This acquisition, along with our Bank of Choice acquisition and our existing Colorado locations, now provides us with 50 full service banking centers and 6 retirement centers in that state, ranking as the sixth largest depository institution in Colorado with a 2.2% deposit market share as of June 30, 2011 (the most recent date available) according to SNL Financial.

Table of Contents

All of our acquisitions were accounted for under the acquisition method of accounting, and accordingly, all assets acquired and liabilities assumed were recorded at their respective acquisition date fair values. We recognized pre-tax gains on bargain purchases of \$37.8 million and \$60.5 million in our acquisitions of Hillcrest Bank and Bank of Choice, respectively. The gains represent the amount by which the acquisition-date fair value of the identifiable net assets acquired exceeded the fair value of the consideration paid. In our Bank Midwest transaction, the consideration paid exceeded the fair value of all net assets acquired and, as a result, we recognized \$52.4 million of goodwill at the date of acquisition. With respect to our Community Banks of Colorado acquisition, we recognized \$7.2 million of goodwill. Major categories of assets acquired and liabilities assumed at their recorded fair value as of their respective acquisition dates, as well as any applicable gain recorded on each transaction, are presented in the following table (in thousands):

	Community Banks of Colorado*	Bank of Choice**	Bank Midwest	Hillcrest Bank
Assets Acquired:				
Cash and cash equivalents	\$ 250,160	\$ 402,005	\$ 1,369,737	\$ 134,001
Investment securities, available-for-sale	11,361	134,369	55,360	235,255
Non-marketable securities	2,753	9,840	400	4,042
Loans	754,883	361,247	882,615	781,342
FDIC indemnification asset	150,987			159,706
Goodwill	7,188		52,442	
Core deposit intangible assets	4,810	5,190	21,650	5,760
Other real estate owned	29,749	34,335		51,977
Premises and equipment	212	21	36,224	157
Accrued interest receivable	4,007	1,989	4,458	3,816
Other assets	12,174	507	3,520	689
Total assets	\$ 1,228,284	\$ 949,503	\$ 2,426,406	\$ 1,376,745
Liabilities assumed:				
Deposits	\$ 1,194,987	\$ 760,227	\$ 2,385,897	\$ 1,234,013
Federal Home Loan Bank advances	16,381	117,148		83,894
Due to FDIC	15,977	2,526		12,200
Accrued interest payable	553	751	11,089	7,279
Other liabilities	386	8,331	29,420	1,581
Total liabilities	\$ 1,228,284	\$ 888,983	\$ 2,426,406	\$ 1,338,967
Gain on bargain purchase (before tax)	\$	\$ 60,520	\$	\$ 37,778

* The fair value of loans and OREO acquired in the Community Banks of Colorado acquisition decreased \$7.1 and \$1.6 million, respectively, during the measurement period from the original estimates. The change resulted in an increase to the indemnification asset of \$5.5 million, an increase in goodwill of \$2.7 million and a decrease to the clawback liability of \$0.5 million. These adjustments are reflected in the above table.

** The fair value of loans acquired in the Bank of Choice acquisition decreased by \$2.7 million during the measurement period from the original estimates. The change resulted in a decrease to the gain on bargain purchase of an identical amount. Both adjustments are reflected in the above table.

In accordance with the application of the acquisition method of accounting, the fair value discounts on loans are being accreted over the lives of the loans as an adjustment to yield, with the exception of any non-accretable difference, as is described in our application of critical accounting policies. Additionally, as of the date of acquisition, 97.6% of the loans and all of the OREO acquired in the Hillcrest Bank transaction were covered by FDIC loss sharing agreements, and 61.8% loans and 83.5% of OREO in the Community Banks of Colorado transaction were covered by loss sharing agreements with the FDIC, whereby we are to be reimbursed by the FDIC for a portion of the losses incurred as a result of the resolution and disposition of these problem assets. Both the application of the acquisition method of accounting and the loss sharing agreements with the FDIC are discussed in more detail below and in the notes to the consolidated financial statements.

Table of Contents

In November 2011, we completed the merger, integration and consolidation of Hillcrest Bank into NBH Bank. We also completed the integration and consolidation of operations of our Community Banks of Colorado acquisition in May 2012, and in July 2012, we completed the integration and consolidation of the operations of Bank of Choice operations. We have invested in our infrastructure and technology through the implementation of an efficient, industry-leading, scalable platform that we believe supports our risk management activities and our potential for significant future growth and new product offerings. We have centralized many of our operational functions in Kansas City, which has desirable cost and labor market characteristics. We have built enterprise-wide finance and risk management capabilities that we expect will afford efficiencies as we grow. We intend to continue our growth organically and through acquisitions, and in addition to broadening our greater Kansas City and Colorado footprints, we may also consider acquisitions in additional complementary markets through either FDIC-assisted or conservatively structured unassisted transactions to capitalize on market opportunities.

Financial Condition

Total assets at June 30, 2012 were \$5.8 billion compared to \$6.4 billion at December 31, 2011, a decrease of \$0.6 billion. The decrease in total assets was largely driven by a decrease in loan balances of \$290.0 million, which was a reflection of our workout progress on troubled loans (many of which were covered) that we acquired with our various acquisitions. We also originated \$167 million of loans during the six months ended June 30, 2012, which was offset by normal client payments. We coupled the overall loan balance decrease with a \$533.5 million decrease in total deposits, as we rolled off high-priced time deposits that we assumed in our FDIC-assisted acquisitions and continued our focus on migrating toward a client-based deposit mix with higher concentrations of lower cost demand, savings and money market (transaction) deposits. We also utilized available cash and purchased \$936.9 million of investment securities during the six months ended June 30, 2012. Our FDIC indemnification asset decreased \$74.9 million during the six months ended June 30, 2012 as a result of continued progress on our acquired problem loan resolutions and an increase in actual and expected cash flows on our covered assets. These increases in cash flows also contributed to a net reclassification of \$23.8 million of non-accretable difference to accretable yield during the period, which will be accreted to income over the remaining life of those loans.

At December 31, 2011, total assets were \$6.4 billion compared to \$5.1 billion at December 31, 2010, an increase of \$1.3 billion. The increase was primarily a result of the two acquisitions that we completed during 2011; the acquisitions of Bank of Choice and Community Banks of Colorado, through which we collectively acquired \$2.2 billion in assets at their respective acquisition dates, accounted for the majority of the increase in our total assets at December 31, 2011. The increase from the acquisitions was offset by the cash settlement of \$564.1 million of pending investment security transactions during the first quarter of 2011 that were outstanding at December 31, 2010 as the Company invested a significant portion of the cash that was received in the Bank Midwest transaction. Accounting guidance requires that the pending investment securities be recorded on the statement of financial condition in the investment securities line with a corresponding liability until the trades were settled. This resulted in a grossed-up balance sheet at December 31, 2010 as the cash settlement of \$564.1 million of investment securities did not occur until January 2011. Other notable changes from December 31, 2010 to December 31, 2011 included an increase in investment securities of \$614.9 million due to the further deployment of available cash and a \$705.2 million increase in our loan portfolio and a \$66.6 million increase in other real estate owned, both due to the above mentioned acquisitions. Total deposits increased \$1.6 billion, or 45.8% during 2011, due to our acquisitions of Bank of Choice and Community Banks of Colorado, which at December 31, 2011, comprised \$1.9 billion of our total deposits. We also transitioned the deposit mix to lower cost deposits through a shift from time deposits to demand deposits during the year.

Investment Securities

Available-for-sale

Total investment securities available-for-sale were \$1.8 billion at June 30, 2012, compared to \$1.9 billion at December 31, 2011, a decrease of \$0.1 billion, or 3.16%. During the first quarter of 2012, we re-evaluated the

Table of Contents

securities in our available-for-sale investment portfolio and identified securities that we now intend to hold until maturity. The securities that were transferred included residential mortgage pass-through securities issued or guaranteed by U.S. Government agencies or sponsored enterprises with a collective amortized cost of approximately \$715.0 million and net unrealized gains of approximately \$39 million on the date of transfer. These securities were classified as available-for-sale at December 31, 2011. During the six months ended June 30, 2012, we also purchased \$936.9 million of available-for-sale securities, which was partially offset by \$221.1 million of maturities and paydowns. The purchases included mortgage backed securities and asset backed securities. Our available-for-sale investment securities portfolio is summarized as follows for the periods indicated (in thousands):

	June 30, 2012				December 31, 2011			
	Amortized Cost	Fair Value	Percent of Portfolio	Weighted Average Yield Earned Year-to-Date	Amortized Cost	Fair Value	Percent of Portfolio	Weighted Average Yield Earned Year-to-Date
U.S. Treasury securities	\$ 300	\$ 300	0.02%	0.06%	\$ 3,300	\$ 3,300	0.18%	0.27%
U.S. Government sponsored agency and government sponsored enterprises obligations					3,009	3,010	0.16%	0.63%
Asset backed securities	92,690	92,733	5.14%	0.59%				
Mortgage-backed securities (MBS):								
Residential mortgage pass-through securities issued or guaranteed by U.S. Government agencies or sponsored enterprises	774,372	792,384	43.93%	2.86%	1,139,058	1,191,537	63.97%	3.21%
Other residential MBS issued or guaranteed by U.S. Government agencies or sponsored enterprises	896,097	918,007	50.89%	2.60%	620,122	643,625	34.55%	2.97%
Other MBS issued or guaranteed by U.S. Government agencies or sponsored enterprises					20,123	20,808	1.12%	2.73%
Other securities	419	419	0.02%	0.00%	419	419	0.02%	0.00%
Total investment securities available-for-sale	\$ 1,763,878	\$ 1,803,843	100.00%	2.70%	\$ 1,786,031	\$ 1,862,699	100.00%	3.11%

Table of Contents

	December 31, 2011				December 31, 2010			
	Amortized Cost	Fair Value	Percent of Portfolio	Weighted Average Yield Earned Year-to-Date	Amortized Cost	Fair Value	Percent of Portfolio	Weighted Average Yield Earned Year-to-Date
U.S. Treasury securities	\$ 3,300	\$ 3,300	0.18%	0.27%	\$ 42,544	\$ 42,548	3.39%	0.30%
U.S. Government sponsored agency obligations	3,009	3,010	0.16%	0.63%	500	500	0.04%	0.26%
Mortgage-backed securities (MBS):								
Residential mortgage pass-through securities issued or guaranteed by U.S. Government agencies or sponsored enterprises	1,139,058	1,191,537	63.97%	3.21%	1,023,812	1,034,703	82.48%	3.40%
Other residential MBS issued or guaranteed by U.S. Government agencies or sponsored enterprises	620,122	643,625	34.55%	2.97%	178,098	176,425	14.06%	3.00%
Other MBS issued or guaranteed by U.S. Government agencies or sponsored enterprises	20,123	20,808	1.12%	2.73%			0.00%	0.00%
Other securities	419	419	0.02%	0.00%	419	419	0.03%	0.00%
Total investment securities available-for-sale	\$ 1,786,031	\$ 1,862,699	100.00%	3.11%	\$ 1,245,373	\$ 1,254,595	100.00%	3.20%

As of June 30, 2012, approximately 94.8% of the available-for-sale investment portfolio is backed by mortgages. The residential mortgage pass through securities portfolio is comprised of both fixed rate and adjustable rate Federal Home Loan Mortgage Corporation (FHLMC), Federal National Mortgage Association (FNMA) and Government National Mortgage Association (GNMA) securities. The other mortgage-backed securities are comprised of securities backed by FHLMC, FNMA and GNMA securities.

At June 30, 2012, adjustable rate securities comprised 9.1% of the available-for-sale MBS portfolio and the remainder of the portfolio was comprised of fixed rate securities with 10 to 30 year maturities, with a weighted average coupon of 3.18% per annum.

During the six months ended June 30, 2012, we sold approximately \$20.8 million of available-for-sale investment securities, all of which occurred during the first quarter. The sale was comprised of one fixed-rate collateralized mortgage obligation backed by commercial property. We realized a gross gain of \$674 thousand on the sale of the security, which is included in gain on sale of securities, net in the accompanying consolidated statements of operations.

During the three and six months ended June 30, 2011, we sold approximately \$58.0 million and \$115.7 million, respectively, of available-for-sale investment securities. The sales were comprised of \$73.6 million of fixed-rate residential collateralized mortgage obligations and \$42.1 million of U.S. Treasury securities. We realized gains on the sale of these securities of \$158 thousand and \$192 thousand during the three and six months ended June 30, 2011, respectively, which is included in gain on sale of securities in the accompanying consolidated statements of operations.

The available-for-sale investment portfolio included \$40.0 million and \$76.7 million of net unrealized gains, inclusive of \$251 thousand and \$1 thousand of unrealized losses, at June 30, 2012 and December 31, 2011, respectively. We do not believe that any of the securities with unrealized losses were other-than-temporarily-impaired.

Table of Contents

The table below summarizes the contractual maturities of our available-for-sale investment portfolio as of June 30, 2012 (in thousands):

	Due in one year or less		Due after one year through five years		Due after five years through ten years		Due after ten years		Other securities		Total	
	Carrying Value	Weighted Average Yield	Carrying Value	Weighted Average Yield	Carrying Value	Weighted Average Yield	Carrying Value	Weighted Average Yield	Carrying Value	Weighted Average Yield	Carrying Value	Weighted Average Yield
U.S. Treasury securities	\$ 300	0.12%	\$	0.00%	\$	0.00%	\$	0.00%	\$	0.00%	\$ 300	0.12%
U.S. Government sponsored agency obligations		0.00%		0.00%		0.00%		0.00%		0.00%		0.00%
Asset backed securities		0.00%	92,733	0.61%		0.00%		0.00%		0.00%	92,733	0.61%
Mortgage-backed securities ("MBS"):												
Residential mortgage pass-through securities issued or guaranteed by U.S. Government agencies or sponsored enterprises		0.00%	4	2.64%	282,135	1.51%	510,245	2.59%		0.00%	792,384	2.20%
Other residential MBS issued or guaranteed by U.S. Government agencies or sponsored enterprises		0.00%		0.00%	14,334	2.62%	903,673	2.40%		0.00%	918,007	2.40%
Other MBS issued or guaranteed by U.S. Government agencies or sponsored enterprises		0.00%		0.00%		0.00%		0.00%		0.00%		0.00%
Other securities									419		419	
Total	\$ 300	0.12%	\$ 92,737	0.61%	\$ 296,469	1.56%	\$ 1,413,917	2.47%	\$ 419		\$ 1,803,843	2.23%

The estimated weighted average life of the available-for-sale MBS portfolio as of June 30, 2012 and December 31, 2011 was 3.9 years and 3.4 years, respectively. This estimate is based on various assumptions, including repayment characteristics, and actual results may differ. The U.S. Treasury securities have contractual maturities of less than one year. As of June 30, 2012, the duration of the total available-for-sale investment portfolio was 3.1 years and the asset backed securities portfolio within the available-for-sale investment portfolio had a duration of 1.0 year.

Held-to-maturity

At June 30, 2012, we held \$707.1 million of held-to-maturity investment securities. As previously discussed, during the first quarter of 2012, we re-evaluated the securities in our available-for-sale investment portfolio and identified securities that we now intend to hold until maturity. We transferred residential mortgage pass-through securities issued or guaranteed by U.S. Government agencies or sponsored agencies with a collective amortized cost of approximately \$715 million and unrealized gains of approximately \$39 million on the date of transfer. These securities were classified as available-for-sale at December 31, 2011. During the six months ended June 30, 2012, we also purchased \$2.2 million of held-to-maturity securities.

At December 31, 2011 the Company held \$6.8 million of held-to-maturity investment securities, of which \$3.2 million were purchased by the Company under the classification of available-for-sale and transferred to the held-to-maturity classification and \$3.6 million were purchased under the classification of held-to-maturity. Held-to-maturity investment securities are summarized as follows as of the dates indicated (in thousands):

	June 30, 2012			
	Amortized Cost	Fair Value	Percent of Portfolio	Weighted Average Yield
Residential mortgage pass-through securities issued or guaranteed by U.S. Government agencies or sponsored enterprises	\$ 707,110	\$ 713,130	100.0%	3.45%
Total investment securities held-to-maturity	\$ 707,110	\$ 713,130	100.0%	3.45%

Table of Contents

	December 31, 2011			
	Amortized Cost	Fair Value	Percent of Portfolio	Weighted Average Yield
Residential mortgage pass-through securities issued or guaranteed by U.S. Government agencies or sponsored enterprises	\$ 6,801	\$ 6,829	100.0%	2.44%
Total investment securities held-to-maturity	\$ 6,801	\$ 6,829	100.0%	2.44%

The residential mortgage pass through held-to-maturity investment portfolio is comprised only of fixed rate FNMA and GNMA securities.

