

National Bank Holdings Corp
Form 424B3
May 14, 2013
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Filed pursuant to Rule 424(b)(3)

Registration Number 333-184054

Prospectus Supplement No. 3

(To the Prospectus dated September 25, 2012)

43,508,820 Shares of

Class A Common Stock

This Prospectus Supplement supplements the prospectus dated September 25, 2012, as previously supplemented (the Prospectus), relating to the offering of up to 43,508,820 shares of Class A common stock (including, shares of Class A common stock issuable upon conversion of shares of Class B non-voting common stock) of National Bank Holdings Corporation by the selling stockholders identified in the Prospectus. This Prospectus Supplement should be read in conjunction with the Prospectus which is to be delivered with this Prospectus Supplement. If there is any inconsistency between the information in the Prospectus and this Prospectus Supplement, you should rely on the information in this Prospectus Supplement.

INVESTING IN OUR COMMON STOCK INVOLVES RISK. SEE RISK FACTORS BEGINNING ON PAGE 16 OF THE PROSPECTUS.

This Prospectus Supplement is filed for the purpose of including in the Prospectus the information contained in the attached quarterly report on Form 10-Q for the quarter ended March 31, 2013, which was filed with the Securities and Exchange Commission on May 14, 2013.

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 Supplement (or the Prospectus, including any supplements or amendments thereto). Any representation to the contrary is a criminal offense.

The date of this Prospectus Supplement is May 14, 2013.

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934**

For the quarterly period ended March 31, 2013

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934**

For the transition period from _____ to _____

Commission File Number: 001-35654

NATIONAL BANK HOLDINGS CORPORATION

(Exact name of registrant as specified in its charter)

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Delaware **27-0563799**
(State or other jurisdiction of **(I.R.S. Employer**
incorporation or organization) **Identification No.)**
5570 DTC Parkway, Greenwood Village, Colorado, 80111
(Address of principal executive offices) (Zip Code)
Registrant's telephone, including area code: (720) 529-3336

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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 definitions of accelerated filer, large accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer
Non-accelerated filer (do not check if a smaller reporting company) Smaller Reporting Company
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

As of May 10, 2013 NBHC had outstanding 46,298,876 shares of Class A voting common stock, and 5,967,619 shares of Class B non-voting common stock, each with \$0.01 par value per share.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This report 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, should, 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 in Part II under the caption "Risk Factors."

Any or all of our forward-looking statements in this report may turn out to be inaccurate. The inclusion of such forward-looking statements should not be regarded as a representation by us that we will achieve the results expressed in or contemplated by such forward-looking statements. 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, obtain regulatory approval, 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;

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the ability in certain states to amend the state constitution to impose restrictions on financial services 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;

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, pay dividends to our common stockholders and satisfy obligations as they become due;

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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 report. 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**PART I: FINANCIAL INFORMATION****Item 1: FINANCIAL STATEMENTS****NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES**

Consolidated Statements of Financial Condition (Unaudited)

(In thousands, except share and per share data)

	March 31, 2013	December 31, 2012
ASSETS		
Cash and due from banks	\$ 57,446	\$ 90,505
Due from Federal Reserve Bank of Kansas City	266,290	579,267
Federal funds sold and interest bearing bank deposits	95,457	99,408
Cash and cash equivalents	419,193	769,180
Investment securities available-for-sale (at fair value)	2,106,882	1,718,028
Investment securities held-to-maturity (fair value of \$522,867 and \$584,551 at March 31, 2013 and December 31, 2012, respectively)	517,017	577,486
Non-marketable securities	32,947	32,996
Loans (including covered loans of \$537,096 and \$608,222 at March 31, 2013 and December 31, 2012, respectively)	1,765,450	1,832,702
Allowance for loan losses	(12,889)	(15,380)
Loans, net	1,752,561	1,817,322
Loans held for sale	7,034	5,368
Federal Deposit Insurance Corporation (FDIC) indemnification asset, net	75,698	86,923
Other real estate owned	83,330	94,808
Premises and equipment, net	121,082	121,436
Goodwill	59,630	59,630
Intangible assets, net	26,239	27,575
Other assets	55,930	100,023
Total assets	\$ 5,257,543	\$ 5,410,775
LIABILITIES AND STOCKHOLDERS EQUITY		
Liabilities:		
Deposits:		
Non-interest bearing demand deposits	\$ 654,002	\$ 677,985
Interest bearing demand deposits	487,222	529,996
Savings and money market	1,263,083	1,240,020
Time deposits	1,656,494	1,752,718
Total deposits	4,060,801	4,200,719
Securities sold under agreements to repurchase	53,110	53,685
Due to FDIC	31,011	31,271
Other liabilities	25,878	34,541
Total liabilities	4,170,800	4,320,216

