

National Bank Holdings Corp  
Form 424B3  
August 13, 2013

Filed pursuant to Rule 424(b)(3)  
Registration Number 333-184054

Prospectus Supplement No. 4  
(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 June 30, 2013, which was filed with the Securities and Exchange Commission on August 13, 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 August 13, 2013.

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 June 30, 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)

Delaware 27-0563799  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)

7800 East Orchard, Suite 300, 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," and "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 August 9, 2013, NBHC had outstanding 45,409,579 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.

	Page
<u>Part I. Financial Information</u>	
Item 1. <u>Financial Statements</u>	<u>3</u>
<u>Unaudited Consolidated Statements of Financial Condition as of June 30, 2013 and December 31, 2012</u>	<u>3</u>
<u>Unaudited Consolidated Statements of Operations for the Three and Six Months Ended June 30, 2013 and 2012</u>	<u>4</u>
<u>Unaudited Consolidated Statements of Comprehensive Income for the Three and Six Months Ended June 30, 2013 and 2012</u>	<u>5</u>
<u>Unaudited Consolidated Statements of Changes in Stockholders' Equity for the Six Months Ended June 30, 2013 and 2012</u>	<u>6</u>
<u>Unaudited Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2013 and 2012</u>	<u>7</u>
<u>Notes to Unaudited Consolidated Financial Statements</u>	<u>9</u>
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>39</u>
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>78</u>
Item 4. <u>Controls and Procedures</u>	<u>78</u>
<u>Part II. Other Information</u>	
Item 1. <u>Legal Proceedings</u>	<u>79</u>
Item 1A. <u>Risk Factors</u>	<u>79</u>
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	
Item 6. <u>Exhibits</u>	<u>80</u>
<u>Signature Page</u>	<u>81</u>
Exhibit 31.1	Certification of CEO Pursuant to Section 302 of Sarbanes- Oxley Act of 2002
Exhibit 31.2	Certification of CFO Pursuant to Section 302 of Sarbanes- Oxley Act of 2002
Exhibit 32	Certifications of CEO and CFO pursuant to 18 U.S.C. Section 1350

## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, notwithstanding that such statements are not specifically identified. 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,” “believe,” “can,” “would,” “should,” “could,” “may,” “predict,” “anticipate,” “seek,” “potential,” “will,” “plan,” “project,” “continuing,” “ongoing,” “expect,” “intend” and similar words or phrases. These statements are only predictions and involve estimates, known and unknown risks, assumptions and uncertainties. We have based these 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.

Forward-looking statements involve certain important risks, uncertainties and other factors, any of which could cause actual results to differ materially from those in such statements and, therefore, you are cautioned not to place undue reliance on such statements. Factors that could cause actual results to differ from those discussed in the forward-looking statements include, but are not limited to:

- our ability to execute our business strategy, as well as changes in our business strategy or development plans;
- business and economic conditions generally and in the financial services industry;
- economic, market, operational, liquidity, credit and interest rate risks associated with our business;
- effects of any changes in trade, monetary and fiscal policies and laws, including the interest rate policies of the Federal Reserve Board;
- changes imposed by regulatory agencies to increase our capital to a level greater than the current level required for well-capitalized financial institutions (including the impact of the recent joint final rules promulgated by the Federal Reserve Board, Office of the Comptroller of the Currency and the FDIC revising certain regulatory capital requirements to align with the Basel III capital standards and meet certain requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act);
- effects of inflation, as well as, interest rate, securities market and monetary supply fluctuations;
- changes in the economy or supply-demand imbalances affecting local real estate values;
- changes in consumer spending, borrowings and savings habits;
- our ability to identify potential candidates for, obtain regulatory approval, and consummate, acquisitions of financial institutions 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 financial institutions;
- our ability to achieve organic loan and deposit growth and the composition of such growth;
- changes in sources and uses of funds, including loans, deposits and borrowings;
  - increased competition in the financial services industry, nationally, regionally or locally, resulting in, among other things, lower risk-adjusted returns;
- the effect of changes in accounting policies and practices, as may be adopted by the regulatory agencies, as well as the Public Company Accounting Oversight Board, the Financial Accounting Standards Board and other accounting standard setters;
- continued consolidation in the financial services industry;
- our ability to maintain or increase market share and control expenses;
- costs and effects of changes in laws and regulations and of other legal and regulatory developments, including, but not limited to, changes in regulation that affect the fees that we charge, the resolution of legal proceedings or regulatory or other governmental inquiries, and the results of regulatory examinations, reviews or other inquiries.
- technological changes;
- the timely development and acceptance of new products and services and perceived overall value of these products and services by our clients;