At June 30, 2012, the fair value of the held-to-maturity investment portfolio was \$713.1 million with \$6.0 million of unrealized gains. The table below summarizes the contractual maturities of our held-to-maturity investment portfolio as of June 30, 2012 (in thousands):

	Amortized Cost	Weighted Average Yield
Due in one year or less	\$	
Due after one year through five years		
Due after five years through ten years		
Due after ten years	707,110	3.59%
Other securities		
Total	\$ 707,110	3.59%

The estimated weighted average life of the held-to-maturity investment portfolio as of June 30, 2012 was 3.9 years. As of June 30, 2012, the duration of the total held-to-maturity investment portfolio was 3.6 years and the duration of the entire investment securities portfolio was 3.2 years.

Non-marketable securities

Non-marketable securities include Federal Reserve Bank stock and Federal Home Loan Bank (FHLB) stock. At June 30, 2012 and December 31, 2011, we held \$25.0 million of Federal Reserve Bank stock and at June 30, 2012 and December 31, 2011 we also held \$8.1 million and \$4.1 million of FHLB stock, respectively. We hold these securities in accordance with debt and regulatory requirements. These are restricted securities which lack a market and are therefore carried at cost.

Loans- Overview

Our loan portfolio at June 30, 2012 was comprised of loans that were acquired in connection with the acquisitions of Hillcrest Bank and Bank Midwest in the fourth quarter of 2010, our acquisition of Bank of Choice during the third quarter of 2011, and our acquisition of Community Banks of Colorado during the fourth quarter of 2011, in addition to new loans that we have originated. The majority of the loans acquired in the Hillcrest Bank and Community Banks of Colorado transaction are covered by loss sharing agreements with the FDIC, and we present covered loans separately from non-covered loans due to the FDIC loss sharing agreements associated with these loans.

As discussed in Note 2 to our audited consolidated financial statements, in accordance with applicable accounting guidance, all acquired loans are recorded at fair value at the date of acquisition, and an allowance for loan losses is not carried over with the loans but, rather, the fair value of the loans encompasses both credit quality and market considerations. Loans that exhibit signs of credit deterioration at the date of acquisition are accounted for in accordance with the provisions of ASC Topic 310-30, *Loans and Debt Securities Acquired with Deteriorated Credit Quality* (ASC 310-30). A significant portion of the loans acquired in the Hillcrest Bank,

Table of Contents

Bank of Choice, and Community Banks of Colorado acquisitions had deteriorated credit quality at the date of acquisition and management accounted for all acquired loans under ASC Topic 310-30, with the exception of loans with revolving privileges which were outside the scope of ASC Topic 310-30. In our Bank Midwest transaction, we did not acquire all of the loans of the former Bank Midwest but, rather, selected certain loans based upon specific criteria of performance, adequacy of collateral, and loan type that were performing at the time of acquisition. As a result, none of the loans acquired in the Bank Midwest transaction are accounted for under ASC Topic 310-30.

Consistent with differences in the risk elements and accounting, the loan portfolio is presented in two categories: (i) loans covered by FDIC loss sharing agreements, or covered loans, and (ii) loans that are not covered by FDIC loss sharing agreements, or non-covered loans. The portfolio is further stratified based on (i) ASC 310-30 loans and (ii) Non ASC 310-30 loans.

Covered loans comprised 38.7% of the total loan portfolio at June 30, 2012, compared to 41.9% at December 31, 2011. The table below shows the loan portfolio composition and the breakdown of the portfolio between covered ASC 310-30 loans, covered Non ASC 310-30 loans, non-covered ASC 310-30 loans and Non-covered Non ASC 310-30 loans at June 30, 2012, December 31, 2011, and December 31, 2010 (dollars in thousands):

	Covered loans			June 30, 2012 Non-covered loans			Total loans	% of Total
	Non		Total covered loans	Non		Total non-covered loans		
	ASC 310-30	ASC 310-30		ASC 310-30	ASC 310-30			
Commercial	\$ 100,037	\$ 68,386	\$ 168,423	\$ 17,675	\$ 97,666	\$ 115,341	\$ 283,764	14.3%
Commercial Real Estate	504,929	8,905	513,834	201,742	250,340	452,082	965,916	48.7%
Agriculture	46,567	16,759	63,326	12,572	71,145	83,717	147,043	7.4%
Residential Real Estate	20,046	2,049	22,095	123,386	380,058	503,444	525,539	26.5%
Consumer	5		5	33,473	28,334	61,807	61,812	3.1%
Total	\$ 671,584	\$ 96,099	\$ 767,683	\$ 388,848	\$ 827,543	\$ 1,216,391	\$ 1,984,074	100.0%

	Covered loans			December 31, 2011 Non-covered loans			Total loans	% of Total
	Non		Total covered loans	Non		Total non-covered loans		
	ASC 310-30	ASC 310-30		ASC 310-30	ASC 310-30			
Commercial	\$ 123,108	\$ 79,044	\$ 202,152	\$ 31,482	\$ 139,297	\$ 170,779	\$ 372,931	16.4%
Commercial real estate	626,089	15,939	642,028	243,297	267,153	510,450	1,152,478	50.6%
Agriculture	56,839	28,535	85,374	13,989	52,040	66,029	151,403	6.7%
Residential real estate	21,043	2,111	23,154	147,239	352,492	499,731	522,885	23.0%
Consumer	7		7	44,616	29,731	74,347	74,354	3.3%
Total	\$ 827,086	\$ 125,629	\$ 952,715	\$ 480,623	\$ 840,713	\$ 1,321,336	\$ 2,274,051	100.0%

Table of Contents

	December 31, 2010								
	Covered loans			Non-covered loans					% of Total
	ASC 310-30	Non ASC 310-30	Total covered loans	ASC 310-30	Non ASC 310-30	Total non-covered loans	Total loans		
Commercial	\$ 74,783	\$ 53,650	\$ 128,433	\$	\$ 127,570	\$ 127,570	\$ 256,003	16.3%	
Commercial real estate	548,096	13,515	561,611		365,932	365,932	927,543	59.1%	
Agriculture					61,278	61,278	61,278	3.9%	
Residential real estate	11,541	1,988	13,529		282,381	282,381	295,910	18.9%	
Consumer				2,544	25,592	28,136	28,136	1.8%	
Total	\$ 634,420	\$ 69,153	\$ 703,573	\$ 2,544	\$ 862,753	\$ 865,297	\$ 1,568,870	69.0%	

Inherent in the nature of acquiring troubled banks, only certain of our acquired clients conform to our long-term business model of in-market, relationship-oriented banking. During the six months ended June 30, 2012, we developed a management tool whereby we have designated loans as strategic that include loans inside our operating markets and meet our credit risk profile. Criteria utilized in the designation of a loan as strategic include (a) geography, (b) total relationship with borrower and (c) credit metrics commensurate with our current underwriting standards. At June 30, 2012, strategic loans totaled \$1.0 billion and had very good credit quality as represented by a 90 days or more past due ratio of 0.2%. We believe this secondary presentation of our loan portfolio provides a meaningful basis to understand the underlying drivers of changes in our loan portfolio balances.

Strategic loans comprised 52.8% of the total loan portfolio at June 30, 2012, compared to 47.7% at December 31, 2011. The table below shows the loan portfolio composition categorized between strategic and non-strategic at the respective dates (dollars in thousands):

	June 30, 2012			December 31, 2011		
	Strategic	Non-Strategic	Total	Strategic	Non-Strategic	Total
Commercial	\$ 146,081	\$ 137,682	\$ 283,763	\$ 191,508	\$ 181,637	\$ 373,145
Commercial real estate	289,227	676,689	965,916	291,062	861,145	1,152,207
Agriculture	129,828	17,216	147,044	131,887	19,578	151,465
Residential real estate	433,670	91,869	525,539	415,727	107,153	522,880
Consumer	47,939	13,873	61,812	55,334	19,020	74,354
Total	\$ 1,046,745	\$ 937,329	\$ 1,984,074	\$ 1,085,518	\$ 1,188,533	\$ 2,274,051

Strategic loans decreased \$38.8 million at June 30, 2012 compared to December 31, 2011. The Commercial category decreased \$45.4 million due to paydowns of existing loans outpacing new originations/fundings during the period. Residential real estate loans increased \$17.9 million driven by strong origination primarily due to low interest rates and high refinance activity.

Commercial loans consist of loans made to finance business operations and secured by inventory or other business-related collateral such as accounts receivable or equipment. Commercial real estate loans include loans on 1-4 family construction properties, commercial properties such as office buildings, shopping centers, or free standing commercial properties, multi-family properties and raw land development loans. Agriculture loans include loans on farm equipment and farmland loans. Residential real estate loans include 1-4 family closed and open end loans, in both senior and junior collateral positions (both owner occupied and non-owner occupied). Consumer loans include both secured and unsecured loans to retail clients and overdrafts.

Table of Contents

Our loan origination strategy involves lending primarily to clients within our markets; however, our acquired loans are to clients in various geographies. The table below shows the geographic breakout of our loan portfolio at June 30, 2012, based on the domicile of the borrower or, in the case of collateral-dependent loans, the geographic location of the collateral (in thousands):

	Loan balances	Percent of loan portfolio
Colorado	\$ 770,220	38.8%
Missouri	416,291	21.0%
Texas	173,523	8.7%
Kansas	111,548	5.6%
California	77,553	3.9%
Florida	73,431	3.7%
Other	361,508	18.3%
Total	\$ 1,984,074	100.0%

The decline in total loans from \$2.3 billion at December 31, 2011 to \$2.0 billion at June 30, 2012 was primarily driven by decreases in our acquired loan portfolios as the problem credits in those portfolios migrated to resolution, as well as the repayment of many loans that do not conform to our business model of in-market, relationship-oriented loans with credit metrics commensurate with our current underwriting standards. We have an enterprise-level, dedicated special asset resolution team that is working to resolve problem loans in an expeditious manner and our resolution of the troubled assets acquired with our acquisitions of three failed banks continues to outpace our originations. Acquired loans were marked to fair value at the time of acquisition and, as a result, we have been able to resolve these assets without significant losses.

New loan origination is a direct result of our ability to recruit and retain top banking talent. New loan originations continued to increase as our Midwest markets stabilized during the period. We expect that our Colorado markets will continue to contribute to loan growth as bankers are further deployed and our presence in those markets increases. The widespread economic uncertainty has limited organic loan growth and we anticipate this will continue to be a challenge in the near future. The following table represents new loan originations for the last six quarters (in thousands):

	Commercial and Agriculture		Commercial real estate	Consumer	Residential	Total
First quarter 2011	\$ 3,101	\$ 1,128	\$ 5,194	\$ 1,223	\$ 14,170	\$ 24,816
Second quarter 2011	2,476	1,390	2,081	2,207	16,707	24,861
Third quarter 2011	651	14,226	818	2,772	16,908	35,375
Fourth quarter 2011	1,575	9,955	4,062	3,083	35,745	54,420
First quarter 2012	7,570	20,102	18,546	3,155	33,016	82,389
Second quarter 2012	22,444	10,799	6,816	4,057	40,123	84,239
Total	\$ 37,817	\$ 57,600	\$ 37,517	\$ 16,497	\$ 156,669	\$ 306,100

Covered loans

The Company has two loss sharing agreements with the FDIC for the assets related to the Hillcrest Bank acquisition and a separate loss sharing agreement that covers certain assets related to the Community Banks of Colorado acquisition, whereby the FDIC will reimburse us for a portion of the losses incurred as a result of the resolution and disposition of the covered assets of these banks.

The Hillcrest Bank loss sharing agreements with the FDIC cover substantially all of the loans acquired in the Hillcrest Bank transaction, including single family residential mortgage loans, commercial real estate,

Table of Contents

commercial and industrial loans, unfunded commitments, and OREO. For purposes of the Hillcrest Bank loss sharing agreements, the anticipated losses on the covered assets are grouped into two categories, commercial assets and single family assets, and each category has its own specific loss sharing agreement. The term for loss sharing on single family residential real estate loans is ten years, and the Company will share in losses and recoveries with the FDIC for the entire term. The term for the loss sharing agreement on commercial loans is eight years. Under the commercial loss sharing agreement, the Company will share in losses and recoveries with the FDIC for the first five years. After the first five years, the FDIC will not share in losses but only in recoveries for the remaining term of the agreement. The loss sharing agreements cover losses on loans (and any acquired or resultant OREO) in the respective categories and have provisions through which we are required to be reimbursed for up to 90 days of accrued interest and direct expenses related to the resolution of these assets. Within the categories, there are three tranches of losses, each with a specified loss-coverage percentage. The categories, and the respective loss thresholds and coverage amounts are as follows (in thousands):

Commercial			Single family		
Tranche	Loss Threshold	Loss-Coverage Percentage	Tranche	Loss Threshold	Loss-Coverage Percentage
1	Up to \$295,592	60%	1	Up to \$4,618	60%
2	\$295,593-405,293	0%	2	\$4,618-8,191	30%
3	>\$405,293	80%	3	>\$8,191	80%

With the purchase and assumption agreement of Community Banks of Colorado with the FDIC, we entered into a loss sharing agreement with the FDIC whereby the FDIC will reimburse us for a portion of the losses incurred as a result of the resolution and disposition of certain covered assets of Community Banks of Colorado. Covered assets include certain single family residential mortgage loans, commercial real estate loans, commercial and industrial loans, agriculture loans, consumer loans, unfunded commitments, and OREO. As of the date of acquisition, covered loans of Community Banks of Colorado totaled approximately 61.8% of the total outstanding loan principal balances of Community Banks of Colorado. For purposes of the Community Banks of Colorado loss sharing agreement, the anticipated losses on the covered assets are grouped into one category, commercial assets, and are subject to one loss share agreement lasting eight years. Under the agreement, the Company will share in losses and recoveries with the FDIC for the first five years and thereafter, the FDIC will not share in losses but only in recoveries for the remaining term of the agreement. The loss sharing agreement covers losses on covered loans (and any acquired or resultant OREO) and has provisions under which we will be reimbursed for up to 90 days of accrued interest and direct expenses related to the resolution of these assets. There are three tranches of losses, each with a specified loss-coverage percentage. The respective loss thresholds and coverage amounts are as follows (in thousands):

Tranche	Loss Threshold	Loss-Coverage Percentage
1	Up to \$204,194	80%
2	\$204,195-308,020	30%
3	>\$308,020	80%

Under the Hillcrest Bank and Community Banks of Colorado loss sharing agreements, the reimbursable losses from the FDIC are based on the book value of the related covered assets as determined by the FDIC at the date of acquisition, and the FDIC's book value does not necessarily correlate with our book value of the same assets. This difference is primarily because we recorded the loans at fair value at the date of acquisition in accordance with applicable accounting guidance.

As of June 30, 2012 and December 31, 2011, respectively, we had incurred \$184.9 million and \$159.5 million of losses on our Hillcrest Bank covered assets since the beginning of the loss sharing agreement as measured by the FDIC's book value, substantially all of which was related to the commercial assets. Additionally, as of June 30, 2012 and December 31, 2011, respectively, we had incurred approximately \$109.2 million and \$43.1 million of losses related to our Community Banks of Colorado loss sharing agreement. The fair

Table of Contents

value adjustments assigned to the related covered loans at the time of acquisition encompassed anticipated losses such as these, and as a result, our financial statement losses are mitigated and do not correspond to the losses reported for loss sharing purposes. Subsequent to June 30, 2012, we submitted a request for \$1.8 million of loss sharing reimbursements from the FDIC for \$3.0 million of losses related to Hillcrest Bank and an additional request for \$33.2 million of reimbursement related to \$41.5 million in losses for Community Banks of Colorado, all incurred (as measured by the FDIC's book value) during the three months ended June 30, 2012.

The status of covered assets and any incurred losses require extensive recordkeeping and documentation and are submitted to the FDIC on a monthly and quarterly basis. The loss claims filed are subject to review and approval, including extensive audits, by the FDIC or its assigned agents for compliance with the terms in our loss sharing agreements.

Our loss sharing agreements cover losses for finite terms—ten years for the assets covered by the single family loss sharing agreement and five years for all assets covered by the commercial loss sharing agreements. We have focused on resolving the covered loans in an expeditious manner in an effort to utilize the benefits offered by the loss sharing agreements, and often times, loans pay down prior to the scheduled maturity date.