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Stockholders' equity:

Common stock, par value \$0.01 per share: 400,000,000 million shares authorized and 53,266,577 and 53,279,579 shares issued and 52,314,909 and 52,327,672 shares outstanding at March 31, 2013 and December 31, 2012, respectively		
	523	523
Additional paid in capital	1,007,401	1,006,194
Retained earnings	42,692	43,273
Treasury stock of 240 shares at December 31, 2012, at cost		(4)
Accumulated other comprehensive income, net of tax	36,127	40,573
Total stockholders' equity	1,086,743	1,090,559
Total liabilities and stockholders' equity	\$ 5,257,543	\$ 5,410,775

See accompanying notes to the unaudited consolidated interim financial statements.

Table of Contents**NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES**

Consolidated Statements of Operations (Unaudited)

(In thousands, except share and per share data)

	For the three months ended,	
	March 31, 2013	March 31, 2012
Interest and dividend income:		
Interest and fees on loans	\$ 36,135	\$ 46,591
Interest and dividends on investment securities	13,248	15,106
Dividends on non-marketable securities	394	381
Interest on interest-bearing bank deposits	321	812
Total interest and dividend income	50,098	62,890
Interest expense:		
Interest on deposits	4,511	9,603
Interest on borrowings	18	29
Total interest expense	4,529	9,632
Net interest income before provision for loan losses	45,569	53,258
Provision for loan losses	1,417	7,836
Net interest income after provision for loan losses	44,152	45,422
Non-interest income:		
FDIC indemnification asset accretion	(4,669)	(3,687)
FDIC loss sharing income	3,276	3,699
Service charges	3,687	4,376
Bank card fees	2,469	2,301
Gain on sales of mortgages, net	306	309
Gain on sale of securities, net		674
Gain on recoveries of previously charged-off acquired loans	443	1,533
Other non-interest income	1,639	1,065
Total non-interest income	7,151	10,270
Non-interest expense:		
Salaries and employee benefits	22,956	22,413
Occupancy and equipment	5,965	4,537
Professional fees	1,396	2,671
Telecommunications and data processing	3,469	3,731
Marketing and business development	1,379	918
Supplies and printing	356	379
Other real estate owned expenses	4,719	8,621
Problem loan expenses	2,331	1,711
Intangible asset amortization	1,336	1,336
FDIC deposit insurance	1,047	1,351
ATM/debit card expenses	1,005	775
Initial public offering related expenses		321
Acquisition related costs		855
Loss (gain) from the change in fair value of warrant liability	(627)	726
Other non-interest expense	2,552	2,628

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Total non-interest expense	47,884	52,973
Income before income taxes	3,419	2,719
Income tax expense	1,337	1,076
Net income	\$ 2,082	\$ 1,643
Income per share basic	\$ 0.04	\$ 0.03
Income per share diluted	\$ 0.04	\$ 0.03
Weighted average number of common shares outstanding:		
Basic	52,320,622	52,176,863
Diluted	52,346,525	52,303,771

See accompanying notes to the unaudited consolidated interim financial statements.

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Consolidated Statements of Comprehensive Income (Loss) (Unaudited)

(In thousands)

	For the three months ended March 31,	
	2013	2012
Net income	\$ 2,082	\$ 1,643
Other comprehensive loss, net of tax:		
Securities available-for-sale:		
Net unrealized losses arising during the period, net of tax benefit of \$1,872 and \$439 for the three months ended March 31, 2013 and 2012, respectively	(2,501)	(755)
Reclassification adjustment for net securities gains included in net income, net of tax expense of \$0 and \$263 for the three months ended March 31, 2013 and 2012, respectively		(411)
Reclassification adjustment for net unrealized holding gains on securities transferred between available-for-sale and held-to-maturity, net of tax of \$0 and \$15,159 for the three months ended March 31, 2013 and 2012, respectively		(23,711)
	\$ (2,501)	\$ (24,877)
Net unrealized holding gains on securities transferred between available-for-sale to held-to-maturity:		
Net unrealized holding gains on securities transferred, net of tax of \$0 and \$15,159 for the three months ended March 31, 2013 and 2012, respectively		23,711
Less: amortization of net unrealized holding gains to income, net of tax benefit of \$1,218 and \$0 for the three months ended March 31, 2013 and 2012	(1,945)	
	(1,945)	23,711
Other comprehensive loss	(4,446)	(1,166)
Comprehensive income (loss)	\$ (2,364)	\$ 477

See accompanying notes to the unaudited consolidated interim financial statements.