- changes in our management personnel and our continued ability to hire and retain qualified personnel;
- ability to implement and/or improve operational management and other internal risk controls and processes and our reporting system and procedures;
- inability to receive dividends from our subsidiary bank and to pay dividends to our common stockholders and satisfy obligations as they become due;
- changes in estimates of future loan reserve requirements based upon the periodic review thereof under relevant regulatory and accounting requirements;
- political instability, acts of war or terrorism and natural disasters;
- impact of reputational risk on such matters as business generation and retention; and

1

---

our success at managing the risks involved in the foregoing items.

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.

## 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)

	June 30, 2013	December 31, 2012
<b>ASSETS</b>		
Cash and due from banks	\$62,095	\$90,505
Due from Federal Reserve Bank of Kansas City	190,072	579,267
Interest bearing bank deposits	50,589	99,408
Cash and cash equivalents	302,756	769,180
Securities purchased under agreements to resell	100,000	—
Investment securities available-for-sale (at fair value)	2,046,536	1,718,028
Investment securities held-to-maturity (fair value of \$586,830 and \$584,551 at June 30, 2013 and December 31, 2012, respectively)	592,661	577,486
Non-marketable securities	31,775	32,996
Loans (including covered loans of \$453,805 and \$608,222 at June 30, 2013 and December 31, 2012, respectively)	1,723,287	1,832,702
Allowance for loan losses	(11,847	) (15,380
Loans, net	1,711,440	1,817,322
Loans held for sale	6,288	5,368
Federal Deposit Insurance Corporation (“FDIC”) indemnification asset, net	59,883	86,923
Other real estate owned	79,299	94,808
Premises and equipment, net	120,746	121,436
Goodwill	59,630	59,630
Intangible assets, net	24,902	27,575
Other assets	84,772	100,023
Total assets	\$5,220,688	\$5,410,775
<b>LIABILITIES AND STOCKHOLDERS’ EQUITY</b>		
<b>Liabilities:</b>		
<b>Deposits:</b>		
Non-interest bearing demand deposits	\$667,786	\$677,985
Interest bearing demand deposits	476,215	529,996
Savings and money market	1,246,760	1,240,020
Time deposits	1,596,966	1,752,718
Total deposits	3,987,727	4,200,719
Securities sold under agreements to repurchase	122,879	53,685
Due to FDIC	31,245	31,271
Other liabilities	34,594	34,541
Total liabilities	4,176,445	4,320,216
<b>Stockholders’ equity:</b>		
Common stock, par value \$0.01 per share: 400,000,000 shares authorized; 52,463,641 and 53,279,579 shares issued; 51,377,198 and 52,327,672 shares outstanding at June 30, 2013 and December 31, 2012, respectively	514	523
Additional paid in capital	991,538	1,006,194
Retained earnings	42,941	43,273
Treasury stock of 240 shares at December 31, 2012, at cost	—	(4
Accumulated other comprehensive income, net of tax	9,250	40,573

Edgar Filing: National Bank Holdings Corp - Form 424B3

Total stockholders' equity	1,044,243	1,090,559
Total liabilities and stockholders' equity	\$5,220,688	\$5,410,775
See accompanying notes to the unaudited consolidated interim financial statements.		