The table below shows the contractual maturities of our covered loans for the dates indicated (in thousands):

	June 30, 2012			Total
	Due within 1 year	Due after 1 but within 5 years	Due after 5 years	
Commercial	\$ 84,373	\$ 58,769	\$ 25,281	\$ 168,423
Commercial real estate	271,075	213,193	29,566	513,834
Agriculture	15,155	16,163	32,008	63,326
Residential real estate	8,696	12,897	502	22,095
Consumer		5		5
Total covered loans	\$ 379,299	\$ 301,027	\$ 87,357	\$ 767,683

	December 31, 2011			Total
	Due within 1 year	Due after 1 but within 5 years	Due after 5 years	
Commercial	\$ 123,692	\$ 56,964	\$ 21,496	\$ 202,152
Commercial real estate	409,213	199,003	33,812	642,028
Agriculture	37,361	12,134	35,879	83,374
Residential real estate	10,081	12,602	471	23,154
Consumer		7		7
Total covered loans	\$ 580,346	\$ 280,710	\$ 91,658	\$ 952,715

	December 31, 2010			Total
	Due within 1 year	Due after 1 but within 5 years	Due after 5 years	
Commercial	\$ 60,298	\$ 68,135	\$	\$ 128,433
Commercial real estate	343,378	218,234		561,612
Agriculture				
Residential real estate	11,160	2,104	264	13,528
Consumer				

Edgar Filing: National Bank Holdings Corp - Form S-1/A

Total covered loans	\$ 414,836	\$ 288,473	\$ 264	\$ 703,573
---------------------	------------	------------	--------	------------

Table of Contents

The interest rate sensitivity of covered loans with maturities over one year is as follows at the dates indicated (in thousands):

	June 30, 2012		
	Fixed	Variable	Total
Commercial	\$ 23,239	\$ 60,811	\$ 84,050
Commercial real estate	75,193	167,566	242,759
Agriculture	4,650	43,521	48,171
Residential real estate	3,633	9,766	13,399
Consumer	5		5
Total covered loans	\$ 106,720	\$ 281,664	\$ 388,384

	December 31, 2011		
	Fixed	Variable	Total
Commercial	\$ 24,370	\$ 54,090	\$ 78,460
Commercial real estate	74,621	158,194	232,815
Agriculture	4,587	43,426	48,013
Residential real estate	3,878	9,195	13,073
Consumer	7		7
Total covered loans	\$ 107,463	\$ 264,905	\$ 372,368

	December 31, 2010		
	Fixed	Variable	Total
Commercial	\$ 22,974	\$ 45,161	\$ 68,135
Commercial real estate	60,402	157,832	218,234
Agriculture			
Residential real estate	680	1,688	2,368
Consumer			
Total covered loans	\$ 84,056	\$ 204,681	\$ 288,737

For more information on how interest is accounted for on covered loans, please refer below under *Accretible Yield* and to the notes to our consolidated financial statements. Note 4 to the consolidated financial statements and Note 7 to our audited consolidated financial statements provide additional information on our covered loans, including a breakout of past due status, credit quality indicators, and non-accrual status.

Non-covered loans

The tables below show the contractual maturities of our non-covered loans at the dates indicated (in thousands):

	June 30, 2012			Total
	Due within 1 year	Due after 1 but within 5 years	Due after 5 years	
Commercial	\$ 32,426	\$ 53,228	\$ 29,687	\$ 115,341
Commercial real estate	106,799	199,779	145,504	452,082
Agriculture	5,996	35,284	42,437	83,717

Edgar Filing: National Bank Holdings Corp - Form S-1/A

Residential real estate	44,203	100,202	359,039	503,444
Consumer	18,820	24,159	18,828	61,807
Total	\$ 208,244	\$ 412,652	\$ 595,495	\$ 1,216,391

Table of Contents

	December 31, 2011			Total
	Due within 1 year	Due after 1 but within 5 years	Due after 5 years	
Commercial	\$ 62,725	\$ 85,367	\$ 22,687	\$ 170,779
Commercial real estate	185,526	186,672	138,252	510,450
Agriculture	19,684	23,067	23,278	66,029
Residential real estate	84,383	103,881	311,467	499,731
Consumer	33,234	32,407	8,706	74,347
Total	\$ 385,552	\$ 431,394	\$ 504,390	\$ 1,321,336

	December 31, 2010			Total
	Due within 1 year	Due after 1 but within 5 years	Due after 5 years	
Commercial	\$ 24,607	\$ 73,409	\$ 29,554	\$ 127,570
Commercial real estate	136,635	121,564	107,733	365,932
Agriculture	12,757	17,927	30,594	61,278
Residential real estate	8,250	41,699	232,432	282,381
Consumer	11,406	12,218	4,512	28,136
Total	\$ 193,655	\$ 266,817	\$ 404,825	\$ 865,297

The interest rate sensitivity of non-covered loans with maturities over one year is as follows at the dates indicated (in thousands):

	June 30, 2012		Total
	Fixed Rate	Variable Rate	
Commercial	\$ 35,163	\$ 47,752	\$ 82,915
Commercial real estate	136,267	209,016	345,283
Agriculture	51,204	26,517	77,721
Residential real estate	227,065	232,176	459,241
Consumer	27,717	15,270	42,987
Total	\$ 477,416	\$ 530,731	\$ 1,008,147

	December 31, 2011		Total
	Fixed Rate	Variable Rate	
Commercial	\$ 32,988	\$ 75,066	\$ 108,054
Commercial real estate	110,416	214,508	324,924
Agriculture	20,713	25,632	46,345
Residential real estate	181,107	234,241	415,348
Consumer	23,671	17,442	41,113
Total	\$ 368,895	\$ 566,889	\$ 935,784

Edgar Filing: National Bank Holdings Corp - Form S-1/A

	December 31, 2010		
	Fixed Rate	Variable Rate	Total
Commercial	\$ 57,161	\$ 45,802	\$ 102,963
Commercial real estate	96,250	133,047	229,297
Agriculture	17,020	31,501	48,521
Residential real estate	95,914	178,217	274,131
Consumer	13,710	3,020	16,730
 Total	 \$ 280,055	 \$ 391,587	 \$ 671,642

Table of Contents

Note 4 to the consolidated financial statements and Note 7 to our audited consolidated financial statements provides additional information on our non-covered loans, including a detailed breakout of loan categories, past due status, credit quality indicators, and non-accrual status.

Accretable Yield

The fair value adjustments assigned to loans that are accounted for under ASC Topic 310-30 are comprised of both accretable yield and a non-accretable difference that are based on expected cash flows from the loans. Accretable yield is the excess of a pool's cash flows expected to be collected over the recorded balance of the related pool of loans. The non-accretable difference represents the expected shortfall in future cash flows from the contractual amount due in respect of each pool of such loans. Similar to the entire fair value adjustment for loans outside the scope of ASC Topic 310-30, the accretable yield is accreted into income over the estimated remaining life of the loans in the applicable pool.

Below is the composition of the net book value for loans accounted for under ASC Topic 310-30 at June 30, 2012 and December 31, 2011 and 2010 (in thousands):

	June 30, 2012	December 31, 2011	December 31, 2010
Contractual cash flows	\$ 1,722,993	\$ 2,030,374	\$ 957,975
Nonaccretable difference	(504,479)	(536,171)	(246,682)
Accretable yield	(158,082)	(186,494)	(74,329)
Total loans accounted for under ASC Topic 310-30	\$ 1,060,432	\$ 1,307,709	\$ 636,964

Loan pools accounted for under ASC Topic 310-30 are periodically remeasured to determine expected future cash flows. In determining the expected cash flows, prepayment assumptions on smaller homogeneous loans are based on statistical models that take into account factors such as the loan interest rate, credit profile of the borrowers, the years in which the loans were originated, and whether the loans were fixed or variable rate loans. Prepayments may be assumed on large loans if circumstances specific to that loan warrant a prepayment assumption. No prepayments are presumed for small homogeneous commercial loans; however, prepayment assumptions are made that consider similar prepayment factors listed above for smaller homogeneous loans. Decreases to the expected future cash flows in the applicable pool generally result in an immediate provision for loan losses charged to the consolidated statements of operations. Conversely, increases in the expected future cash flows in the applicable pool result in a transfer from the non-accretable difference to the accretable yield, and have a positive impact on accretion income prospectively. This re-measurement process resulted in the following changes to the accretable yield during the six months ended June 30, 2012 (in thousands):

Balance at December 31, 2011	\$ 186,494
Reclassification from non-accretable difference	29,483
Reclassification to non-accretable difference	(5,651)
Accretion income	(52,244)
Balance at June 30, 2012	\$ 158,082

Table of Contents

The re-measurement of loans accounted for under ASC Topic 310-30 resulted in the following changes in the accretable yield during the year ended December 31, 2011 (in thousands):

Balance at December 31, 2010	\$ 74,329
Additions through acquisitions	130,321
Reclassification from non-accretable difference	45,871
Reclassification to non-accretable difference	(409)
Accretion income	(63,618)
Balance at December 31, 2011	\$ 186,494

Six months ended June 30, 2012

During the six months ended June 30, 2012, we re-measured the expected cash flows of all 30 of the loan pools accounted for under ASC Topic 310-30 utilizing the same cash flow methodology used at the time of acquisition. This resulted in an increase in expected cash flows in certain loan pools for the three months ended March 31, 2012 and an increase in expected cash flows in certain loan pools for the three months ended June 30, 2012. These increases in expected cash flows are reflected as an increase in the accretion rates as well as an increased amount of accretable yield that will be recognized over the expected remaining lives of the underlying loan pools. During the six months ended June 30, 2012, we reclassified \$23.8 million, net, from non-accretable difference to accretable yield. The re-measurements also resulted in a \$13.7 million impairment during the six months ended June 30, 2012, primarily driven by our commercial and industrial, commercial real estate and land pools. One land pool contributed \$4.9 million, or 35.8%, of the total impairment for the six months ended June 30, 2012. These impairments are reflected in provision for loan loss in the consolidated statement of operations.

Years ended December 31, 2011 and 2010

During 2011, we re-measured the expected cash flows in 14 of the 30 (16 of the 30 were created in the fourth quarter of 2011 with the Community Banks of Colorado acquisition) loan pools accounted for under ASC Topic 310-30 utilizing the same cash flow methodology used at the time of acquisition. This resulted in an increase in expected cash flows in certain loan pools for the year ended December 31, 2011. These increases in expected cash flows are reflected as an increase in the accretion rates as well as an increased amount of accretable yield that will be recognized over the expected lives of the underlying loan pools. During the year ended December 31, 2011, we reclassified \$45.5 million, net of non-accretable difference to accretable yield. The re-measurement also resulted in \$4.2 million impairment in 2011 of a commercial and industrial loan pool from the Hillcrest Bank acquisition, a \$0.1 million impairment of an agricultural loan pool and a \$0.7 million impairment in a single family residential loan pool, both of which were from the Bank of Choice acquisition. These impairments are reflected in provision for loan loss in the consolidated statement of operations. We did not re-measure cash flows in 2010.

In addition to the accretable yield on loans accounted for under ASC Topic 310-30, the fair value adjustments on loans outside the scope of 310-30 are also accreted to interest income over the life of the loans. At June 30, 2012, our total remaining accretable yield and fair value mark was as follows (in thousands):

Remaining accretable yield on loans accounted for under ASC Topic 310-30	\$ 158,082
Remaining accretable fair value mark on loans not accounted for under ASC Topic 310-30	28,259
Total remaining accretable yield and fair value mark at June 30, 2012	\$ 186,341

Table of Contents

At December 31, 2011, our total remaining accretable yield and fair value mark was as follows (in thousands):

Remaining accretable yield on loans accounted for under ASC Topic 310-30	\$ 186,494
Remaining accretable fair value mark on loans not accounted for under ASC Topic 310-30	42,150
Total remaining accretable yield and fair value mark at December 31, 2011	\$ 228,644

Asset Quality

All of the assets acquired in our acquisitions were marked to fair value at the date of acquisition, and the adjustments on loans included a credit quality component. We utilize traditional credit quality metrics to evaluate the overall credit quality of our loan portfolio; however our credit quality ratios are limited in their comparability to industry averages or to other financial institutions because:

1. Any asset quality deterioration that existed at the date of acquisition was considered in the original fair value adjustments; and

2. 45.4% of our non-performing assets (by dollar amount) at June 30, 2012 are covered by loss sharing agreements with the FDIC. Asset quality, particularly on non-covered loans, is fundamental to our success. Accordingly, for the origination of loans, we have established a credit policy that allows for responsive, yet controlled lending with credit approval requirements that are scaled to loan size. Within the scope of the credit policy, each prospective loan is reviewed in order to determine the appropriateness and the adequacy of the loan characteristics and the security or collateral prior to making a loan. We have established underwriting standards and loan origination procedures that require appropriate documentation, including financial data and credit reports. For loans secured by real property, we require property appraisals, title insurance or a title opinion, hazard insurance and flood insurance, in each case where appropriate.

Additionally, we have implemented procedures to timely identify loans that may become problematic in order to ensure the most beneficial resolution to the Company. Asset quality is monitored by our credit risk management department and evaluated based on quantitative and subjective factors such as the timeliness of contractual payments received. Additional factors that are considered, particularly with commercial loans over \$250,000, include the financial condition and liquidity of individual borrowers and guarantors, if any, and the value of our collateral. To facilitate the oversight of asset quality, loans are categorized based on the number of days past due and on an internal risk rating system, and both are discussed in more detail below.

Our internal risk rating system uses a series of grades which reflect our assessment of the credit quality of covered and non-covered loans based on an analysis of the borrower's financial condition, liquidity and ability to meet contractual debt service requirements. Loans that are perceived to have acceptable risk are categorized as pass loans. Special mention loans represent loans that have potential credit weaknesses that deserve close attention. Special mention loans include borrowers that have potential weaknesses or unwarranted risks that, unless corrected, may threaten the borrower's ability to meet debt service requirements. However, these borrowers are still believed to have the ability to respond to and resolve the financial issues that threaten their financial situation. Loans classified as substandard have a well-defined credit weakness and are inadequately protected by the current paying capacity of the obligor or of the collateral pledged, if any. Although these loans are identified as potential problem loans, they may never become non-performing. Substandard loans have a distinct possibility of loss if the deficiencies are not corrected. Doubtful loans are loans that management believes that collection of payments in accordance with the terms of the loan agreement are highly questionable and improbable. Doubtful loans that are not covered by loss sharing agreements are deemed impaired and put on non-accrual status.

Table of Contents

In the event of borrower default, we may seek recovery in compliance with state lending laws, the respective loan agreements, and credit monitoring and remediation procedures that may include modifying or restructuring a loan from its original terms, for economic or legal reasons, to provide a concession to the borrower from their original terms due to borrower financial difficulties in order to facilitate repayment. Such restructured loans are considered troubled debt restructurings in accordance with ASC Topic 310-40 *Troubled Debt Restructurings by Creditors*. Under this guidance, modifications to loans that fall within the scope of ASC Topic 310-30 are not considered troubled debt restructurings, regardless of otherwise meeting the definition of a troubled debt restructuring. Assets that have been foreclosed on or acquired through deed-in-lieu of foreclosure are classified as OREO until sold, and are carried at the lower of the related loan balance or the fair value of the collateral less estimated costs to sell, with any initial valuation adjustments charged to the ALL and any subsequent declines in carrying value charged to impairments on OREO.

Non-performing Assets

Non-performing assets consist of covered and non-covered non-accrual loans, accruing loans 90 days or more past due, troubled debt restructurings, OREO (56.3% of which was covered by FDIC loss sharing agreements at June 30, 2012) and other repossessed assets. However, loans and troubled debt restructurings accounted for under ASC Topic 310-30, as described below, are excluded from our non-performing assets. Our non-performing assets include \$7.8 million and \$14.8 million of covered loans not accounted for under ASC Topic 310-30 and \$77.5 million and \$77.1 million of covered OREO at June 30, 2012 and December 31, 2011, respectively. In addition to being covered by loss sharing agreements, these assets were marked to fair value at the time of acquisition, mitigating much of our loss potential on these non-performing assets. As a result, the levels of our non-performing assets are not fully comparable to those of our peers or to industry benchmarks.

As of June 30, 2012 and December 31, 2011, 56.3% and 63.3%, respectively, of loans accounted for under ASC Topic 310-30 were covered by the FDIC loss sharing agreements. Loans accounted for under ASC Topic 310-30 were recorded at fair value based on cash flow projections that considered the deteriorated credit quality and expected losses. These loans are accounted for on a pool basis and any non-payment of contractual principal or interest is considered in our periodic re-estimation of the expected future cash flows. To the extent that we decrease our cash flow projections, we record an immediate impairment expense through the provision for loan losses. We recognize any increases to our cash flow projections on a prospective basis through an increase to the pool's yield over its remaining life once any previously recorded impairment expense has been recouped. As a result of this accounting treatment, these pools may be considered to be performing, even though some or all of the individual loans within the pools may be contractually past due. Loans accounted for under ASC Topic 310-30 were classified as performing assets at June 30, 2012 and December 31, 2011, as the carrying value of the respective loan or pool of loans cash flows were considered estimatable and probable of collection. Therefore, interest income, through accretion of the difference between the carrying value of the loans in the pool and the pool's expected future cash flows, is being recognized on all acquired loans accounted for under ASC Topic 310-30.