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Consolidated Statements of Changes in Stockholders' Equity (Unaudited)

Three Months Ended March 31, 2013 and 2012

(In thousands, except share and per share data)

	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Accumulated other comprehensive income, net	Total
Balance, December 31, 2011	\$ 522	\$ 994,705	\$ 46,480	\$	\$ 47,022	\$ 1,088,729
Stock-based compensation		2,183				2,183
Net income			1,643			1,643
Other comprehensive loss					(1,166)	(1,166)
Balance, March 31, 2012	522	996,888	48,123		45,856	1,091,389
Balance, December 31, 2012	523	1,006,194	43,273	(4)	40,573	1,090,559
Stock-based compensation		1,441				1,441
(Purchase) /retirement of treasury shares		(234)		4		(230)
Dividends paid (\$0.05 per share)			(2,663)			(2,663)
Net income			2,082			2,082
Other comprehensive loss					(4,446)	(4,446)
Balance, March 31, 2013	\$ 523	\$ 1,007,401	\$ 42,692	\$	\$ 36,127	\$ 1,086,743

See accompanying notes to the unaudited consolidated interim financial statements.

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Consolidated Statements of Cash Flows (Unaudited)

(In thousands)

	For the three months ended	
	2013	March 31, 2012
Cash flows from operating activities:		
Net income	\$ 2,082	\$ 1,643
Adjustments to reconcile net income to net cash used in operating activities:		
Provision for loan losses	1,417	7,836
Depreciation and amortization	3,812	2,498
Gain on sale of securities, net		(674)
Current income tax benefit	(6,739)	(3,102)
Deferred income tax benefit	(3,574)	(14,840)
Discount accretion, net of premium amortization	5,466	960
Loan accretion	(24,293)	(37,417)
Net gain on sale of mortgage loans	(306)	(309)
Proceeds from sales of loans held for sale	10,921	12,987
Amortization of indemnification asset	4,669	3,687
Gain on the sale of other real estate owned, net	(1,805)	(849)
Impairment on other real estate owned	4,526	5,089
Stock-based compensation	1,441	2,183
Decrease in due to FDIC, net	(260)	(323)
Decrease (increase) in other assets	409	(4,755)
Decrease in other liabilities	(3,443)	(6,561)
Net cash used in operating activities	(5,677)	(31,947)
Cash flows from investing activities:		
Sale of FHLB stock	49	30
Sales of investment securities available-for-sale		20,794
Maturities of investment securities available-for-sale	158,532	120,546
Maturities of investment securities held-to-maturity	57,599	107
Purchase and settlement of investment securities available-for-sale	(554,355)	(773,774)
Net decrease in loans	58,313	158,055
Purchase of premises and equipment	(2,122)	(31,941)
Proceeds from sales of other real estate owned	25,726	12,676
Decrease in FDIC indemnification asset	55,287	6,079
Net cash provided by investing activities	(200,971)	(487,428)
Cash flows from financing activities:		
Net decrease in deposits	(139,918)	(290,904)
Increase (decrease) in repurchase agreements	(575)	26,453
Payment of dividends	(2,616)	
Repurchase of common stock	(230)	
Net cash used in financing activities	(143,339)	(264,451)
Decrease in cash and cash equivalents	(349,987)	(783,826)
Cash and cash equivalents at beginning of period	769,180	1,628,137

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Cash and cash equivalents at end of period	\$ 419,193	\$ 844,311
<i>Supplemental disclosure of cash flow information:</i>		
Cash paid during the period for interest	\$ 4,906	\$ 12,897
Cash paid during the period for taxes	\$ 8,580	\$ 17,459
<i>Supplemental schedule of non-cash investing activities:</i>		
Loans transferred to other real estate owned at fair value	\$ 17,043	\$ 40,899
FDIC indemnification asset claims transferred to other assets	\$ 9,132	\$ 32,361
Available-for-sale investment securities transferred to investment securities held-to-maturity	\$	\$ 754,063

See accompanying notes to the unaudited consolidated interim financial statements.