3

---

## NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES

## Consolidated Statements of Operations (Unaudited)

(In thousands, except share and per share data)

	For the three months ended		For the six months ended	
	June 30, 2013	2012	June 30, 2013	2012
Interest and dividend income:				
Interest and fees on loans	\$34,320	\$42,594	\$70,455	\$89,185
Interest and dividends on investment securities	13,596	16,454	26,844	31,560
Dividends on non-marketable securities	388	384	782	765
Interest on interest-bearing bank deposits	174	413	495	1,225
Total interest and dividend income	48,478	59,845	98,576	122,735
Interest expense:				
Interest on deposits	4,171	7,900	8,682	17,503
Interest on borrowings	20	32	38	61
Total interest expense	4,191	7,932	8,720	17,564
Net interest income before provision for loan losses	44,287	51,913	89,856	105,171
Provision for loan losses	1,670	12,226	3,087	20,062
Net interest income after provision for loan losses	42,617	39,687	86,769	85,109
Non-interest income:				
FDIC indemnification asset accretion	(2,966	) (2,646	) (7,635	) (6,333
FDIC loss sharing income	1,193	4,076	4,469	7,775
Service charges	3,923	4,328	7,610	8,704
Bank card fees	2,558	2,383	5,027	4,684
Gain on sales of mortgages, net	474	294	780	603
Gain on sale of securities, net	—	—	—	674
Gain on previously charged-off acquired loans	451	257	894	1,790
Other non-interest income	1,691	1,357	3,330	2,422
Total non-interest income	7,324	10,049	14,475	20,319
Non-interest expense:				
Salaries and employee benefits	23,768	22,631	46,724	45,044
Occupancy and equipment	5,870	4,738	11,835	9,275
Professional fees	858	3,272	2,254	5,943
Telecommunications and data processing	3,286	3,488	6,755	7,219
Marketing and business development	732	1,612	2,111	2,530
Supplies and printing	498	828	854	1,207
Other real estate owned expenses	2,497	63	7,216	8,684
Problem loan expenses	896	2,726	3,227	4,437
Intangible asset amortization	1,337	1,331	2,673	2,667
FDIC deposit insurance	1,006	1,161	2,053	2,512
ATM/debit card expenses	1,107	1,223	2,112	1,998
Initial public offering related expenses	—	87	—	408
Acquisition related costs	—	15	—	870
Loss (gain) from the change in fair value of warrant liability	324	(589	) (303	) 137
Other non-interest expense	3,051	2,715	5,603	5,343
Total non-interest expense	45,230	45,301	93,114	98,274
Income before income taxes	4,711	4,435	8,130	7,154
Income tax expense	1,813	1,733	3,150	2,809
Net income	\$2,898	\$2,702	\$4,980	\$4,345
Income per share—basic	\$0.06	\$0.05	\$0.10	\$0.08

Edgar Filing: National Bank Holdings Corp - Form 424B3

Income per share—diluted	\$0.06	\$0.05	\$0.10	\$0.08
Weighted average number of common shares outstanding:				
Basic	52,055,434	52,191,239	52,187,295	52,184,051
Diluted	52,081,326	52,319,170	52,213,193	52,311,348

See accompanying notes to the unaudited consolidated interim financial statements.

4

---

## NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES

## Consolidated Statements of Comprehensive Income (Loss) (Unaudited)

(In thousands)

	For the three months ended June 30,		For the six months ended June 30,	
	2013	2012	2013	2012
Net income	\$2,898	\$2,702	\$4,980	\$4,345
Other comprehensive income (loss), net of tax:				
Securities available-for-sale:				
Net unrealized gains (losses) arising during the period, net of tax benefit (expense) of \$15,838 and (\$1,549) for the three months ended June 30, 2013 and 2012, respectively; and net of tax benefit (expense) of \$17,711 and (\$847) for the six months ended June 30, 2013 and 2012, respectively.	(25,300	) 2,488	(27,801	) 1,733
Reclassification adjustment for net securities gains included in net income, net of tax expense of \$263 for the six months ended June 30, 2012.	—	—	—	(411
Reclassification adjustment for net unrealized holding gains on securities transferred between available-for-sale and held-to-maturity, net of tax expense of \$15,159 for the six months ended June 30, 2012.	—	—	—	(23,711
	(25,300	) \$2,488	(27,801	) \$(22,389
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 expense of \$15,159 for the six months ended June 30, 2012.	—	—	—	23,711
Less: amortization of net unrealized holding gains to income, net of tax benefit of \$987 and \$1,182 for the three months ended June 30, 2013 and 2012, respectively; and net of tax benefit of \$2,205 and \$1,182 for the six months ended June 30, 2013 and 2012, respectively.	(1,577	) (1,913	) (3,522	) (1,913
	(1,577	) (1,913	) (3,522	) 21,798
Other comprehensive income (loss)	(26,877	) 575	(31,323	) (591
Comprehensive income (loss)	\$ (23,979	) \$3,277	\$ (26,343	) \$3,754