Table of Contents

The following table sets forth the non-performing assets as of the dates presented (in thousands):

	June 30, 2012			December 31, 2011		
	Non-Covered	Covered	Total	Non-Covered	Covered	Total
Non-accrual loans:						
Commercial loans	\$ 1,058	\$ 2,370	\$ 3,428	\$ 761	\$ 4,613	\$ 5,374
Commercial real estate loans	12,624	1,265	13,889	21,961	8,048	30,009
Agriculture	40		40	29		29
Residential real estate loans	2,162	433	2,595	1,899	460	2,359
Consumer loans	7		7	1		1
Total non-accrual loans	15,891	4,068	19,959	24,651	13,121	37,772
Loans past due 90 days or more and still accruing interest:						
Commercial loans	94		94		179	179
Commercial real estate loans					149	149
Agriculture						
Residential real estate loans	242		242	290		290
Consumer loans	9		9	35		35
Total accruing loans 90 days past due	345		345	325	328	653
Accruing restructured loans (1)	25,841	3,701	29,542	10,958	1,367	12,325
Total non-performing loans	42,077	7,769	49,846	35,934	14,816	50,750
OREO	60,219	77,493	137,712	43,530	77,106	120,636
Other repossessed assets	821	514	1,335	873	680	1,553
Total non-performing assets	\$ 103,117	\$ 85,776	\$ 188,893	\$ 80,337	\$ 92,602	\$ 172,939
Allowance for loan losses			\$ 17,294			\$ 11,527
Total non-performing loans to total non-covered, total covered, and total loans, respectively	2.12%	0.39%	2.51%	1.58%	0.65%	2.23%
Total non-performing assets to total assets			3.26%			2.72%
Allowance for loan losses to non-performing loans			34.69%			22.71%

(1) Includes restructured loans less than 90 days past due and still accruing.

Our OREO of \$137.7 million at June 30, 2012 includes \$17.9 million of participant interests in OREO, in connection with our repossession of collateral on loans for which we were the lead bank and we have a controlling interest. We have recorded a corresponding payable to those participant banks in other liabilities. The \$137.7 million of OREO at June 30, 2012 excludes \$12.2 million of minority interest in participated OREO in connection with the repossession of collateral on loans for which we were not the lead bank and we do not have a controlling interest. These properties have been repossessed by the lead banks and we have recorded our receivable due from the lead banks in other assets as minority interest in participated OREO.

Six months ended June 30, 2012

Total non-performing assets increased \$16.0 million at June 30, 2012 compared to December 31, 2011. The increase was primarily a result of an increase in OREO offset, in part, by \$0.9 million decrease in non-performing loans. At June 30, 2012, the largest category of non-accrual loans was commercial real estate loans with balances of \$13.9 million, consisting of \$12.6 million of non-covered and \$1.3 million of covered loans.

Table of Contents

At June 30, 2012, the largest category of non-performing loans was commercial real estate loans with balances of \$13.7 million, consisting of \$12.4 million of non-covered loans and \$1.3 million of covered loans. The non-performing non-covered commercial real estate loans include seven loans on non-accrual status totaling \$11.7 million, primarily due to vacancies of commercial properties. We also had four commercial real estate loans on non-accrual status totaling \$1.3 million. Non-performing commercial loans consisted primarily of 10 covered loans totaling \$2.4 million and nine non-covered loans totaling \$0.8 million. Additionally, our residential real estate category had 43 non-covered loans totaling \$2.1 million and one non-covered loan totaling \$0.4 million.

The non-performing loans to total loans ratio at June 30, 2012 increased compared to December 31, 2011 primarily due to the decrease in total loans being greater than the decrease in total non performing loans.

During the six months ended June 30, 2012, \$56.1 million of OREO was foreclosed on or otherwise repossessed and \$31.8 million of OREO was sold, including \$1.9 million of gains reimbursable to the FDIC and \$2.2 million of non-covered gains. OREO write-downs of \$7.2 million were recorded, of which \$6.0 million, or 83.7%, were covered by FDIC loss sharing agreements. The net increase to OREO balances was \$17.1 million. Covered OREO represented 56.3% and 63.9% at June 30, 2012 and December 31, 2011, respectively.

The non-performing assets to total assets ratio increased primarily due to the net increase in OREO coupled with a decrease in total assets.

The following table sets forth the non-performing assets as of the dates presented (in thousands):

	December 31, 2011			December 31, 2010		
	Non-covered	Covered	Total	Non-covered	Covered	Total
Non-accrual loans:						
Commercial loans	\$ 761	\$ 4,613	\$ 5,374	\$	\$	\$
Commercial real estate loans	21,961	8,048	30,009			
Agriculture	29		29			
Residential real estate loans	1,899	460	2,359			
Consumer loans	1		1			
Total non-accrual loans	24,651	13,121	37,772			
Loans past due 90 days or more and still accruing interest:						
Commercial loans		179	179		4,635	4,635
Commercial real estate loans		149	149		9,905	9,905
Agriculture						
Residential real estate loans	290		290			
Consumer loans	35		35			
Total accruing loans 90 days past due	325	328	653		14,540	14,540
Accruing restructured loans (1)	10,958	1,367	12,325	431		431
Total non-performing loans	35,934	14,816	50,750	431	14,540	14,971
OREO	43,530	77,106	120,636		54,078	54,078
Other repossessed assets	873	680	1,553			
Total non-performing assets	\$ 80,337	\$ 92,602	\$ 172,939	\$ 431	\$ 68,618	\$ 69,049
Allowance for loan losses			\$ 11,527			\$ 48
Total non-performing loans to total non-covered, total covered, and total loans, respectively	1.58%	.65%	2.23%	0.05%	2.07%	0.95%
Total non-performing assets to total assets			2.72%			1.35%
Allowance for loan losses to non-performing loans			22.71%			0.32%

- (1) Includes restructured loans less than 90 days past due and still accruing.

Table of Contents

Years ended December 31, 2011 and 2010

At December 31, 2011, the largest category of non-performing loans was commercial real estate loans with balances of \$30.0 million, consisting of \$22.0 million of non-covered and \$8.0 million of covered loans. The non-performing non-covered commercial real estate loans include four non-covered loans totaling \$18.5 million that were on non-accrual status, largely due to vacancies in commercial properties. These loans were secured by commercial real estate located both in and outside of our markets. We also had three covered commercial real estate loans totaling \$7.9 million that were on non-accrual status at December 31, 2011. Additionally, non-performing commercial loans totaled \$6.0 million, consisting of \$0.8 million of non-covered loans and \$5.3 million covered loans. Non-performing commercial loans largely consisted of four covered loans totaling \$5.2 million and one \$0.5 million non-covered loan. Non-performing residential real estate loans totaled \$2.4 million, consisting of \$1.9 million of non-covered loans and \$0.5 million of covered loans. Non-performing residential real estate loans included six non-covered loans totaling \$0.7 million and one covered loan amounting to \$0.5 million, with the remaining consisting of balances under \$0.1 million.

During 2011, \$52.3 million of OREO was foreclosed on or otherwise repossessed, \$34.3 million and \$29.8 million of OREO was acquired with Bank of Choice and Community Banks of Colorado acquisition, respectively, and \$51.8 million of OREO was sold, with covered gains of \$2.2 million and non-covered gains of \$0.9 million, resulting in a net increase to OREO balances of \$66.6 million. At December 31, 2011, 63.9% of OREO was covered by loss sharing agreements with the FDIC.

At December 31, 2010, there were no non-accrual loans and past due loans 90 days or more and still accruing interest were concentrated in the commercial and commercial real estate categories and 100% of the OREO balance was covered.

The following table presents the carrying value of our accruing and non-accrual loans compared to the unpaid principal balance (UPB) as of June 30, 2012 (in thousands):

	Accruing			Nonaccrual			Total		
	Unpaid principal balance	Carrying value	Carrying value/ UPB	Unpaid principal balance	Carrying value	Carrying value/ UPB	Unpaid principal balance	Carrying value	Carrying value/ UPB
Covered loans:									
Commercial	\$ 214,507	\$ 166,053	77.4%	\$ 12,197	\$ 2,370	19.4%	\$ 226,704	\$ 168,423	74.3%
Commercial real estate	687,661	512,569	74.5%	50,152	1,264	2.5%	737,813	513,833	69.6%
Agriculture	68,899	63,327	91.9%			0.0%	68,899	63,327	91.9%
Residential real estate	25,298	21,661	85.6%	450	434	96.4%	25,748	22,095	85.8%
Consumer	6	5	83.3%			0.0%	6	5	83.3%
Total covered loans	996,371	763,615	76.6%	62,799	4,068	6.5%	1,059,170	767,683	72.5%
Non-covered loans:									
Commercial	120,991	114,283	94.5%	3,036	1,057	34.8%	124,027	115,340	93.0%
Commercial real estate	500,614	439,457	87.8%	17,943	12,626	70.4%	518,557	452,083	87.2%
Agriculture	85,386	83,677	98.0%	43	40	93.0%	85,429	83,717	98.0%
Residential real estate	534,647	501,283	93.8%	3,039	2,161	71.1%	537,686	503,444	93.6%
Consumer	73,872	61,800	83.7%	36	7	19.4%	73,908	61,807	83.6%
Total non-covered loans	1,315,510	1,200,500	91.3%	24,097	15,891	65.9%	1,339,607	1,216,391	90.8%
Total loans	\$ 2,311,881	\$ 1,964,115	85.0%	\$ 86,896	\$ 19,959	23.0%	\$ 2,398,777	\$ 1,984,074	82.7%

Table of Contents*Past Due Loans*

Past due status is monitored as an indicator of credit deterioration. Covered and non-covered loans are considered past due or delinquent when the contractual principal or interest due in accordance with the terms of the loan agreement remains unpaid after the due date of the scheduled payment. Loans that are 90 days or more past due and not accounted for under ASC Topic 310-30 are put on non-accrual status unless the loan is well secured and in the process of collection. Pooled loans accounted for under ASC Topic 310-30 that are 90 days or more past due and still accruing are included in loans 90 days or more past due and still accruing interest and are considered to be performing as is further described above under *Non-Performing Assets*. The table below shows the past due status of covered and non-covered loans, based on contractual terms of the loans as of June 30, 2012 and December 31, 2011 (in thousands):

	June 30, 2012			December 31, 2011		
	Non-covered	Covered	Total	Non-covered	Covered	Total
Loans 30-89 days past due and still accruing interest	\$ 19,639	\$ 40,148	\$ 59,787	\$ 31,279	\$ 55,182	\$ 86,461
Loans 90 days or more past due and still accruing interest (accounted for under ASC 310-30)	63,599	86,385	149,984	64,714	109,654	174,368
Loans 90 days or more past due and still accruing interest (excluded from ASC 310-30)	345		345	325	328	653
Non-accrual loans	15,891	4,068	19,959	24,651	13,121	37,772
Total past due and non-accrual loans	\$ 99,474	\$ 130,601	\$ 230,075	\$ 120,969	\$ 178,285	\$ 299,254
Total past due and non-accrual loans to total non-covered, total covered, and total loans, respectively	8.2%	17.0%	11.6%	9.2%	18.7%	13.2%
Total non-accrual loans to total non-covered, total covered, and total loans, respectively	1.3%	0.5%	1.0%	1.9%	1.4%	1.7%
% of total past due and non-accrual loans that carry fair value adjustments	87.9%	98.6%	94.0%	84.0%	98.9%	92.9%
% of total past due and non-accrual loans that are covered by FDIC loss sharing agreements			56.8%			59.6%

Table of Contents

	December 31, 2011			December 31, 2010		
	Non-covered	Covered	Total	Non-covered	Covered	Total
Loans 30-89 days past due and still accruing interest	\$ 31,279	\$ 55,182	\$ 86,461	\$ 13,668	\$ 24,804	\$ 38,472
Loans 90 days or more past due and still accruing interest (accounted for under ASC 310-30)	64,714	109,654	174,368		110,830	110,830
Loans 90 days or more past due and still accruing interest (excluded from ASC 310-30)	325	328	653		14,540	14,540
Non-accrual loans	24,651	13,121	37,772			
Total past due and non-accrual loans	\$ 120,969	\$ 178,285	\$ 299,254	\$ 13,668	\$ 150,174	\$ 163,842
Total past due and non-accrual loans to total non-covered, total covered, and total loans, respectively	9.2%	18.7%	13.2%	1.0%	21.3%	10.4%
Total non-accrual loans to total non-covered, total covered, and total loans, respectively	1.9%	1.4%	1.7%	0.0%	0.0%	0.0%
% of total past due and non-accrual loans that carry fair value adjustments	84.0%	98.9%	92.9%	100.0%	100.0%	100.0%
% of total past due and non-accrual loans that are covered by FDIC loss sharing agreements			59.6%			91.7%

Six months ended June 30, 2012

Total loans 30 days or more past due and still accruing interest and non-accrual loans represented 11.6% of total loans as of June 30, 2012 compared to 13.2% at December 31, 2011. Loans 30-89 days past due and still accruing interest decreased \$26.7 million at June 30, 2012 compared to December 31, 2011. Loans 90 days or more past due and still accruing interest decreased \$24.7 million at June 30, 2012 compared to December 31, 2011. The decreases in past due loans is a direct result of the successful workout strategies employed by our special assets division during the period. Additionally, of the \$150.3 million of loans 90 days or more past due and still accruing interest, all but \$325 thousand are accounted for under ASC Topic 310-30 and continued to accrete interest and 57.5% of the aforementioned \$150.3 million of loans 90 days or more past due and still accruing interest are covered by FDIC loss sharing agreements.

Non-accrual loans decreased \$17.8 million during the period primarily due to resolution of certain assets and foreclosures during the period. The covered and non-covered non-accrual loans are primarily secured by commercial retail and office buildings both in and outside of our market areas.

Years ended December 31, 2011 and 2010

Total loans 30 days or more past due and still accruing interest and non-accrual loans represented 13.2% of total loans as of December 31, 2011 compared to 10.4% at December 31, 2010. Loans 30-89 days past due and still accruing interest increased \$48.1 million from December 31, 2010 to December 31, 2011. Loans 90 days or more past due and still accruing interest increased \$51.1 million from December 31, 2010 to December 31, 2011. Of the \$176.5 million of loans 90 days or more past due and still accruing interest, all but approximately \$653 thousand are accounted for under ASC Topic 310-30 and continued to accrete interest. Additionally, 63.2% of the aforementioned \$176.5 million of loans 90 days or more past due and still accruing interest are covered.

Table of Contents

Non-accrual loans increased \$38.4 million during the period and was primarily driven by commercial vacancy rates. Seven loans account for \$28.6 million of the increase, of which four loans totaling \$18.5 million were non-covered and three loans totaling \$10.1 million were covered. The covered and non-covered non-accrual loans are primarily secured by commercial retail and office buildings both in and outside of our market areas.

We do not believe comparisons between 2011 and 2010 are relevant due to the acquisition activity during 2011.

Allowance for Loan Losses

The ALL represents the amount that we believe is necessary to absorb probable losses inherent in the loan portfolio at the balance sheet date and involves a high degree of judgment and complexity. Determination of the ALL is based on an evaluation of the collectability of loans, the realizable value of underlying collateral and, to the extent applicable, prior loss experience. The ALL is critical to the portrayal and understanding of our financial condition, liquidity and results of operations. The determination and application of the ALL accounting policy involves judgments, estimates, and uncertainties that are subject to change. Changes in these assumptions, estimates or the conditions surrounding them may have a material impact on our financial condition, liquidity and results of operations.

In accordance with the applicable guidance for business combinations, acquired loans were recorded at their acquisition date fair values, which were based on expected future cash flows and included an estimate for future loan losses, therefore no loan loss reserves were recorded as of the acquisition date. Any estimated losses on acquired loans that arise after the acquisition date are reflected in a charge to the provision for loan losses. Losses incurred on covered loans are reimbursable at the applicable loss share percentages in accordance with the loss-sharing agreements with the FDIC. Accordingly, any provision for loan losses relating to covered loans is partially offset by a corresponding increase to the FDIC indemnification asset and FDIC loss sharing income in non-interest income.

Loans accounted for under the accounting guidance provided in ASC Topic 310-30 have been grouped into pools based on the predominant risk characteristics of purpose and/or type of loan. The timing and receipt of expected principal, interest and any other cash flows of these loans are periodically re-estimated and the expected future cash flows of the collective pools are compared to the carrying value of the pools. To the extent that the expected future cash flows of each pool is less than the book value of the pool, an allowance for loan losses will be established through a charge to the provision for loan losses and, for loans covered by loss sharing agreements with the FDIC, a related adjustment to the FDIC indemnification asset for the portion of the loss that is covered by the loss sharing agreements. If the re-estimated expected future cash flows are greater than the book value of the pools, then the improvement in the expected future cash flows will be accreted into interest income over the remaining expected life of the loan pool.

During the quarter ended March 31, 2012, we re-estimated the expected future cash flows of loans accounted for under ASC Topic 310-30 related to the Hillcrest and Bank of Choice acquisitions. This resulted in an increase in expected cash flows in certain loan pools, which is reflected in increased accretion as well as an increased amount of accretable yield and is being recognized over the expected remaining lives of the underlying loans as an adjustment to yield. The re-measurement of expected future cash flows for the remaining loan pools resulted in decreases in expected cash flows and is reflected as a \$3.3 million provision for loan loss on loans accounted for under ASC Topic 310-30, \$3.0 million of which was covered. During the second quarter ended June 30, 2012, we re-estimated the expected future cash flows of loans accounted for under ASC Topic 310-30. This resulted in an increase in expected cash flows in certain loan pools, which is reflected in increased accretion rates as well as an increased amount of accretable yield is being recognized over the expected remaining lives of the underlying loans as an adjustment to yield. Several of the pools had a valuation allowance of \$0.9 million remaining, which was reversed in the quarter as a result of an increase in expected cash flows. The remaining

Table of Contents

pools experienced a decrease in expected cash flows which resulted in an \$10.5 million provision for loan loss on loans accounted for under ASC Topic 310-30, resulting in a net impairment of \$10.4 million for the three months ended June 30, 2012, \$9.9 million of which was covered.