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NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

March 31, 2013

Note 1 Basis of Presentation

National Bank Holdings Corporation (the Company) is a bank holding company that was incorporated in the State of Delaware in June 2009 with the intent to acquire and operate community banking franchises and other complementary businesses in targeted markets. The accompanying unaudited consolidated financial statements include the accounts of the Company, and its wholly owned subsidiary, NBH Bank, N.A. NBH Bank, N.A. is the resulting entity from the Company's acquisitions to date and it offers consumer and commercial banking through 101 full-service banking centers that are predominately located in the greater Kansas City area and Colorado.

These interim financial statements have been prepared in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X and serve to update the National Bank Holdings Corporation Annual Report on Form 10-K for the year ended December 31, 2012. The accompanying financial statements have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) and where applicable, with general practices in the banking industry or guidelines prescribed by bank regulatory agencies, however, they may not include all information and notes necessary to constitute a complete set of financial statements under GAAP applicable to annual periods and accordingly should be read in conjunction with the financial information contained in the Form 10-K. The consolidated financial statements reflect all adjustments which are, in the opinion of management, necessary for a fair statement of the results presented. All such adjustments are of a normal recurring nature. All significant intercompany balances and transactions have been eliminated in consolidation. Certain reclassifications of prior years' amounts are made whenever necessary to conform to current period presentation. The results of operations for the interim periods are not necessarily indicative of the results that may be expected for the full year or any other interim period.

The Company's significant accounting policies followed in the preparation of the consolidated financial statements are disclosed in Note 2 of the audited financial statements and notes for the year ended December 31, 2012 and are contained in the Company's Annual Report on Form 10-K, referenced above. GAAP requires management to make estimates that affect the reported amounts of assets, liabilities, revenues and expenses, and disclosures of contingent assets and liabilities. By their nature, estimates are based on judgment and available information. Management has made significant estimates in certain areas, such as the amount and timing of expected cash flows from assets, the valuation of the FDIC indemnification asset and clawback liability, the valuation of other real estate owned (OREO), the fair value adjustments on assets acquired and liabilities assumed, the valuation of core deposit intangible assets, the deferred tax assets, the evaluation of investment securities for other-than-temporary impairment (OTTI), the fair values of financial instruments, the allowance for loan losses (ALL), and contingent liabilities. Because of the inherent uncertainties associated with any estimation process and future changes in market and economic conditions, it is possible that actual results could differ significantly from those estimates.

Note 2 Recent Accounting Pronouncements

Accounting for Indemnification Assets In October 2012, the Financial Accounting Standards Board (FASB) released Accounting Standards Update (ASU) 2012-06 *Subsequent Accounting for an Indemnification Asset Recognized at the Acquisition Date as a Result of a Government-Assisted Acquisition of a Financial Institution*. This guidance clarified that any amortization of changes in the value of an indemnification asset should be limited to the contractual term of the indemnification agreement (that is, the lesser of the term of the indemnification agreement and the remaining life of the indemnified assets). This guidance resulted in no changes to the accounting for the Company's indemnification asset.

Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income In February 2013, the FASB issued ASU 2013-02, *Comprehensive Income-Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income*. This guidance requires entities to provide information about the amounts reclassified out of accumulated other comprehensive income by component. Entities are also required to present significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income, but only if the amount reclassified is required to be reclassified to net income in its entirety in the same accounting period. Other amounts that are not required to be reclassified to net income are to be cross-referenced to other disclosures that provide additional detail about those amounts. The Company was required to adopt this update retrospectively for the quarter ended March 31, 2013. Adoption of this update affects the presentation of the components of comprehensive income in the Company's financial statements, but did not have an impact on the Company's consolidated statements of financial condition, results of operations or liquidity.

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Disclosures About Offsetting Assets and Liabilities In December 2011, the FASB issued ASU 2011-11, *Disclosures about Offsetting Assets and Liabilities*. Under the ASU, an entity will be required to disclose both gross and net information about instruments and transactions eligible for offset in the balance sheet, as well as instruments and transactions subject to an agreement similar to a master netting agreement. In January 2013, the FASB released ASU 2013-01, *Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities*, which amended ASU 2011-11 to specifically include only derivatives accounted for under Topic 815, repurchase and reverse repurchase agreements, and securities borrowing and lending transactions that are either offset or subject to an enforceable master netting arrangement. The disclosure requirements are effective for annual reporting periods beginning on or after January 1, 2013, and interim periods therein, with retrospective application required. The adoption of these accounting pronouncements did not have a material impact on the Company's consolidated financial statements.