See accompanying notes to the unaudited consolidated interim financial statements.

## NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES

## Consolidated Statements of Changes in Stockholders' Equity (Unaudited)

Six Months Ended June 30, 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
Net income	—	—	4,345	—	—	4,345
Stock-based compensation	—	4,258	—	—	—	4,258
Other comprehensive loss	—	—	—	—	(591 )	(591 )
Balance, June 30, 2012	522	998,963	50,825	—	46,431	1,096,741
Balance, December 31, 2012	523	1,006,194	43,273	(4 )	40,573	1,090,559
Net income	—	—	4,980	—	—	4,980
Stock-based compensation	—	2,667	—	—	—	2,667
(Repurchase) /retirement of shares	(9 )	(17,323 )	—	4	—	(17,328 )
Dividends paid (\$0.10 per share)	—	—	(5,312 )	—	—	(5,312 )
Other comprehensive loss	—	—	—	—	(31,323 )	(31,323 )
Balance, June 30, 2013	\$514	\$991,538	\$42,941	\$—	\$ 9,250	\$1,044,243

See accompanying notes to the unaudited consolidated interim financial statements.

## NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES

## Consolidated Statements of Cash Flows (Unaudited)

(In thousands)

	For the six months ended	
	June 30,	
	2013	2012
Cash flows from operating activities:		
Net income	\$4,980	\$4,345
Adjustments to reconcile net income to net cash used in operating activities:		
Provision for loan losses	3,087	20,062
Depreciation and amortization	7,683	5,596
Gain on sale of securities, net	—	(674)
Current income tax expense	3,721	—
Deferred income tax benefit	(10,445)	(2,965)
Discount accretion, net of premium amortization	10,274	2,375
Loan accretion	(46,210)	(66,135)
Net gain on sale of mortgage loans	(780)	(603)
Origination of loans held for sale	(32,678)	(26,893)
Proceeds from sales of loans held for sale	31,734	26,476
Amortization of indemnification asset	7,635	6,333
Gain on the sale of other real estate owned, net	(3,932)	(4,040)
Impairment on other real estate owned	7,148	7,213
Stock-based compensation	2,667	4,258
Decrease in due to FDIC, net	(26)	(33,981)
Decrease (increase) in other assets	(3,530)	(1,261)
Decrease in other liabilities	(3,995)	(26,349)
Net cash used in operating activities	(22,667)	(86,243)
Cash flows from investing activities:		
Purchase of FHLB of Des Moines stock	—	(4,018)
Sale of FHLB stock	1,221	—
Purchase of FRB stock	—	59
Sales of investment securities available-for-sale	—	20,794
Maturities of investment securities held-to-maturity	107,338	53,156
Maturities of investment securities available-for-sale	314,954	220,487
Purchase of investment securities held-to-maturity	(127,784)	(2,234)
Purchase of investment securities available-for-sale	(693,977)	(936,281)
Increase in securities purchased under agreements to resell	(100,000)	—
Net decrease in loans	124,430	304,587
Purchase of premises and equipment	(4,320)	(33,831)
Proceeds from sales of other real estate owned	37,672	35,851
Decrease in FDIC indemnification asset	63,052	27,715
Net cash used in investing activities	(277,414)	(313,715)
Cash flows from financing activities:		
Net decrease in deposits	(212,992)	(533,504)
Increase in repurchase agreements	69,194	9,911
Payment of dividends	(5,217)	—
Repurchase of shares	(17,328)	—
Net cash used in financing activities	(166,343)	(523,593)
Decrease in cash and cash equivalents	(466,424)	(923,551)
Cash and cash equivalents at beginning of the year	769,180	1,628,137