For all loans not accounted for under ASC Topic 310-30, the determination of the ALL follows an established process to determine the appropriate level of ALL that is designed to account for credit deterioration as it occurs. This process provides an ALL consisting of a specific allowance component based on certain individually evaluated loans and a general allowance component based on estimates of reserves needed for all other loans, segmented based on similar risk characteristics.

Impaired loans less than \$250,000 are included in the general allowance population. Impaired loans over \$250,000 are subject to individual evaluation on a regular basis to determine the need, if any, to allocate a specific reserve to the impaired loan. Typically, these loans consist of commercial, commercial real estate and agriculture loans and exclude homogeneous loans such as residential real estate and consumer loans. Specific allowances are determined by collectively analyzing:

the borrower's resources, ability, and willingness to repay in accordance with the terms of the loan agreement;

the likelihood of receiving financial support from any guarantors;

the adequacy and present value of future cash flows, less disposal costs, of any collateral;

the impact current economic conditions may have on the borrower's financial condition and liquidity or the value of the collateral. At June 30, 2012, there were eight impaired loans that carried specific reserves totaling \$1.9 million. One commercial loan comprised \$1.0 million of the total specific reserves and was an acquired unsecured revolving line of credit scoped out of ASC Topic 310-30. The remaining seven loans were allocated across various segments and classes.

In evaluating the loan portfolio for an appropriate ALL level, unimpaired loans are grouped into segments based on broad characteristics such as primary use and underlying collateral. Within the segments, the portfolio is further disaggregated into classes of loans with similar attributes and risk characteristics for purposes of applying loss ratios and determining applicable subjective adjustments to the ALL. The application of subjective adjustments is based upon qualitative risk factors, including:

economic trends and conditions;

industry conditions;

asset quality;

loss trends;

lending management;

portfolio growth; and

Edgar Filing: National Bank Holdings Corp - Form S-1/A

loan review/internal audit results.

We have identified five primary loan segments that are further stratified into 22 loan classes to provide more granularity in analyzing loss history and to allow for more definitive qualitative adjustments based upon specific factors affecting each loan class.

Table of Contents

Following are the loan classes within each of the five primary loan segments:

Commercial	Commercial real estate	Agriculture	Residential real estate	Consumer
Wholesale	1-4 family construction	Total agriculture	Sr. lien 1-4 family closed end	Secured
Manufacturing	1-4 family acquisition and development		Jr. lien 1-4 family closed end	Unsecured
Transportation/warehousing	Commercial construction		Sr. lien 1-4 family open end	Credit card
Finance and insurance	Commercial acquisition and development		Jr. lien 1-4 family open end	Overdraft
Oil and gas	Multi-family			
All other commercial and industrial	Owner-occupied Non-owner occupied			

Actual historical loss data is limited due to the relatively recent inception date of the Company and the recent acquisitions of the Bank of Choice and the Community Banks of Colorado further limits loss history on those acquired loans. The methodology used in establishing the historical loss ratios for acquired residential real estate, consumer and agriculture loans was the three-year historical net charge-off percentage realized by Bank Midwest prior to our acquisition. We believe use of the historical net charge-off data for the aforementioned residential real estate, consumer and agriculture loans is an appropriate baseline due to the fact that we acquired approximately 84% of these loan types on a combined basis. The percentage acquired by each loan type was as follows: residential real estate (82%), consumer (90%), and agriculture (98%). Bank of Choice was acquired on July 22, 2011, and Community Banks of Colorado was acquired on October 21, 2011, and all of the loans acquired in those transactions were recorded at fair value at the respective dates of acquisition. Additionally, the majority of the loans acquired with those acquisitions are accounted for under ASC Topic 310-30.

Historical loss ratios of loan classes are calculated based on the proportion of actual charge-offs experienced to the total population of loans in the class. The historical baseline is then adjusted based on our analysis of the current conditions as they relate to the subjective adjustment factors described above. The ALL percentage for the remaining loan classes with no relevant history was initially established through the process of assigning the subjective adjustments to the seven subjective factors listed above. Portions of the ALL may be allocated for specific loans or specific loan classes; however, the entire ALL is available for any loan that, in our judgment, should be charged-off.

Six months ended June 30, 2012

In addition to the \$13.7 million of provision for loan losses expense for our loans accounted for under ASC Topic 310-30, we recorded \$6.3 million of provision for loan losses for loans not accounted for under ASC Topic 310-30 as we provided for loan charge-offs and credit risks inherent in the June 30, 2012 non ASC Topic 310-30 balances.

We charged off \$15.2 million of loans during the six-months ended June 30, 2012 primarily related to commercial and commercial real estate loans. Approximately \$8.9 million of these charge-offs were related to loans accounted for under ASC Topic 310-30 and were provided for during the previous re-measurements. Of the \$6.2 million non 310-30 charge-offs, \$2.4 million was related to one commercial and industrial loan which was a result of fraudulent collateral accepted by the acquired institution and is not indicative of expected future charge-offs.

Table of Contents

Years ended December 31, 2011 and 2010

For the year ended December 31, 2011, we recorded \$15.0 million of provision for loan losses for loans not accounted for under ASC Topic 310-30 as we provided for loan charge-offs and risks inherent in the December 31, 2011 non ASC Topic 310-30 balances.

We charged off \$6.4 million of loans not accounted for under ASC Topic 310-30 during 2011, \$3.4 million of which was a result of a large anchor tenant vacating several commercial properties and declaring bankruptcy, and \$1.4 million of commercial and industrial loans primarily as a result of a heavy equipment loan. During 2011, we also charged-off \$3.1 million of commercial and industrial loans accounted for under ASC Topic 310-30 as a result of decreased estimated cash flows.

After considering the abovementioned factors, we believe that the ALL of \$17.3 million and \$11.5 million was adequate to cover probable losses inherent in the loan portfolio at June 30, 2012 and December 31, 2011, respectively. However, it is likely that future adjustments to the ALL will be necessary and any changes to the assumptions, circumstances or estimates used in determining the ALL could adversely affect the Company's results of operations, liquidity or financial condition.

The following schedule presents, by class stratification, the changes in the ALL from March 31, 2012 to June 30, 2012 (in thousands):

	310-30	Non 310-30	Total
Allowance for loan losses at March 31, 2012	\$ 3,327	\$ 9,081	12,408
Charge-offs:			
Commercial	(176)	(127)	(303)
Commercial real estate	(6,613)	(241)	(6,854)
Residential real estate	(144)	(430)	(574)
Consumer and overdrafts	(19)	(203)	(222)
Agriculture		(8)	(8)
Total charge-offs	(6,952)	(1,009)	(7,961)
Recoveries	428	193	621
Net charge-offs	(6,524)	(816)	(7,340)
Provision for loan loss	10,456	1,770	12,226
Allowance for loan losses at June 30, 2012	\$ 7,259	\$ 10,035	\$ 17,294

Table of Contents

The following schedule presents, by class stratification, the changes in the ALL from December 31, 2011 to June 30, 2012 (in thousands):

	310-30	Non 310-30	Total
Allowance for loan losses at December 31, 2011	\$ 2,188	\$ 9,339	\$ 11,527
Charge-offs:			
Commercial	(215)	(2,759)	(2,974)
Commercial real estate	(8,143)	(2,413)	(10,556)
Residential real estate	(560)	(464)	(1,024)
Consumer and overdrafts	(19)	(595)	(614)
Agriculture		(8)	(8)
Total charge-offs	(8,937)	(6,239)	(15,176)
Recoveries	273	608	881
Net charge-offs	(8,664)	(5,631)	(14,295)
Provision for loan loss	13,735	6,327	20,062
Allowance for loan losses at June 30, 2012	\$ 7,259	\$ 10,035	\$ 17,294
Ratio of allowance for loan losses to total loans outstanding at period end	0.68%	1.09%	0.87%
Ratio of allowance for loan losses to non-covered loans outstanding at period end			1.42%
Ratio of allowance for non 310-30 loan losses to total non-performing loans at period end		20.13%	34.69%
Ratio of allowance for non 310-30 loan losses to non-performing, non-covered loans at period end		23.85%	41.10%
Ratio of net charge-offs during the period (annualized) to average total loans during the period	1.48%	1.20%	1.35%
Total loans	\$ 1,060,432	\$ 923,642	\$ 1,984,074
Non-covered loans	\$ 388,848	\$ 827,543	\$ 1,216,391
Total non-performing loans	\$	\$ 49,846	\$ 49,846
Non-performing, non-covered loans	\$	\$ 42,077	\$ 42,077
Average total loans outstanding during the period	\$ 1,173,026	\$ 939,406	\$ 2,112,432

Table of Contents

The following schedule presents, by class stratification, the changes in the ALL from December 31, 2010 to December 31, 2011 (in thousands):

	310-30	Non 310-30	Total
Allowance for loan losses at December 31, 2010	\$	\$ 48	\$ 48
Charge-offs:			
Commercial	(3,111)	(1,399)	(4,510)
Commercial real estate		(3,378)	(3,378)
Residential real estate		(288)	(288)
Consumer and overdrafts		(1,330)	(1,330)
Agriculture			
Total charge-offs	(3,111)	(6,395)	(9,506)
Recoveries	288	695	983
Net charge-offs	(2,823)	(5,700)	(8,523)
Provision for loan loss	5,011	14,991	20,002
Allowance for loan losses at December 31, 2011	\$ 2,188	\$ 9,339	\$ 11,527
Ratio of allowance for loan losses to total loans outstanding at period end	0.17%	0.97%	0.51%
Ratio of allowance for loan losses to non-covered loans outstanding at period end			0.71%
Ratio of allowance for non 310-30 loan losses to total non-performing loans		18.40%	22.71%
Ratio of allowance for non 310-30 loan losses to total non-performing, non-covered loans		25.99%	32.08%
Ratio of net charge-offs during the period to average loans outstanding during the period	0.34%	0.68%	0.51%
Total loans	\$ 1,307,709	\$ 966,342	\$ 2,274,051
Non-covered loans	\$ 480,623	\$ 840,713	\$ 1,321,336
Total non-performing loans	\$	\$ 50,750	\$ 50,750
Non-performing, non-covered loans	\$	\$ 35,934	\$ 35,934
Average total loans outstanding during the period	\$ 823,598	\$ 837,898	\$ 1,661,496

The following table presents the allocation of the ALL and the percentage of the total amount of loans in each loan category listed as of the dates presented:

	Total loans	June 30, 2012		% of ALL
		% of total loans	Related ALL	
Commercial and industrial	\$ 283,763	14%	\$ 3,318	19%
Commercial real estate	965,917	49%	7,796	45%
Agriculture	147,043	7%	660	4%
Residential real estate	525,540	26%	4,872	28%
Consumer and overdrafts	61,811	3%	647	4%
Total	\$ 1,984,074	100%	\$ 17,294	100%

Table of Contents

	Total loans	December 31, 2011		% of ALL
		% of total loans	Related ALL	
Commercial and industrial	\$ 372,931	16%	\$ 2,959	26%
Commercial real estate	1,152,478	51%	3,389	29%
Agriculture	151,403	7%	282	2%
Residential real estate	522,885	23%	4,121	36%
Consumer and overdrafts	74,354	3%	776	7%
Total	\$ 2,274,051	100%	\$ 11,527	100%

	Total loans	December 31, 2010		% of ALL
		% of total loans	Related ALL	
Commercial and industrial	\$ 256,003	16%	\$	0%
Commercial real estate	927,543	59%		0%
Agriculture	61,278	4%		0%
Residential real estate	295,910	19%		0%
Consumer and overdrafts	28,136	2%	48	100%
Total	\$ 1,568,870	100%	\$ 48	100%

FDIC Indemnification Asset and Clawback Liability

The FDIC indemnification asset represents the net present value of the expected reimbursements from the FDIC for probable losses on covered loans and OREO that were acquired in the Hillcrest Bank and Community Banks of Colorado transactions. As covered assets are resolved, whether it be through repayment, short sale of the underlying collateral, the foreclosure on, and sale of collateral, or the sale or charge-off of loans or OREO, the portion of any loss incurred that is reimbursable by the FDIC is recognized as FDIC loss sharing income in non-interest income. Any gains or losses realized from the resolution of covered assets reduce or increase, respectively, the amount of the FDIC indemnification asset.

We recorded FDIC indemnification assets at fair value in connection with our Hillcrest Bank and Community Banks of Colorado acquisitions. The initial fair values were established by discounting the expected future cash flows with a market discount rate for like maturity and risk instruments. The discount is accreted to income in connection with the expected timing of the related cash flows, and may increase or decrease from period to period due to changes in amounts and timing of expected cash flows from covered loans and OREO. During the six months ended June 30, 2012, we recognized \$6.3 million of negative accretion related to the FDIC indemnification asset as the performance of our covered assets has improved.

During the six months ended June 30, 2012, we recognized \$6.3 million of negative accretion on the FDIC indemnification asset, and reduced the carrying value of the FDIC indemnification asset by \$68.5 million as a result of claims filed with the FDIC as discussed below. The negative accretion resulted from an increase in actual and expected cash flows on the underlying covered assets, resulting in lower expected reimbursements from the FDIC. The increase in expected cash flows from these underlying assets is reflected in increased accretion rates on covered loans as well as an increased amount of accretable yield on our covered loans accounted for under ASC Topic 310-30 and is being recognized over the expected lives of the underlying covered loans as an adjustment to yield. During the six months ended June 30, 2012, we submitted \$74.1 million of loss share claims to the FDIC for the reimbursable portion of losses related to the Hillcrest Bank and Community Banks of Colorado covered assets incurred during the fourth quarter of 2011 and the first quarter of 2012. Included in the \$74.1 million were \$5.6 million of claims related to additional losses incurred during the period that were not previously considered in the carrying amount of the indemnification asset. The loss claims filed are subject to review and approval, including extensive audits, by the FDIC or its assigned agents for

Table of Contents

compliance with the terms in the loss sharing agreements. During the six months ended June 30, 2012, the FDIC paid \$33.1 million related to losses incurred during the fourth quarter of 2011 and paid us an additional \$13.4 million subsequent to June 30, 2012. The remaining claimed amounts are anticipated to be received during the third quarter of 2012.

During 2011, we recognized negative accretion of \$6.1 million and in 2010 we recognized \$1.7 million of positive accretion related to the FDIC indemnification asset. During 2011, we received \$89.1 million from the FDIC for reimbursement of losses that occurred from the date of acquisition of Hillcrest Bank through September 30, 2011, in accordance with our loss sharing agreements. Included in the \$89.1 million received from the FDIC were reimbursements of expenses incurred for the resolution of covered assets netted with recoveries received on covered assets that were not included in the expected cash flows of the indemnification assets.

Within 45 days of the end of each of the loss sharing agreements with the FDIC, we may be required to reimburse the FDIC in the event that the Company's losses on covered assets do not reach the second tranche in each related loss sharing agreement, based on the initial discount received less cumulative servicing amounts for the covered assets acquired. At June 30, 2012 and December 31, 2011, this clawback liability was carried at \$29.6 million and \$30.0 million, respectively, and is included in Due to FDIC in our consolidated statements of financial condition.