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NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

March 31, 2013

Note 3 Investment Securities

The Company's investment securities portfolio is comprised of available-for-sale and held-to-maturity investment securities. These investment securities totaled \$2.6 billion at March 31, 2013, an increase from \$2.3 billion at December 31, 2012. Included in the aforementioned \$2.6 billion was \$2.1 billion of available-for-sale securities and \$517.0 million of held-to-maturity securities.

Available-for-sale

Available-for-sale investment securities are summarized as follows as of the dates indicated (in thousands):

	March 31, 2013			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Asset backed securities	\$ 68,253	\$ 76	\$	\$ 68,329
Mortgage-backed securities (MBS):				
Residential mortgage pass-through securities issued or guaranteed by U.S. Government agencies or sponsored enterprises	602,092	17,519	(1)	619,610
Other residential MBS issued or guaranteed by U.S. Government agencies or sponsored enterprises	1,403,209	17,047	(1,732)	1,418,524
Other securities	419			419
Total	\$ 2,073,973	\$ 34,642	\$ (1,733)	\$ 2,106,882

	December 31, 2012			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury securities	\$ 300	\$	\$	\$ 300
Asset backed securities	89,881	122		90,003
Mortgage-backed securities (MBS):				
Residential mortgage pass-through securities issued or guaranteed by U.S. Government agencies or sponsored enterprises	658,169	19,849	(1)	678,017
Other residential MBS issued or guaranteed by U.S. Government agencies or sponsored enterprises	931,979	17,630	(320)	949,289
Other securities	419			419
Total	\$ 1,680,748	\$ 37,601	\$ (321)	\$ 1,718,028

At March 31, 2013 and December 31, 2012, mortgage-backed securities represented 96.7% and 94.7%, respectively, of the Company's available-for-sale investment portfolio and all mortgage-backed securities were backed by government sponsored enterprises (GSE) collateral such as Federal Home Loan Mortgage Corporation (FHLMC) and Federal National Mortgage Association (FNMA), and the government sponsored agency Government National Mortgage Association (GNMA).

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NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

March 31, 2013

The table below summarizes the unrealized losses as of the dates shown, along with the length of the impairment period (in thousands):

	Less than 12 months		March 31, 2013 12 months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Mortgage-backed securities (MBS):						
Residential mortgage pass-through securities issued or guaranteed by U.S. Government agencies or sponsored enterprises	\$	\$	\$ 16	\$ (1)	\$ 16	\$ (1)
Other residential MBS issued or guaranteed by U.S. Government agencies or sponsored enterprises	432,755	(1,732)			432,755	(1,732)
Total	\$ 432,755	\$ (1,732)	\$ 16	\$ (1)	\$ 432,771	\$ (1,733)

	Less than 12 months		December 31, 2012 12 months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Mortgage-backed securities (MBS):						
Residential mortgage pass-through securities issued or guaranteed by U.S. Government agencies or sponsored enterprises	\$ 17	\$	\$ 8	\$ (1)	\$ 25	\$ (1)
Other residential MBS issued or guaranteed by U.S. Government agencies or sponsored enterprises	130,686	(320)			130,686	(320)
Total	\$ 130,703	\$ (320)	\$ 8	\$ (1)	\$ 130,711	\$ (321)

Management evaluated all of the securities in an unrealized loss position and concluded that no other-than-temporary-impairment existed at March 31, 2013 or December 31, 2012. The Company had no intention to sell these securities before recovery of their amortized cost and believes it will not be required to sell the securities before the recovery of their amortized cost.

The Company pledges certain securities as collateral for public deposits, securities sold under agreements to repurchase and to secure borrowing capacity at the Federal Reserve Bank, if needed. The fair value of available-for-sale investment securities pledged as collateral totaled \$82.7 million at March 31, 2013 and \$89.2 million December 31, 2012. The decrease of pledged available-for-sale investment securities was primarily attributable to paydowns on the underlying securities during the three months ended March 31, 2013. Certain investment securities may also be pledged as collateral should the Company utilize its line of credit at the FHLB of Des Moines; however, no investment securities were pledged for this purpose at March 31, 2013 or December 31, 2012.