Edgar Filing: National Bank Holdings Corp - Form 424B3

Cash and cash equivalents at end of period	\$302,756	\$704,586
Supplemental disclosure of cash flow information:		
Cash paid during the period for interest	\$9,241	\$22,048
Cash paid during the period for taxes	\$9,892	\$20,441

7

---

Edgar Filing: National Bank Holdings Corp - Form 424B3

Supplemental schedule of non-cash investing activities:

Loans transferred to other real estate owned at fair value	\$25,379	\$56,100
FDIC indemnification asset claims transferred to other assets	\$21,049	\$74,075
Available-for-sale investment securities transferred to investment securities held-to-maturity	\$—	\$754,063

See accompanying notes to the unaudited consolidated interim financial statements.

8

---

Table of Contents

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)  
June 30, 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 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 are contained in the Company's Annual Report on Form 10-K, referenced above. During the six months ended June 30, 2013, the Company began entering into agreements with certain financial institutions whereby the Company purchases securities under agreements to resell as of a specified future date at a specified price plus accrued interest. The securities purchased under agreements to resell are carried at the contractual amounts at which the securities will subsequently be resold, including accrued interest. The securities purchased under agreement to resell are subject to a master netting arrangement; however, the Company has not offset any of the amounts shown in the consolidated financial statements. The securities are pledged as collateral by the counterparties and are held by a third party custodian. The collateral is valued daily and additional collateral may be obtained or refunded as necessary to maintain full collateralization of these transactions. There have been no other significant changes to the application of significant accounting policies since December 31, 2012.

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

Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income—In February 2013, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“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 in 2013 with retrospective application. Adoption of this update affects the presentation of the components of comprehensive income in the

Table of Contents

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)  
 June 30, 2013

Company's financial statements, but did not have an impact on the Company's consolidated statements of financial condition, results of operations or liquidity.

### 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 June 30, 2013, an increase from \$2.3 billion at December 31, 2012. Included in the aforementioned \$2.6 billion was \$2.0 billion of available-for-sale securities and \$0.6 billion of held-to-maturity securities.

#### Available-for-sale

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

	June 30, 2013			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Asset backed securities	\$43,568	\$10	\$—	\$43,578
Mortgage-backed securities ("MBS"):				
Residential mortgage pass-through securities issued or guaranteed by U.S. Government agencies or sponsored enterprises	553,871	8,376	(2,112)	) 560,135
Other residential MBS issued or guaranteed by U.S. Government agencies or sponsored enterprises	1,456,908	12,706	(27,210)	) 1,442,404
Other securities	419	—	—	419
Total	\$2,054,766	\$21,092	\$(29,322)	) \$2,046,536
	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 June 30, 2013 and December 31, 2012, mortgage-backed securities represented 97.9% 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").

Table of Contents

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)  
 June 30, 2013

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

	June 30, 2013					
	Less than 12 months		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	\$264,915	\$(2,111 )	\$15	\$(1 )	\$264,930	\$(2,112 )
Other residential MBS issued or guaranteed by U.S. Government agencies or sponsored enterprises	1,010,827	(27,210 )	—	—	1,010,827	(27,210 )
Total	\$1,275,742	\$(29,321 )	\$15	\$(1 )	\$1,275,757	\$(29,322 )
	December 31, 2012					
	Less than 12 months		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 June 30, 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 \$166.1 million at June 30, 2013 and \$89.2 million December 31, 2012. The increase of pledged available-for-sale investment securities was primarily attributable to the increase in securities sold under agreements to repurchase during the six months ended June 30, 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 June 30, 2013 or December 31, 2012.