Other real estate owned

OREO is comprised of properties acquired through the foreclosure or repossession process, or any other resolution activity that results in partial or total satisfaction of problem loans. We have a dedicated, enterprise-level problem asset resolution team that is actively working to resolve problem loans and to obtain and subsequently sell the underlying collateral. The OREO balance of \$137.7 million at June 30, 2012 includes the interests of several outside participating banks totaling \$17.8 million, for which an offsetting liability is recorded in other liabilities and excludes \$12.2 million of the Company's minority interests in OREO which are held by outside banks where we were not the lead bank and do not have a controlling interest, for which a receivable is included in other assets. At June 30, 2011, \$69.7 million, or 50.6%, of OREO was related to Hillcrest Bank, \$38.1 million, or 27.6%, of OREO was related to Bank of Choice, and \$29.3 million, or 21.3%, of OREO was related to Community Banks of Colorado. Of the \$137.7 million of OREO at June 30, 2012, \$77.5 million, or 56.3%, was covered by the loss sharing agreements with the FDIC. Any losses on these assets are substantially offset by a corresponding change in the FDIC indemnification asset. During the six months ended June 30, 2012, the Company sold \$35.9 million of OREO and realized net gains on these sales of \$4.0 million, and during the six months ended June 30, 2011 the Company sold \$11.4 million of OREO and realized net losses of \$0.6 million. Changes in OREO for the six months ended June 30, 2012 and 2011 were as follows (in thousands):

	For the six months ended June 30,	
	2012	2011
Balance at December 31	\$ 120,636	\$ 54,078
Transfers from loan portfolio	56,100	29,426
Impairments	(7,213)	
Sales, net of gains and losses	(31,811)	(12,004)
Balance at June 30	\$ 137,712	\$ 71,500

Table of Contents

At December 31, 2011, \$55.5 million, or 46.0%, of OREO was related to Hillcrest Bank, \$38.4 million, or 31.8%, of OREO was related to Bank of Choice, and \$26.6 million, or 22.0%, of OREO was related to Community Banks of Colorado. As such, \$77.1 million, or 63.9%, of OREO was covered by the loss sharing arrangement with the FDIC. Any gains or losses on these assets are substantially offset by a corresponding change in the FDIC indemnification asset. During 2011, we sold \$48.7 million of OREO and realized gains on sales of covered OREO of \$2.2 million. Changes in OREO during 2011 were as follows (in thousands):

Balance at December 31, 2010	\$ 54,078
Purchases through acquisition at fair value	64,084
Transfers from loan portfolio	52,294
Sales, net of gains and losses	(48,682)
Impairments	(1,138)
 Balance at December 31, 2011	 \$ 120,636

Other Assets

Significant components of other assets were as follows as of the periods indicated (in thousands):

	June 30, 2012	December 31, 2011
FDIC indemnification-claimed	\$ 40,956	\$
Minority interest in participated other real estate owned	12,192	
Accrued interest on interest bearing bank deposits and investment securities	7,211	5,651
Accrued interest on loans	7,656	10,371
Other receivable from FDIC	472	11,191
Other	12,161	11,629
 Total other assets	 \$ 80,648	 \$ 38,842

	December 31, 2011	December 31, 2010
Accrued interest on interest bearing bank deposits and investment securities	5,651	2,694
Accrued interest on loans	10,371	7,158
Other receivable from FDIC	11,191	10,027
Other	11,629	4,187
 Total other assets	 \$ 38,842	 \$ 24,066

As of and for the six months ended June 30, 2012

The FDIC indemnification-claimed, which is comprised of adjustments to covered assets, reimbursable expenses incurred during the resolution of covered assets, and other miscellaneous adjustments from the FDIC, increased \$41.0 million during the six months ended June 30, 2012 in connection with the loss share claims submitted to the FDIC that remained unpaid as of June 30, 2012. In January 2012, loss share claims for \$34.4 million and \$6.6 million, for Community Banks of Colorado and Hillcrest Bank, respectively, were submitted to the FDIC for loss events and resolution expenses incurred during the fourth quarter of 2011.

Edgar Filing: National Bank Holdings Corp - Form S-1/A

During the six months ended June 30, 2012, we recorded \$12 million of minority interest in participated OREO in connection with the repossession of collateral on loans for which we were not the lead bank and we do not have a controlling interest. These properties have been repossessed by the lead banks and we have recorded our receivable due from the lead banks in other assets as minority interest in participated OREO.

Table of Contents

During the six months ended June 30, 2012, the other receivable due from FDIC decreased \$10.7 million as settlement items related to the Community Banks of Colorado acquisition in the fourth quarter of 2011 were settled with FDIC.

As of and for the years ended December 31, 2011 and 2010

Accrued interest on interest bearing bank deposits and investment securities increased \$3.0 million from December 31, 2010 to December 31, 2011. Approximately \$0.5 million of the difference was attributable to the accrued interest related to the pending investment trades that was included in other liabilities at December 31, 2010. The securities and related accrued interest receivable were settled in cash during the first quarter of 2011.

At December 31, 2011 and 2010 we had various receivables due to us from the FDIC. These amounts were primarily attributable to various settlement items related to the Community Banks of Colorado and Hillcrest Bank acquisitions that were outstanding at December 31, 2011 and 2010, respectively.

Other Liabilities

Significant components of other liabilities were as follows as of the dates indicated (in thousands):

	June 30, 2012	December 31, 2011
Participant interest in other real estate owned	\$ 17,850	\$
Accrued and deferred income taxes payable	27,180	45,081
Accrued interest payable	6,533	11,017
Accrued expenses	11,417	15,916
Warrant liability	6,982	6,845
Other liabilities	2,505	5,816
Total other liabilities	\$ 72,467	\$ 84,675

	December 31, 2011	December 31, 2010
Accrued and deferred income taxes payable	\$ 45,081	\$ 5,399
Accrued interest payable	11,017	15,389
Accrued expenses	15,916	7,182
Warrant liability	6,845	6,901
Other liabilities	5,816	1,730
Total other liabilities	\$ 84,675	\$ 36,601

Six months ended June 30, 2012

During the six months ended June 30, 2012, we recorded \$17.9 million of participant interests in other real estate owned which represents participant banks' interests in properties that we have repossessed. These participant interests are also reflected in our other real estate owned balances.

Accrued and deferred income taxes payable decreased \$17.9 million during the six months ended June 30, 2012 primarily as a result of tax payments paid during that period.

During the six months ended June 30, 2012, we continued to lower the interest rates on our deposits, coupled with the shift from higher-cost time deposits to lower cost transaction accounts. The lower cost mix of deposits resulted in a decrease in accrued interest payable of \$4.5 million from December 31, 2011 to June 30, 2012.

Table of Contents

We have outstanding warrants to purchase 830,750 shares of our common stock, which are classified as a liability and included in other liabilities in our consolidated statements of financial condition. The warrants were granted to certain lead stockholders and all warrants have an exercise price of \$20.00 per share. The term of the warrants is for ten years and the expiration dates of the warrants range from October 20, 2019 to September 30, 2020. We revalue the warrants at the end of each reporting period using a Black-Scholes model and any change in fair value is reported in the statements of operations as loss (gain) from change in fair value of warrant liability in non-interest expense in the period in which the change occurred. The warrant liability increased \$0.1 million during the six months ended June 30, 2012. The value of the warrant liability, and the expense that results from an increase to this liability, has a direct correlation to our stock price. Accordingly, any increase in our stock price, whether it be through this offering or otherwise, would result in an increase in the warrant liability and the associated expense. More information on the accounting and measurement of the warrant liability can be found in notes 2 and 19 in our audited consolidated financial statements.

Years ended December 31, 2011 and 2010

During 2011, accrued and deferred income tax payable increased \$39.9 million due to our net income of \$42.0 million, which was largely driven by the \$60.5 million bargain purchase gain associated with the Bank of Choice acquisition. The other liabilities component of total other liabilities increased \$4.1 million due to increases in miscellaneous expenses accrued during 2011.

Accrued interest payable decreased \$4.4 million from December 31, 2010 to December 31, 2011 due to lower interest rates offered on deposits and the shift from longer term time deposits to savings, money market and demand deposits during the period. At December 31, 2010, accrued expenses were up \$8.7 million from the previous year. The increase is reflective of our additional two banks and the inherent increase associated therewith and increased accruals for OREO real estate taxes.

Funding Sources

Deposits from banking clients serve as a primary funding source for our banking operations. Our banking centers function as the primary deposit gathering stations, where we seek to price deposits competitively in accordance with other depository institutions in the area and according to our needs.

In connection with our acquisitions of Bank of Choice in July 2011 and Community Banks of Colorado in October 2011 we transferred approximately \$100 million and \$174 million, respectively, of holding company cash in the form of capital contributions to NBH Bank to provide sufficient capital for the consummation of those acquisitions. Under our agreements with the OCC and the FDIC, NBH Bank is not permitted to pay any dividends to the holding company prior to December 2013. As such, the funding sources for our holding company are currently limited to the cash on hand at the holding company, which was approximately \$110.8 million at June 30, 2012 and \$113.6 million at December 31, 2011.

In conjunction with the consummation of the Hillcrest Bank and Bank Midwest transactions, the Company contributed \$170 million of capital into Hillcrest Bank and \$390 million of capital into Bank Midwest to fund these acquisitions.

Deposits

Our ability to gather and manage deposit levels is critical to our success. Deposits not only provide a low cost funding source for our loans, but also provide a foundation for the customer relationships that are critical to future loan growth. We assumed the majority of our deposit accounts with our acquisitions of Bank Midwest and Hillcrest Bank during the fourth quarter of 2010, our acquisition of Bank of Choice in July 2011, and acquisition of the Community Banks of Colorado in October 2011. The deposits were recorded at their estimated fair value and we marked the time deposits assumed in the Bank Midwest transaction up by \$0.9 million, which is being

Table of Contents

amortized as an adjustment to yield over the expected life of the related time deposits. A fair value adjustment was not deemed necessary on the deposits assumed in the Bank of Choice, Hillcrest Bank, or the Community Banks of Colorado transactions because we had the option to re-price these time deposits at the time of the acquisition.

The following table presents information regarding our deposit composition at June 30, 2012 and December 31, 2011 (in thousands):

	June 30, 2012		December 31, 2011	
Non-interest bearing demand deposits	\$ 633,936	14%	\$ 678,735	13%
Interest bearing demand deposits	527,363	12%	537,160	11%
Savings accounts	183,563	4%	169,378	3%
Money market accounts	998,186	22%	893,184	18%
Total transaction accounts	2,343,048	52%	2,278,457	45%
Time deposits < \$100,000	1,353,239	30%	1,680,531	33%
Time deposits > \$100,000	833,262	18%	1,104,065	22%
Total time deposits	2,186,501	48%	2,784,596	55%
Total deposits	\$ 4,529,549	100%	\$ 5,063,053	100%

During the six months ended June 30, 2012, our total deposits decreased \$533.5 million, as high-priced time deposits assumed in our Hillcrest Bank and Community Banks of Colorado acquisitions matured and were not renewed. Our transaction deposits have been steadily increasing as a result of our strategic shift away from time deposits and to lower cost demand deposits, savings and money market accounts, which is consistent with our consumer banking strategy. As of June 30, 2012, approximately 49% of acquired time deposits have been either repriced or moved out of the bank, the majority of which we believe were priced above market. Approximately 67% of the remaining acquired time deposits are scheduled to mature by December 31, 2012.

The following table presents information regarding our deposit composition December 31, 2011 and 2010 (in thousands):

	December 31, 2011		December 31, 2010	
Non-interest bearing demand deposits	\$ 678,735	13%	\$ 326,159	10%
Interest bearing demand deposits	537,160	11%	211,601	6%
Savings accounts	169,378	3%	107,581	3%
Money market accounts	893,184	18%	563,981	16%
Total transaction accounts	2,278,457	45%	1,209,322	35%
Time deposits < \$100,000	1,680,531	33%	1,497,865	43%
Time deposits > \$100,000	1,104,065	22%	766,152	22%
Total time deposits	2,784,596	55%	2,264,017	65%
Total deposits	\$ 5,063,053	100%	\$ 3,473,339	100%

During the year ended December 31, 2011, our total deposits increased \$1.6 billion, which was attributable to the acquisitions of Bank of Choice and Community Banks of Colorado. Bank of Choice was acquired during the third quarter of 2011 and contributed \$756.3 million of total deposits at December 31, 2011. Community Banks of Colorado, acquired during the fourth quarter of 2011, contributed \$1.1 billion in total deposits at December 31, 2011.

Table of Contents

Approximately 61.9% and 60.4% of the time deposits at June 30, 2012 and December 31, 2011, respectively, were for denominations of less than \$100,000. The remaining maturities of these time deposits are summarized as follows (in thousands):

	June 30, 2012		December 31, 2011	
	Balance	Weighted Average Rate	Balance	Weighted Average Rate
Three months or less	\$ 395,364	1.14%	\$ 446,447	1.22%
Over 3 months through 6 months	307,401	0.82%	345,592	1.09%
Over 6 months through 12 months	350,195	0.77%	627,241	1.11%
Over 12 months through 24 months	223,461	1.07%	180,967	1.54%
Over 24 months through 36 months	35,669	1.83%	34,097	2.00%
Over 36 months through 48 months	22,172	2.31%	23,458	2.61%
Over 48 months through 60 months	13,992	1.76%	17,914	1.93%
Thereafter	4,985	2.43%	4,815	2.72%
Total time deposits < \$100,000	\$ 1,353,239	1.01%	\$ 1,680,531	1.24%

Approximately 60.4% and 66.2% of the time deposits at December 31, 2011 and 2010, respectively, were for denominations of less than \$100,000. The remaining maturities of these time deposits are summarized as follows (in thousands):

	December 31, 2011		December 31, 2010	
	Balance	Weighted Average Rate	Balance	Weighted Average Rate
Three months or less	\$ 446,447	1.22%	\$ 388,459	2.00%
Over 3 months through 6 months	345,592	1.09%	355,724	1.72%
Over 6 months through 12 months	627,241	1.11%	475,302	1.45%
Over 12 months through 24 months	180,967	1.54%	199,144	1.94%
Over 24 months through 36 months	34,097	2.00%	48,286	2.98%
Over 36 months through 48 months	23,458	2.61%	11,128	3.16%
Over 48 months through 60 months	17,914	1.93%	15,326	2.76%
Thereafter	4,815	2.72%	4,496	3.58%
Total time deposits < \$100,000	\$ 1,680,531	1.24%	\$ 1,497,865	1.80%

Approximately 38.1% and 39.6% of the time deposits at June 30, 2012 and December 31, 2011, respectively, were for denominations of \$100,000 or more. The remaining maturities of these time deposits are summarized as follows (in thousands):

	June 30, 2012		December 31, 2011	
	Balance	Weighted Average Rate	Balance	Weighted Average Rate
Three months or less	\$ 240,913	1.54%	\$ 300,388	1.41%
Over 3 months through 6 months	192,618	0.99%	209,148	1.25%
Over 6 months through 12 months	176,450	0.95%	387,708	1.41%
Over 12 months through 24 months	130,566	1.21%	128,881	1.64%
Over 24 months through 36 months	37,566	1.87%	18,782	2.03%
Over 36 months through 48 months	29,806	2.43%	31,220	2.67%

Edgar Filing: National Bank Holdings Corp - Form S-1/A

Over 48 months through 60 months	24,253	1.70%	25,636	1.87%
Thereafter	1,090	2.81%	2,302	2.90%
Total time deposits ³ \$100,000	\$ 833,262	1.29%	\$ 1,104,065	1.47%

Table of Contents

Approximately 39.6% and 33.8% of the time deposits at December 31, 2011 and 2010, respectively, were for denominations of \$100,000 or more. The remaining maturities of these time deposits are summarized as follows (in thousands):

	December 31, 2011		December 31, 2010	
	Balance	Weighted Average Rate	Balance	Weighted Average Rate
Three months or less	\$ 300,388	1.41%	\$ 176,066	2.07%
Over 3 months through 6 months	209,148	1.25%	119,353	1.73%
Over 6 months through 12 months	387,708	1.41%	256,767	1.61%
Over 12 months through 24 months	128,881	1.64%	163,640	2.10%
Over 24 months through 36 months	18,782	2.03%	30,478	2.81%
Over 36 months through 48 months	31,220	2.67%	3,673	3.09%
Over 48 months through 60 months	25,636	1.87%	14,703	2.80%
Thereafter	2,302	2.90%	1,472	2.92%
Total time deposits ³ \$100,000	\$ 1,104,065	1.47%	\$ 766,152	1.92%

At June 30, 2012, we had \$1.7 billion of time deposits that were scheduled to mature within 12 months, \$0.6 billion of which are in denominations of \$100,000 or more, and \$1.1 billion of which are in denominations less than \$100,000. The table below highlights the weighted average rate of total time deposits by scheduled maturity date (dollars in thousands):

	June 30, 2012		December 31, 2011	
	Balance	Weighted Average Rate	Balance	Weighted Average Rate
Three months or less	\$ 636,277	1.29%	\$ 746,835	1.30%
Over 3 months through 6 months	500,019	0.89%	554,740	1.15%
Over 6 months through 12 months	526,645	0.83%	1,014,949	1.23%
Over 12 months through 24 months	354,027	1.13%	309,848	1.58%
Over 24 months through 36 months	73,235	1.85%	52,879	2.01%
Over 36 months through 48 months	51,978	2.38%	54,678	2.65%
Over 48 months through 60 months	38,245	1.72%	43,550	1.89%
Thereafter	6,075	2.50%	7,117	2.77%
Total time deposits	\$ 2,186,501	1.12%	\$ 2,784,596	1.33%

At December 31, 2011, we had \$2.3 billion of time deposits that were scheduled to mature within 12 months, \$0.9 billion of which were in denominations of \$100,000 or more that are shown in the table below, and \$1.4 billion of which are in denominations less than \$100,000. The table below highlights the weighted average rate of total time deposits by scheduled maturity date (dollars in thousands):

	December 31, 2011		December 31, 2010	
	Balance	Weighted Average Rate	Balance	Weighted Average Rate
Three months or less	\$ 746,835	1.30%	\$ 564,525	2.02%
Over 3 months through 6 months	554,740	1.15%	475,077	1.72%
Over 6 months through 12 months	1,014,949	1.23%	732,069	1.51%
Over 12 months through 24 months	309,848	1.58%	362,784	2.01%

Edgar Filing: National Bank Holdings Corp - Form S-1/A

Over 24 months through 36 months	52,879	2.01%	78,764	2.92%
Over 36 months through 48 months	54,678	2.65%	14,801	3.14%
Over 48 months through 60 months	43,550	1.89%	30,029	2.78%
Thereafter	7,117	2.77%	5,968	3.36%
Total time deposits	\$ 2,784,596	1.33%	\$ 2,264,017	1.84%

Table of Contents

In connection with our FDIC-assisted bank acquisitions, the FDIC provided Bank of Choice, Hillcrest Bank, and Community Banks of Colorado depositors with the right to redeem their time deposits at any time during the life of the time deposit, without penalty, unless the depositor accepts new terms. At June 30, 2012 and December 31, 2011, the Company had approximately \$569.8 million and \$1.1 billion, respectively, of time deposits that were subject to the penalty-free withdrawals, the remaining scheduled maturity dates of which are shown below:

	June 30, 2012	December 31, 2011
Three months or less	\$ 277,657	\$ 341,875
Over 3 months through 6 months	81,388	215,327
Over 6 months through 12 months	84,739	366,574
Over 12 months through 24 months	54,839	126,585
Over 24 months through 36 months	23,716	16,864
Over 36 months through 48 months	34,154	39,055
Over 48 months through 60 months	13,272	23,513
Thereafter		404
Total	\$ 569,765	\$ 1,130,197

Regulatory Capital

Our subsidiary bank and the holding company are subject to the regulatory capital adequacy requirements of the Federal Reserve Board, the FDIC and the OCC, as applicable. Failure to meet the minimum capital requirements can initiate certain mandatory and possibly further discretionary actions by regulators that could have a material adverse effect on us. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, banks must meet specific capital requirements that involve quantitative measures of assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices.