The table below summarizes the contractual maturities, as of the last scheduled repayment date, of the available-for-sale investment portfolio as of March 31, 2013 (in thousands):

	Amortized Cost	Fair Value
Due in one year or less	\$	\$
Due after one year through five years	68,258	68,333
Due after five years through ten years	238,841	242,408
Due after ten years	1,766,455	1,795,722
Other securities	419	419
 Total investment securities available-for-sale	 \$ 2,073,973	 \$ 2,106,882

Actual maturities of mortgage-backed securities may differ from contractual maturities depending on the repayment characteristics and experience of the underlying financial instruments. The estimated weighted average life of the available-for-sale mortgage-backed securities portfolio was 3.6 years as of March 31, 2013 and 3.4 years as of December 31, 2012. This estimate is based on assumptions and actual results may differ. Other securities of \$0.4 million have no stated contractual maturity date as of March 31, 2013.

Held-to-maturity

At March 31, 2013 and December 31, 2012 the Company held \$517.0 million and \$577.5 million of held-to-maturity investment securities, respectively. During the first quarter of 2012 the Company transferred securities with a fair value of \$754.1 million from

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an available-for-sale classification to the held-to-maturity classification. During the three month ended March 31, 2013 the Company has not purchased or sold any held-to-maturity securities. Held-to-maturity investment securities are summarized as follows as of the dates indicated (in thousands):

	March 31, 2013			
	Amortized	Gross	Gross	Fair Value
	Cost	Unrealized	Unrealized	
		Gains	Losses	
Mortgage-backed securities (MBS):				
Residential mortgage pass-through securities issued or guaranteed by U.S. Government agencies or sponsored enterprises	\$ 517,017	\$ 5,850	\$	\$ 522,867
Total investment securities held-to-maturity	\$ 517,017	\$ 5,850	\$	\$ 522,867

	December 31, 2012			
	Amortized	Gross	Gross	Fair Value
	Cost	Unrealized	Unrealized	
		Gains	Losses	
Mortgage-backed securities (MBS):				
Residential mortgage pass-through securities issued or guaranteed by U.S. Government agencies or sponsored enterprises	\$ 577,486	\$ 7,065	\$	\$ 584,551
Total investment securities held-to-maturity	\$ 577,486	\$ 7,065	\$	\$ 584,551

The table below summarizes the contractual maturities, as of the last scheduled repayment date, of the held-to-maturity investment portfolio at March 31, 2013 (in thousands):

	Amortized	Fair
	Cost	Value
Due in one year or less	\$	\$
Due after one year through five years		
Due after five years through ten years		
Due after ten years	517,017	522,867
Other securities		
Total investment securities held-to-maturity	\$ 517,017	\$ 522,867

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The carrying value of held-to-maturity investment securities pledged as collateral totaled \$139.1 million and \$127.9 million at March 31, 2013 and December 31, 2012, respectively. Actual maturities of mortgage-backed securities may differ from scheduled maturities depending on the repayment characteristics and experience of the underlying financial instruments. The estimated weighted average expected life of the held-to-maturity mortgage-backed securities portfolio as of March 31, 2013 and December 31, 2012 was 3.8 years. This estimate is based on assumptions and actual results may differ.

Note 4 Loans

The loan portfolio is comprised of loans that were acquired in connection with the Company's acquisitions of Bank of Choice and Community Banks of Colorado in 2011, Hillcrest Bank and Bank Midwest in 2010, and new loans originated by the Company. The majority of the loans acquired in the Hillcrest Bank and Community Banks of Colorado transactions are covered by loss sharing agreements with the FDIC, and covered loans are presented separately from non-covered loans due to the FDIC loss sharing agreements associated with these loans. Covered loans comprised 30.4% of the total loan portfolio at March 31, 2013, compared to 33.2% of the total loan portfolio at December 31, 2012.

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The carrying value of loans are net of discounts on loans excluded from Accounting Standards Codification (ASC) Topic 310-30 *Receivables Loans and Debt Securities Acquired with Deteriorated Credit Quality*, and fees and costs of \$16.3 million and \$20.4 million as of March 31, 2013 and December 31, 2012, respectively. The table below shows the loan portfolio composition including carrying value by segment of loans accounted for under ASC Topic 310-30 and loans covered by the FDIC loss sharing agreements as of March 31, 2013 and December 31, 2012 (in thousands):

	March 31, 2013		Total Loans	% of Total
	ASC 310-30 Loans	Non ASC 310-30 Loans		
Commercial	\$ 78,928	\$ 185,802	\$ 264,730	15.0%
Commercial real estate	490,608	256,132	746,740	42.3%
Agriculture	46,580	118,157	164,737	9.3%
Residential real estate	101,386	446,185	547,571	31.0%
Consumer	12,747	28,925	41,672	2.4%
Total	\$ 730,249	\$ 1,035,201	\$ 1,765,450	100.0%
Covered	\$ 466,677	\$ 70,419	\$ 537,096	30.4%
Non-covered	263,572	964,782	1,228,354	69.6%
Total	\$ 730,249	\$ 1,035,201	\$ 1,765,450	100.0%