Table of Contents

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)  
 June 30, 2013

The table below summarizes the contractual maturities, as of the last scheduled repayment date, of the available-for-sale investment portfolio as of June 30, 2013 (in thousands):

	Amortized Cost	Fair Value
Due in one year or less	\$—	\$—
Due after one year through five years	43,576	43,586
Due after five years through ten years	220,611	219,889
Due after ten years	1,790,160	1,782,642
Other securities	419	419
Total investment securities available-for-sale	\$2,054,766	\$2,046,536

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 3.8 years as of June 30, 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 June 30, 2013.

**Held-to-maturity**

At June 30, 2013 and December 31, 2012 the Company held \$592.7 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 an available-for-sale classification to the held-to-maturity classification. During the six months ended June 30, 2013, the Company purchased \$127.8 million of held-to-maturity investment securities.

Held-to-maturity investment securities are summarized as follows as of the dates indicated (in thousands):

	June 30, 2013			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Mortgage-backed securities ("MBS"):				
Residential mortgage pass-through securities issued or guaranteed by U.S. Government agencies or sponsored enterprises	\$509,690	\$—	\$(3,528)	) \$506,162
Other residential MBS issued or guaranteed by U.S. Government agencies or sponsored enterprises	82,971	—	(2,303)	) 80,668
Total investment securities held-to-maturity	\$592,661	\$—	\$(5,831)	) \$586,830
	December 31, 2012			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Mortgage-backed securities ("MBS"):				

Edgar Filing: National Bank Holdings Corp - Form 424B3

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

12

---

Table of Contents

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)  
 June 30, 2013

The table below summarizes the contractual maturities, as of the last scheduled repayment date, of the held-to-maturity investment portfolio at June 30, 2013 (in thousands):

	Amortized Cost	Fair 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	592,661	586,830
Other securities	—	—
Total investment securities held-to-maturity	\$592,661	\$586,830

The carrying value of held-to-maturity investment securities pledged as collateral totaled \$149.5 million and \$127.9 million at June 30, 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 June 30, 2013 and December 31, 2012 was 4.0 and 3.8 years, respectively. This estimate is based on assumptions and actual results may differ.

#### Note 4 Loans

The loan portfolio is comprised of new loans originated by the Company and loans that were acquired in connection with the Company's acquisitions of Bank of Choice and Community Banks of Colorado in 2011, and Hillcrest Bank and Bank Midwest in 2010. 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 26.3% of the total loan portfolio at June 30, 2013, compared to 33.2% of the total loan portfolio at December 31, 2012.

The table below shows the loan portfolio composition including carrying value by segment of loans accounted for under ASC Topic 310-30 Receivables—Loans and Debt Securities Acquired with Deteriorated Credit Quality and loans not accounted for under this guidance, which includes our originated loans. The table also shows the amounts covered by the FDIC loss sharing agreements as of June 30, 2013 and December 31, 2012. The carrying value of loans are net of discounts on loans excluded from Accounting Standards Codification ("ASC") Topic 310-30, and fees and costs of \$15.6 million and \$20.4 million as of June 30, 2013 and December 31, 2012, respectively (in thousands):

	June 30, 2013		Total Loans	% of Total	
	ASC 310-30 Loans	Non ASC 310-30 Loans			
Commercial	\$73,326	\$203,889	\$277,215	16.1	%
Commercial real estate	409,361	267,655	677,016	39.3	%

Edgar Filing: National Bank Holdings Corp - Form 424B3

Agriculture	42,121	113,428	155,549	9.0	%
Residential real estate	81,779	492,354	574,133	33.3	%
Consumer	10,878	28,496	39,374	2.3	%
Total	\$617,465	\$1,105,822	\$1,723,287	100.0	%
Covered	\$389,484	\$64,321	\$453,805	26.3	%
Non-covered	227,981	1,041,501	1,269,482	73.7	%
Total	\$617,465	\$1,105,822	\$1,723,287	100.0	%

Table of Contents

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)  
 June 30, 2013

	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. All loans accounted for under ASC 310-30 were classified as performing assets at December 31, 2012, regardless of past due status, as the carrying value of all of the respective pools' cash flows were considered estimable. During the six months ended June 30, 2013, the Company determined that the cash flows of one covered commercial and industrial loan pool, with a balance of \$18.7 million at June 30, 2013, were no longer reasonably estimable, and in accordance with the guidance in ASC 310-30, this pool was put on non-accrual status. Interest income was recognized on all accruing loans accounted for under ASC 310-30 through accretion of the difference between the carrying value of the loans and the expected cash flows.