Capital amounts and classifications are subject to qualitative judgments by the regulators about components, risk-weightings and other factors. Through these judgments, assets are risk weighted according to the perceived risk they pose to capital on a scale of 0% to 100%, with 100% risk-weighted assets signifying higher risk assets that warrant higher levels of capital. While many non-covered assets (particularly loans and OREO) typically fall in to 50% or 100% risk-weighted classifications, our covered assets are all considered to be 20% risk-weighted for risk-based capital calculations.

Typically, banks are required to maintain a tier 1 risk-based capital ratio of 4.00%, a total risk-based capital ratio of 8.00% and a tier 1 leverage ratio of 4.00% in order to meet minimum, adequately capitalized regulatory requirements. To be considered well-capitalized (under prompt corrective action provisions), banks must maintain minimum capital ratios of 6.00% for tier 1 risk-based capital, 10.00% for total risk-based capital and 5.00% for the tier 1 leverage ratio. In connection with the approval of the de-novo charters for Hillcrest Bank and NBH Bank, we agreed with our regulators to maintain capital levels of at least 10% tier 1 leverage ratio, 11% tier 1 risk based capital ratio and 12% tier 1 risk-based capital ratio at our subsidiary bank(s) through December, 2013. Following the merger of Hillcrest Bank into NBH Bank in November 2011, only NBH Bank remains subject to these capital ratios. In conjunction with the consummation of the Hillcrest Bank and Bank Midwest transactions, the Company contributed \$170 million of capital into Hillcrest Bank and \$390 million of capital into Bank Midwest to provide each of our subsidiary banks with sufficient capital to meet and exceed the above-mentioned agreed-upon capital ratios. In July 2011, we contributed \$100 million to NBH Bank to provide additional capital to fund the acquisition of Bank of Choice from the FDIC. In October 2011 we contributed capital of \$174 million to NBH Bank to fund the Community Banks of Colorado acquisition from the FDIC.

Table of Contents

At June 30, 2012 and at December 31, 2011 and 2010, our subsidiary bank(s) and the consolidated holding company exceeded all capital ratio requirements under prompt corrective action and other regulatory requirements, as is detailed in the table below (dollars in thousands):

	June 30, 2012					
	Actual		Required to be considered well capitalized (1)		Required to be considered adequately capitalized	
	Ratio	Amount	Ratio	Amount	Ratio	Amount
Tier 1 leverage ratio						
Consolidated	17.0%	\$ 981,967	N/A	N/A	4%	\$ 230,790
NBH Bank, N.A. (2)	15.2%	861,332	10%	565,426	4%	226,170
Tier 1 risk-based capital ratio (3)						
Consolidated	49.3%	\$ 981,967	6%	119,451	4%	\$ 79,634
NBH Bank, N.A. (2)	43.8%	961,332	11%	216,102	4%	78,583
Total risk-based capital ratio (3)						
Consolidated	50.2%	\$ 999,572	10%	199,086	8%	\$ 159,268
NBH Bank, N.A.(2)	44.7%	878,937	12%	235,748	8%	157,165

	December 31, 2011					
	Actual		Required to be considered well capitalized (1)		Required to be considered adequately capitalized	
	Ratio	Amount	Ratio	Amount	Ratio	Amount
Tier 1 leverage ratio						
Consolidated	15.1%	\$ 949,154	N/A	N/A	4%	\$ 251,514
NBH Bank (2).	13.4%	828,321	10%	616,919	4%	246,768
Tier 1 risk-based capital ratio (3)						
Consolidated	49.9%	\$ 949,154	6%	\$ 114,077	4%	\$ 76,051
NBH Bank (2)	44.2%	828,321	11%	206,258	4%	75,003
Total risk-based capital ratio (3)						
Consolidated	50.5%	\$ 960,681	10%	\$ 190,129	8%	\$ 152,103
NBH Bank (2)	44.8%	839,848	12%	225,009	8%	150,006

	December 31, 2010					
	Actual		Required to be considered well capitalized (1)		Required to be considered adequately capitalized	
	Ratio	Amount	Ratio	Amount	Ratio	Amount
Tier 1 leverage ratio						
Consolidated	17.9%	\$ 907,958	N/A	N/A	4%	\$ 206,270
NBH Bank	10.7%	317,144	10%	296,934	4%	118,773
Hillcrest Bank, N.A.	14.2%	193,938	10%	137,304	4%	54,922
Tier 1 risk-based capital ratio (3)						
Consolidated	69.6%	\$ 907,958	6%	78,308	4%	\$ 52,206
NBH Bank	32.7%	317,144	11%	106,718	4%	38,806
Hillcrest Bank, N.A.	76.7%	193,938	11%	27,800	4%	10,109
Total risk-based capital ratio (3)						
Consolidated	69.6%	\$ 908,041	10%	130,514	8%	\$ 104,411

Edgar Filing: National Bank Holdings Corp - Form S-1/A

NBH Bank	32.7%	317,220	12%	116,419	8%	77,613
Hillcrest Bank, N.A.	76.7%	193,945	12%	30,328	8%	20,218

Table of Contents

- (1) These ratio requirements are reflective of the agreements the Company has made with its various regulators in connection with the approval of the de novo charters for Hillcrest Bank and NBH Bank, as described above.
- (2) In November 2011, Hillcrest Bank, N.A. was merged into NBH Bank. The capital ratios shown are reflective of the merger.
- (3) Due to the conditional guarantee represented by the loss sharing agreements, the FDIC indemnification asset and covered assets are risk-weighted at 20% for purposes of risk-based capital computations.

Results of Operations

Our net income depends largely on net interest income, which is the difference between interest income from interest-earning assets and interest expense on interest-bearing liabilities. Our results of operations are also affected by provisions for loan losses and non-interest income, such as service charges, bank card income and FDIC loss sharing income. Our primary operating expenses, aside from interest expense, consist of salaries and employee benefits, professional fees, occupancy costs, and data processing expense.

Overview of Results of Operations

Three and six months ended June 30, 2012

The six months ended June 30, 2012 represents our first two full quarters with the operations of all of our acquisitions. We earned \$1.6 million during the first quarter of 2012 and \$2.7 million during the second quarter of 2012. These results reflect the increased revenues and expenses associated with our acquisitions of Bank of Choice and Community Banks of Colorado in the second half of 2011, in addition to the further build-out of our business development and operational functions that support our lending activities and the continued integration of our acquisitions. We completed the integration of Community Banks of Colorado in May 2012 and the integration of Bank of Choice in July 2012. During the three and six months ended June 30, 2012 we continued to benefit from the strong yields on our loan portfolio while our dedicated workout group actively worked to resolve our acquired troubled loans. The activity in this resolution process is evidenced by the elevated levels of OREO related expenses and problem loan expenses. During the six months ended June 30, 2012, in addition to net transfers of \$23.8 million of non-accretable difference to accretable yield to be recognized in the future, we recorded \$20.1 million of provision for loan losses, approximately \$15.8 million of which was attributable to covered loans. The FDIC coverage of these impairments is reflected in the estimated cash flows underlying the FDIC indemnification asset.

Years ended December 31, 2011 and 2010

During the year ended December 31, 2011, we recorded net income of \$42.0 million compared to net income of \$6.1 million during the year ended December 31, 2010. The primary drivers of net income during those periods were the gains on bargain purchases of \$60.5 million and \$37.8 million recorded during the years ended 2011 and 2010 in connection with our Bank of Choice and Hillcrest Bank acquisitions, respectively. As previously discussed, meaningful comparability to prior periods is limited due to the Community Banks of Colorado acquisition in October 2011, the Bank of Choice acquisition in July 2011, the Hillcrest Bank and NBH Bank acquisitions in the fourth quarter of 2010, and the lack of banking operations prior to those acquisitions.

Net Interest Income

We regularly review net interest income metrics to provide us with indicators of how the various components of net interest income are performing. We regularly review: (i) our deposit mix and the cost of deposits; (ii) our loan mix and the yield on loans; (iii) the investment portfolio and the related yields; and (iv) net interest income simulations for various forecast periods.

Table of Contents

The following tables present the components of net interest income for the periods indicated. Prior to our acquisition of Hillcrest Bank on October 22, 2010, we did not have any banking operations and subsequent to the Hillcrest Bank acquisition, we have completed three other acquisitions: Bank Midwest on December 10, 2010, Bank of Choice on July 22, 2011 and Community Banks of Colorado on October 21, 2011. As a result, the comparability of the periods presented in the tables below related to 2011 and 2010 is limited. The tables include: (i) the average daily balances of interest-earning assets and interest bearing liabilities; (ii) the average daily balances of non-interest earning assets and non-interest bearing and liabilities; (iii) the total amount of interest income earned on interest-earning assets; (iv) the total amount of interest expense incurred on interest-bearing liabilities; (v) the resultant average yields and rates; (vi) net interest spread; and (vii) net interest margin, which represents the difference between interest income and interest expense, expressed as a percentage of interest-earning assets. The effects of trade-date accounting of investment securities for which the cash had not settled as of December 31, 2010 are not considered interest-earning assets and are excluded from this presentation for timeframes prior to their cash settlement, as are the market value adjustments on the investment securities available-for-sale. Non-accrual and restructured loan balances are included in the average loan balances; however, the forgone interest on non-accrual and restructured loans is not included in the dollar amounts of interest earned. All amounts presented are on a pre-tax basis.

	Three months ended June 30, 2012			Three months ended March 31, 2012		
	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
Interest earning assets:						
310-30 loans	\$ 1,108,322	\$ 25,694	9.32%	\$ 1,242,596	\$ 26,549	8.59%
Non 310-30 loans (1)(2)	927,688	16,900	7.33%	953,345	20,042	8.46%
Investment securities available-for-sale	1,759,623	10,124	2.31%	1,961,349	14,895	3.05%
Investment securities held-to-maturity	738,196	6,330	3.45%	23,291	211	3.64%
Other securities	31,943	384	4.84%	29,112	381	5.26%
Interest-bearing deposits	650,759	413	0.26%	1,263,164	812	0.26%
Total interest earning assets	\$ 5,216,531	\$ 59,845	4.61%	\$ 5,472,857	\$ 62,890	4.62%
Cash and due from banks	70,805			73,450		
Other assets	623,648			637,102		
Allowance for loan losses	(11,375)			(6,334)		
Total assets	\$ 5,899,609			\$ 6,177,075		
Interest bearing liabilities:						
Savings deposits and interest bearing checking	\$ 1,705,916	\$ 1,364	0.32%	\$ 1,669,889	\$ 1,607	0.39%
Time Deposits	2,298,782	6,536	1.14%	2,580,053	7,996	1.25%
Securities sold under agreements to repurchase	62,124	32	0.21%	49,403	29	0.23%
Total interest bearing liabilities	\$ 4,066,822	7,932	0.78%	\$ 4,299,345	\$ 9,632	
Demand deposits	622,936			645,972		
Other liabilities	115,032			139,131		
Total liabilities	4,804,790			5,084,448		
Stockholders equity	1,094,819			1,092,627		
Total liabilities and stockholders equity	\$ 5,899,609			\$ 6,177,075		
Net interest income		\$ 51,913			\$ 53,258	
Interest rate spread			3.83%			3.72%
Net interest earning assets	\$ 1,149,709			\$ 1,173,512		

Edgar Filing: National Bank Holdings Corp - Form S-1/A

Net interest margin		4.00%	3.91%
Ratio of average interest earning assets to average interest bearing liabilities	128.27%		127.30%

- (1) Originated loans are net of deferred loan fees, less costs.
- (2) Loan fees, less costs on originated loans, are included in interest income over the life of the loan.

Table of Contents

During the three months ended June 30, 2012, net interest margin improved by 0.09% and our interest rate spread expanded by 0.11% compared to the three months ended March 31, 2012. The increase in net interest margin was driven by a 0.10% decrease in our cost of deposits as we continue to execute our strategy of transitioning to lower cost transaction accounts and away from many of the high-priced time deposits that our acquired troubled banks relied upon. Progress on our deposit mix was evidenced by a \$36.0 million increase in our transaction accounts compared to a \$281.3 million decrease in time deposits as we rolled off high-priced time deposits, many of which were acquired with our Hillcrest Bank and Community Banks of Colorado acquisitions. We continued to earn strong yields on our loan portfolio, as evidenced by a total loan portfolio yield of 8.41% during the three months ended June 30, 2012; however the total loan portfolio yield decreased 0.12% during the quarter. The strong loan yields, particularly on our portfolio of loans accounted for under ASC Topic 310-30, are attributable to the accretion of accretable yield on those loans and increases in the yield on this portfolio are a result of the effects of life-to-date transfers of non-accretable difference to accretable yield that are being recognized over the remaining life of these loans. As a result, we expect downward pressure on our interest income to the extent that the runoff of our acquired loan portfolio is not replaced with comparable high-yielding loans. Note 2 to our audited consolidated financial statements provides more information on the accounting treatment of acquired loans. During the three months ended June 30, 2012, we increased our investment securities portfolio, however with the current low interest rate environment, it resulted in a 0.41% decrease in yield on the total investment portfolio.

Table of Contents

The table below presents the components of net interest income for the three months ended June 30, 2012 and 2011:

	Three months ended June 30, 2012			Three months ended June 30, 2011		
	Average Balance (Dollars in thousands)	Interest	Average Rate	Average Balance (Dollars in thousands)	Interest	Average Rate
Interest earning assets:						
310-30 loans	\$ 1,108,322	\$ 25,694	9.32%	\$ 543,451	\$ 11,625	8.58%
Non-310-30 loans (1)(2)	927,688	16,900	7.33%	862,027	15,980	7.44%
Investment securities available-for-sale	1,759,623	10,124	2.31%	1,996,289	16,014	3.22%
Investment securities held-to-maturity	738,196	6,330	3.45%			0.00%
Other securities	31,943	384	4.84%	16,869	252	5.98%
Interest-bearing deposits	650,759	413	0.26%	728,653	415	0.23%
Total interest earning assets	\$ 5,216,531	\$ 59,845	4.61%	\$ 4,147,289	\$ 44,286	4.28%
Cash and due from banks	70,805			41,363		
Other assets	623,648			417,292		
Allowance for loan losses	(11,375)			(2,582)		
Total assets	\$ 5,899,609			\$ 4,603,362		
Interest bearing liabilities:						
Savings deposits and interest bearing checking	\$ 1,705,916	\$ 1,364	0.32%	\$ 1,002,845	\$ 1,340	0.54%
Time Deposits	2, 298,782	6,536	1.14%	2,180,026	8,481	1.56%
Securities sold under agreements to repurchase	62,124	32	0.21%	26,961	24	0.35%
Total interest bearing liabilities	\$ 4,066,822	\$ 7,932	0.78%	\$ 3,209,832	\$ 9,845	1.23%
Demand deposits	622,936			321,766		
Other liabilities	115,032			59,968		
Total liabilities	4,804,790			3,591,566		
Stockholders' equity	1,094,819			1,011,796		
Total liabilities and stockholders' equity	\$ 5,899,609			\$ 4,603,362		
Net interest income		\$ 51,913			\$ 34,441	
Interest rate spread			3.83%			3.05%
Net interest earning assets	\$ 1,149,709			\$ 937,457		
Net interest margin			4.00%			3.33%
Ratio of average earning assets to average interest bearing liabilities	128.27%			129.21%		

(1) Originated loans are net of deferred loan fees, less costs.

(2) Loan fees, less costs on originated loans, are included in interest income over the life of the loan.