	December 31, 2012		Total Loans	% of Total
	ASC 310-30 Loans	Non ASC 310-30 Loans		
Commercial	\$ 83,169	\$ 187,419	\$ 270,588	14.8%
Commercial real estate	566,035	238,964	804,999	43.9%
Agriculture	47,733	125,674	173,407	9.5%
Residential real estate	106,100	427,277	533,377	29.1%
Consumer	18,984	31,347	50,331	2.7%
Total	\$ 822,021	\$ 1,010,681	\$ 1,832,702	100.0%
Covered	\$ 527,948	\$ 80,274	\$ 608,222	33.2%
Non-covered	294,073	930,407	1,224,480	66.8%
Total	\$ 822,021	\$ 1,010,681	\$ 1,832,702	100.0%

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 accounted for under ASC Topic 310-30 were not classified as

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non-performing assets at the respective acquisition dates, at March 31, 2013 or at December 31, 2012 as the carrying value of the respective pools' cash flows were considered estimable and probable of collection. Therefore, interest income, through accretion of the difference between the carrying value of the loans and the expected cash flows, was recognized on all acquired loans accounted for under ASC Topic 310-30.

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Pooled loans accounted for under ASC Topic 310-30 that are 90 days or more past due and still accruing are considered to be performing and are included in loans 90 days or more past due and still accruing. At March 31, 2013 and December 31, 2012, \$18.0 million and \$23.1 million, respectively, of loans accounted for outside the scope of ASC Topic 310-30 were on non-accrual. Loan delinquency for all loans is shown in the following tables at March 31, 2013 and December 31, 2012, respectively (in thousands):

	Total Loans March 31, 2013					Total loans	Loans > 90 days past due and still accruing	Non- accrual
	30-59 days past due	60-89 days past due	Greater than 90 days past due	Total past due	Current			
Loans excluded from ASC 310-30								
Commercial	\$ 327	\$ 1,751	\$ 498	\$ 2,576	\$ 183,226	\$ 185,802	\$	\$ 2,887
Commercial real estate								
Construction			131	131	6,942	7,073	131	
Acquisition/development	47		14	61	9,662	9,723		15
Multifamily					12,679	12,679		191
Owner-occupied	95		209	304	62,408	62,712		850
Non owner-occupied	1,130	243	5,123	6,496	157,449	163,945		7,834
Total commercial real estate	1,272	243	5,477	6,992	249,140	256,132	131	8,890
Agriculture	1,216			1,216	116,941	118,157		227
Residential real estate								
Sr lien	1,884	327	1,238	3,449	392,683	396,132		5,418
Jr lien	405	9	146	560	49,493	50,053	42	274
Total residential real estate	2,289	336	1,384	4,009	442,176	446,185	42	5,692
Consumer	392	24	3	419	28,506	28,925	3	269
Total loans excluded from ASC 310-30	5,496	2,354	7,362	15,212	1,019,989	1,035,201	176	17,965
Covered loans excluded from ASC 310-30								
Non-covered loans excluded from ASC 310-30	186	1,751	472	2,409	68,010	70,419		4,082
	5,310	603	6,890	12,803	951,979	964,782	176	13,883
Total loans excluded from ASC 310-30	5,496	2,354	7,362	15,212	1,019,989	1,035,201	176	17,965
Loans accounted for under ASC 310-30								
Commercial	668	523	6,239	7,430	71,498	78,928	6,239	
Commercial real estate	13,047	8,999	97,950	119,996	370,612	490,608	97,950	
Agriculture	656		2,637	3,293	43,287	46,580	2,637	

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Residential real estate	3,396	721	5,052	9,169	92,217	101,386	5,052	
Consumer	171	18	597	786	11,961	12,747	597	
Total loans accounted for under ASC 310-30	17,938	10,261	112,475	140,674	589,575	730,249	112,475	
Covered loans accounted for under ASC 310-30	10,502	8,546	88,361	107,409	359,268	466,677	88,361	
Non-covered loans accounted for under ASC 310-30	7,436	1,715	24,114	33,265	230,307	263,572	24,114	
Total loans accounted for under ASC 310-30	17,938	10,261	112,475	140,674	589,575	730,249	112,475	
Total loans	\$ 23,434	\$ 12,615	\$ 119,837	\$ 155,886	\$ 1,609,564	\$ 1,765,450	\$ 112,651	\$ 17,965
Covered loans	\$ 10,688	\$ 10,297	\$ 88,833	\$ 109,818	\$ 427,278	\$ 537,096	\$ 88,361	\$ 4,082
Non-covered loans	12,746	2,318	31,004	46,068	1,182,286	1,228,354	24,290	13,883
Total loans	\$ 23,434	\$ 12,615	\$ 119,837	\$ 155,886	\$ 1,609,564	\$ 1,765,450	\$ 112,651	\$ 17,965