Table of Contents

The table below presents the components of net interest income for the six months ended June 30, 2012 and 2011:

	Six months ended June 30, 2012			Six months ended June 30, 2011		
	Average Balance (Dollars in thousands)	Interest	Average Rate	Average Balance (Dollars in thousands)	Interest	Average Rate
Interest earning assets:						
310-30 loans	\$ 1,175,459	\$ 52,243	8.94%	\$ 567,830	\$ 23,478	8.34%
Non-310-30 loans (1)(2)	936,973	36,942	7.93%	882,612	32,067	7.33%
Investment securities available-for-sale	1,860,497	25,019	2.70%	1,772,142	28,496	3.24%
Investment securities held-to-maturity	380,743	6,541	3.45%			0.00%
Other securities	30,527	765	5.04%	16,938	504	6.00%
Interest-bearing deposits	956,942	1,225	0.26%	914,487	1,108	0.24%
Total interest earning assets	\$ 5,341,142	\$ 122,735	4.62%	\$ 4,154,009	\$ 85,653	4.16%
Cash and due from banks	72,149			38,714		
Other assets	637,537			464,487		
Allowance for loan losses	(8,853)			(180)		
Total assets	\$ 6,041,975			\$ 4,657,030		
Interest bearing liabilities:						
Savings deposits and interest bearing checking	\$ 1,687,876	\$ 2,968	0.35%	\$ 967,576	\$ 2,862	0.60%
Time Deposits	2,439,417	14,535	1.20%	2,216,313	18,031	1.64%
Securities sold under agreements to repurchase	55,763	61	0.22%	26,013	41	0.32%
Total interest bearing liabilities	\$ 4,183,056	\$ 17,564	0.84%	\$ 3,209,902	\$ 20,934	1.32%
Demand deposits	634,482			320,752		
Other liabilities	130,724			123,044		
Total liabilities	4,948,262			3,653,698		
Stockholders equity	1,093,713			1,003,332		
Total liabilities and stockholders equity	\$ 6,041,975			\$ 4,657,030		
Net interest income		\$ 105,171			\$ 64,719	
Interest rate spread			3.78%			2.84%
Net interest earning assets	\$ 1,158,086			\$ 944,107		
Net interest margin			3.96%			3.14%
Ratio of average earning assets to average interest bearing liabilities	127.69%			129.41%		

(1) Originated loans are net of deferred loan fees, less costs.

(2) Loan fees, less costs on originated loans, are included in interest income over the life of the loan.

Net interest income totaled \$105.1 million and \$64.7 million for the six months ended June 30, 2012 and 2011, respectively, with the increase primarily attributable to the average interest-earning assets that resulted from the Bank of Choice and Community Banks of Colorado

Edgar Filing: National Bank Holdings Corp - Form S-1/A

acquisitions in the second half of 2011. Average investment securities, measured from the date of settlement comprised \$2.2 billion or 42.0% of total average interest-earning assets during the six months ended June 30, 2012. Average loans made up \$2.1 billion or 40.0% of total average interest-earning assets during the six months ended June 30, 2012.

Table of Contents

The following table summarizes the changes in net interest income by major category of interest earning assets and interest bearing liabilities, identifying changes related to volume and changes related to rates.

	Three Months Ended June 30, 2012 Compared To Three Months Ended June 30, 2011			Six Months Ended June 30, 2012 Compared To Six Months Ended June 30, 2011		
	Increase (decrease) due to			Increase (decrease) due to		
	Volume	Rate (In thousands)	Net	Volume	Rate (3) (In thousands)	Net
Interest income:						
310-30 loans	\$ 12,083	\$ 1,986	\$ 14,069	\$ 25,123	\$ 3,642	\$ 28,765
Non-310-30 loans(1)(2)	1,217	(297)	920	1,975	2,900	4,875
Investment securities available-for-sale	(1,899)	(3,991)	(5,890)	1,421	(4,898)	(3,477)
Investment securities held-to-maturity	6,330		6,330	6,541		6,541
Other securities	225	(93)	132	404	(143)	261
Interest-bearing deposits	(44)	42	(2)	51	66	117
Total interest income	\$ 17,913	\$ (2,354)	\$ 15,559	\$ 35,516	\$ 1,566	\$ 37,082
Interest expense:						
Savings deposits and interest bearing checking	\$ 940	\$ (915)	\$ 25	\$ 2,131	\$ (2,025)	\$ 106
Time deposits	462	(2,408)	(1,946)	1,815	(5,311)	(3,496)
Securities sold under agreements to repurchase	31	(23)	8	47	(27)	20
Total interest expense	\$ 1,433	\$ (3,346)	\$ (1,913)	\$ 3,993	\$ (7,363)	\$ (3,370)
Net change in net interest income	\$ 16,480	\$ 992	\$ 17,472	\$ 31,523	\$ 8,929	\$ 40,452

- (1) Originated loans are net of deferred loan fees, less costs.
- (2) Loan fees, less costs on originated loans, are included in interest income over the life of the loan.
- (3) Also includes changes due to number of days.

Table of Contents

The table below presents the components of net interest income for the twelve months ended December 31, 2011 and 2010:

	Year ended December 31, 2011			Year ended December 31, 2010		
	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
	(Dollars in thousands)			(Dollars in thousands)		
Interest earning assets:						
310-30 loans	\$ 823,598	\$ 63,618	7.72%	\$ 121,194	\$ 10,345	8.54%
Non-310-30 loans (1)(2)	837,898	70,451	8.41%	87,582	6,808	7.77%
Investment securities available-for-sale	1,846,483	59,313	3.21%	62,941	1,501	2.38%
Investment securities held-to-maturity	410	10	2.44%			0.00%
Other securities	20,071	1,132	5.64%	1,667	88	5.28%
Interest-bearing deposits	1,042,871	2,635	0.25%	1,036,964	2,680	0.26%
Total interest earning assets	\$ 4,571,331	\$ 197,159	4.31%	\$ 1,310,348	\$ 21,422	1.63%
Cash and due from banks	100,210			4,389		
Other assets	497,411			61,995		
Allowance for loan losses	(3,616)			(569)		
Total assets	\$ 5,165,336			\$ 1,376,163		
Interest bearing liabilities:						
Savings deposits and interest bearing checking	\$ 1,219,191	\$ 5,986	0.49%	\$ 78,300	\$ 496	0.63%
Time Deposits	2,382,637	35,588	1.49%	252,224	4,987	1.98%
Securities sold under agreements to repurchase	31,727	96	0.30%	1,653	5	0.30%
Federal Home Loan Bank advances	1,669	26	1.56%	1,707	24	1.41%
Total interest bearing liabilities	\$ 3,635,224	\$ 41,696	1.15%	\$ 333,884	\$ 5,512	1.65%
Demand deposits	365,461			31,453		
Other liabilities	118,029			27,556		
Total liabilities	4,118,714			392,893		
Stockholders equity	1,046,622			983,270		
Total liabilities and stockholders equity	\$ 5,165,336			\$ 1,376,163		
Net interest income		\$ 155,463			\$ 15,910	
Interest rate spread			3.17%			-0.02%
Net interest earning assets	\$ 936,107			\$ 976,464		
Net interest margin			3.40%			1.21%
Ratio of average earning assets to average interest bearing liabilities	125.75%			392.46%		

(1) Originated loans are net of deferred loan fees, less costs.

(2) Loan fees, less costs on originated loans, are included in interest income over the life of the loan.

Net interest income totaled \$155.5 million and \$15.9 million for the years ended December 31, 2011 and 2010, respectively, and was primarily attributable to the average interest-earning assets that resulted from the Hillcrest Bank, Bank Midwest, Bank of Choice, and Community Banks

Edgar Filing: National Bank Holdings Corp - Form S-1/A

of Colorado acquisitions, and the shift from cash to higher yielding investment securities. Average investment securities, measured from the date of settlement, comprised \$1.8 billion, or 40.4%, of total average interest-earning assets during the year ended December 31, 2011. Approximately \$1.5 billion of investment securities were purchased and/or settled during 2011 as a result of deploying the cash received from the acquisitions, slightly offset by sales of investment securities of \$0.2 billion and \$0.3 billion of maturities and pay downs. Average loans made up \$1.7 billion, or 36.3%, of total average interest-earning assets during the year ended December 31, 2011.

Table of Contents

The vast majority of our loans were acquired and were subject to acquisition accounting guidance whereby the assets and liabilities, including loans, were recorded at fair value at the date of acquisition. The accretible yield on our loans accounted for under ASC Topic 310-30 and the fair value adjustments on our acquired loans excluded from ASC Topic 310-30 are being accreted to income over the life of the loans as an adjustment to yield and, as a result, a significant portion of our interest income on loans is attributable to this accretion. Our acquired loans generally produce higher yields than our originated loans due to the recognition of accretion of interest rate adjustments and accretible yield. As a result, we expect downward pressure on our interest income to the extent that the runoff of our acquired loan portfolio is not replaced with comparable high-yielding loans. Note 2 to our audited consolidated financial statements provides more information on the accounting treatment of acquired loans.

During the year ended December 31, 2011, total interest expense related to interest-bearing liabilities was \$41.7 million compared to \$5.5 million for the year ended December 31, 2010, or an average cost of 1.15% and 1.65% during the respective periods. The largest component of interest expense was related to time deposits, which carried an average rate of 1.49% and 1.98% during the years ended December 31, 2011 and 2010, respectively.

Our rates on deposits have been higher than the average in the markets in which we operate, primarily because our acquired banks had their deposit rates higher than market at the time we acquired them. Since our first quarter of banking operations, we have been steadily lowering deposit rates as we shift towards a more consumer banking strategy based business model and focus on a lower cost transaction accounts.

Below is a breakdown of deposits and the average rates paid during the periods indicated (in thousands):

	June 30, 2012		March 31, 2012		December 31, 2011		For the three months ended September 30, 2011		June 30, 2011		March 31, 2011		December 31, 2010	
	Average Balance	Average Rate Paid	Average Balance	Average Rate Paid	Average Balance	Rate Paid	Average Balance	Average Rate Paid	Average Balance	Average Rate Paid	Average Balance	Average Rate Paid	Average Balance	Average Rate Paid
Non-interest bearing demand	\$ 622,936	0.00%	\$ 645,972	0.00%	\$ 625,884	0.00%	\$ 423,646	0.00%	\$ 321,766	0.00%	\$ 318,379	0.00%	\$ 323,116	0.00%
Interest bearing demand	523,202	0.24%	532,574	0.32%	506,257	0.38%	459,573	0.33%	230,157	0.16%	225,237	0.24%	217,730	0.24%
Money market accounts	995,668	0.40%	955,983	0.46%	924,432	0.46%	722,203	0.58%	664,168	0.70%	641,704	0.86%	560,042	0.86%
Savings accounts	187,046	0.16%	181,332	0.19%	161,604	0.19%	123,324	0.21%	108,520	0.33%	111,990	0.44%	97,710	0.44%
Time deposits	2,298,782	1.14%	2,580,053	1.25%	2,931,920	1.26%	2,402,074	1.36%	2,180,026	1.56%	2,230,088	1.72%	2,334,734	1.72%
Total average deposits	\$ 4,627,634	0.69%	\$ 4,895,914	0.79%	\$ 5,150,097	0.84%	\$ 4,130,820	0.94%	\$ 3,504,637	1.12%	\$ 3,527,398	1.28%	\$ 3,533,332	1.28%

Provision for Loan Losses

The provision for loan losses represents the amount of expense that is necessary to bring the ALL to a level that we deem appropriate to absorb probable losses inherent in the loan portfolio as of the balance sheet date. The determination of the ALL, and the resultant provision for loan losses, are subjective and involve estimates and assumptions.

Losses incurred on covered loans are reimbursable at the applicable loss share percentages in accordance with the loss-sharing agreements with the FDIC. Accordingly, any provisions made that relate to covered loans are partially offset by a corresponding increase to the FDIC indemnification asset and FDIC loss sharing income in non-interest income. Below is a summary of the provision for loan losses for the periods indicated (in thousands):

Edgar Filing: National Bank Holdings Corp - Form S-1/A

	For the three months ended June 30		For the six months ended June 30	
	2012	2011	2012	2011
Provision for impairment on loans accounted for under ASC Topic 310-30	\$ 10,456	\$ 3,063	\$ 13,735	\$ 4,561
Provision for loan losses	1,770	5,728	6,327	8,125
Total provision for loan losses	\$ 12,226	\$ 8,791	\$ 20,062	\$ 12,686

Table of Contents

The provision for impairment expense on covered assets has an offsetting increase in non-interest income as a result of the loss sharing agreements with the FDIC. The provisions for loan losses charged to non-covered loans were related to a combination of providing an ALL for new loans, changes in the market conditions and qualitative factors used in analyzing the ALL and specific impairments on non-covered loans. Through the re-measurement process, we recorded \$13.7 million of provision for loans accounted for under ASC Topic 310-30 to reflect decreased expected future cash flows, which was primarily driven by our commercial and industrial, commercial real estate and land pools. One land pool contributed \$4.9 million, or 35.8%, of the total impairment for the six months ended June 30, 2012. The decreases in expected future cash flows are reflected immediately in our financial statements. Increases in expected future cash flows are reflected through an increase in accretible yield that is accreted to income in future periods, and during the six months ended June 30, 2012, we transferred \$23.8 million, net, from non-accretible difference to accretible yield to reflect an increase in expected future cash flows on loans accounted for under ASC Topic 310-30.

The table below summarizes the provision for loans accounted for under ASC Topic 310-30 versus loans not accounted for under ASC Topic 310-30 for the years ended December 31, 2011 and 2010 (in thousands):

	2011	2010
Provision for impairment on loans accounted for under ASC Topic 310-30	\$ 5,011	\$
Provision for loan losses	14,991	88
Total provision for loan losses	\$ 20,002	\$ 88

The provision for impairment expenses on loans accounted for under ASC Topic 310-30 during 2011 related to three covered 310-30 pools where expected cash flows decreased resulting in impairment of \$5.0 million. All other 310-30 pools experienced increases in expected cash flows during 2011.

*Non-Interest Income*Three and six months ended June 30, 2012 and 2011

For the three and six months ended June 30, 2012 and 2011, service charges comprised the largest component of our non-interest income. Service charges represent various fees charged to clients for banking services, including fees such as non-sufficient funds charges, overdraft fees, service charges on deposit accounts, identity theft protection services, safe deposit box rentals, wire transfer fees, and brokerage fees. Service charges increased \$1.6 million during the six months ended June 30, 2012 compared to the six months ended June 30, 2011, primarily due to the addition of Bank of Choice and Community Banks of Colorado in the last half of 2011. FDIC loss sharing income represents the income or loss recognized in connection with our loss sharing agreements with the FDIC, and is discussed in greater detail below. The table below details the components of non-interest income during the three and six months ended June 30, 2012 and 2011, respectively (in thousands):

	Three months ended		Six months	
	June 30,		ended June 30,	
	2012	2011	2012	2011
FDIC loss sharing income	\$ 1,430	\$ 1,924	\$ 1,442	\$ 6,399
Service charges	4,691	3,700	9,067	7,463
Bank card fees	2,020	1,759	4,321	3,540
Gain on sales of mortgages, net	294	357	603	461
Gain on sale of securities, net		158	674	192
Gain on recoveries of previously charged-off acquired loans	257	27	1,790	47
Other non-interest income	1,357	1,548	2,422	1,991
Total non-interest income	\$ 10,049	\$ 9,473	\$ 20,319	\$ 20,093

Table of Contents

Bank card fees are comprised primarily of interchange fees on the debit cards that we have issued to our clients. These transactional charges totaled \$2.0 million and \$1.8 million during the three months ended June 30, 2012 and 2011, and \$4.3 million and \$3.5 million during the six months ended June 30, 2012 and 2011. Bank of Choice and Community Banks of Colorado had substantially fewer debit cards issued and, as a result, the addition of those banks' bank card fees did not mirror that of NBH Bank during similar time periods. Other bank card fees include merchant services fees and credit card fees.

Gain on recoveries of previously charged-off acquired loans represents recoveries on loans that were previously charged-off by the predecessor bank prior to takeover by the FDIC. A portion of these recoveries are shared with the FDIC and the sharing of these recoveries is reflected as reimbursement to FDIC for recoveries on non-covered loans.

Years ended December 31, 2011 and 2010

Non-interest income totaled \$89.5 million and \$42.2 million for the years ended December 31, 2011 and 2010, respectively. The primary components of non-interest income during 2011 were the bargain purchase gain of \$60.5 million resulting from the Bank of Choice acquisition, service charges, which totaled \$16.8 million, and FDIC loss sharing expense of \$4.7 million. The primary driver of non-interest income in 2010 was the \$37.8 million bargain purchase gain that resulted from the Hillcrest Bank acquisition. The table below details the components of non-interest income during the years ended December 31, 2011 and 2010, respectively (in thousands):

	2011	2010
FDIC loss sharing income (expense)	\$ (4,722)	\$ 2,236
Service charges	16,810	1,094
Bank card fees	7,611	517
Bargain purchase gain	60,520	37,778
Gain on sale of mortgages	1,103	268
Gain (loss) on sale of securities	(645)	11