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Total Loans December 31, 2012

	30-59 days past due	60-89 days past due	Greater than 90 days past due	Total past due	Current	Total loans	Loans > 90 days past due and still accruing	Non- accrual
Loans excluded from ASC 310-30								
Commercial	\$ 846	\$ 148	\$ 1,122	\$ 2,116	\$ 185,303	\$ 187,419	\$	\$ 4,500
Commercial real estate								
Construction					3,915	3,915		
Acquisition development	1,948			1,948	8,485	10,433		75
Multifamily			34	34	13,387	13,421		237
Owner-occupied	97	106	1,074	1,277	56,490	57,767		3,365
Non owner-occupied		122	5,123	5,245	148,183	153,428		7,992
Total commercial real estate	2,045	228	6,231	8,504	230,460	238,964		11,669
Agriculture	33	40	11	84	125,590	125,674		251
Residential real estate								
Sr lien	1,261	119	1,825	3,205	373,243	376,448	22	5,815
Jr lien	181		110	291	50,538	50,829		593
Total residential real estate	1,442	119	1,935	3,496	423,781	427,277	22	6,408
Consumer	447	48	3	498	30,849	31,347	3	291
Total loans excluded from ASC 310-30	4,813	583	9,302	14,698	995,983	1,010,681	25	23,119
Covered loans excluded from ASC 310-30	75	51	2,062	2,188	78,086	80,274		6,045
Non-covered loans excluded from ASC 310-30	4,738	532	7,240	12,510	917,897	930,407	25	17,074
Total loans excluded from ASC 310-30	4,813	583	9,302	14,698	995,983	1,010,681	25	23,119
Loans accounted for under ASC 310-30								
Commercial	521	563	5,621	6,705	76,464	83,169	5,621	
Commercial real estate	10,060	3,928	129,656	143,644	422,391	566,035	129,656	
Agriculture	1,247	16	2,768	4,031	43,702	47,733	2,768	
Residential real estate	1,247	207	5,463	6,917	99,183	106,100	5,463	
Consumer	297	327	3,253	3,877	15,107	18,984	3,253	
Total loans accounted for under ASC 310-30	13,372	5,041	146,761	165,174	656,847	822,021	146,761	
Covered loans accounted for under ASC 310-30	9,855	3,613	116,883	130,351	397,597	527,948	116,883	

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Non-covered loans accounted for under ASC 310-30	3,517	1,428	29,878	34,823	259,250	294,073	29,878		
Total loans accounted for under ASC 310-30	13,372	5,041	146,761	165,174	656,847	822,021	146,761		
Total loans	\$ 18,185	\$ 5,624	\$ 156,063	\$ 179,872	\$ 1,652,830	\$ 1,832,702	\$ 146,786	\$ 23,119	
Covered loans	\$ 9,930	\$ 3,664	\$ 118,945	\$ 132,539	\$ 475,683	\$ 608,222	\$ 116,883	\$ 6,045	
Non-covered loans	8,255	1,960	37,118	47,333	1,177,147	1,224,480	29,903	17,074	
Total loans	\$ 18,185	\$ 5,624	\$ 156,063	\$ 179,872	\$ 1,652,830	\$ 1,832,702	\$ 146,786	\$ 23,119	

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Credit exposure for all loans as determined by the Company's internal risk rating system was as follows as of March 31, 2013 and December 31, 2012, respectively (in thousands):

	Total Loans March 31, 2013				
	Pass	Special Mention	Substandard	Doubtful	Total
Loans excluded from ASC 310-30					
Commercial	\$ 148,360	\$ 1,500	\$ 34,643	\$ 1,299	\$ 185,802
Commercial real estate					
Construction	7,073				7,073
Acquisition/development	3,652		6,071		9,723
Multifamily	7,791	3,727	1,121	40	12,679
Owner-occupied	51,767	988	9,957		62,712
Non owner-occupied	120,233	27,726	15,663	323	163,945