Table of Contents

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)  
 June 30, 2013

Pooled loans accounted for under ASC 310-30 that are 90 days or more past due and still accruing are generally considered to be performing and are included in loans 90 days or more past due and still accruing. At June 30, 2013 and December 31, 2012, \$14.2 million and \$23.1 million, respectively, of loans excluded from the scope of ASC 310-30 were on non-accrual and \$18.7 million of loans accounted for under ASC 310-30 were on non-accrual status at June 30, 2013. Loan delinquency for all loans is shown in the following tables at June 30, 2013 and December 31, 2012, respectively (in thousands):

	Total Loans June 30, 2013				Current	Total loans	Loans > 90	
	30-59 days past due	60-89 days past due	Greater than 90 days past due	Total past due			days past due and still accruing	Non-accrual
Loans excluded from ASC 310-30								
Commercial	\$604	\$81	\$879	\$1,564	\$202,325	\$203,889	\$20	\$1,714
Commercial real estate								
Construction	—	—	—	—	6,516	6,516	—	—
Acquisition/development	47	404	—	451	10,727	11,178	—	1
Multifamily	935	—	—	935	7,802	8,737	—	186
Owner-occupied	71	172	106	349	70,106	70,455	—	893
Non owner-occupied	138	—	4,713	4,851	165,918	170,769	—	5,277
Total commercial real estate	1,191	576	4,819	6,586	261,069	267,655	—	6,357
Agriculture	20	—	—	20	113,408	113,428	—	205
Residential real estate								
Senior lien	1,149	102	1,417	2,668	437,779	440,447	—	5,214
Junior lien	151	47	220	418	51,489	51,907	—	458
Total residential real estate	1,300	149	1,637	3,086	489,268	492,354	—	5,672
Consumer	320	17	5	342	28,154	28,496	5	256
Total loans excluded from ASC 310-30	3,435	823	7,340	11,598	1,094,224	1,105,822	25	14,204
Covered loans excluded from ASC 310-30	393	56	688	1,137	63,184	64,321	—	2,747
Non-covered loans excluded from ASC 310-30	3,042	767	6,652	10,461	1,031,040	1,041,501	25	11,457
Total loans excluded from ASC 310-30	3,435	823	7,340	11,598	1,094,224	1,105,822	25	14,204
Loans accounted for under ASC 310-30								
Commercial	746	123	5,401	6,270	67,056	73,326	5,324	18,661
Commercial real estate	2,600	9,078	81,618	93,296	316,065	409,361	81,618	—

Edgar Filing: National Bank Holdings Corp - Form 424B3

Agriculture	2,154	—	2,688	4,842	37,279	42,121	2,688	—
Residential real estate	1,410	817	3,453	5,680	76,099	81,779	3,453	—
Consumer	153	100	61	314	10,564	10,878	61	—
Total loans accounted for under ASC 310-30	7,063	10,118	93,221	110,402	507,063	617,465	93,144	18,661
Covered loans accounted for under ASC 310-30	2,781	6,357	75,461	84,599	304,885	389,484	75,384	18,661
Non-covered loans accounted for under ASC 310-30	4,282	3,761	17,760	25,803	202,178	227,981	17,760	—
Total loans accounted for under ASC 310-30	7,063	10,118	93,221	110,402	507,063	617,465	93,144	18,661
Total loans	\$10,498	\$10,941	\$100,561	\$122,000	\$1,601,287	\$1,723,287	\$93,169	\$32,865
Covered loans	\$3,174	\$6,413	\$76,149	\$85,736	\$368,069	\$453,805	\$75,384	\$21,408
Non-covered loans	7,324	4,528	24,412	36,264	1,233,218	1,269,482	17,785	11,457
Total loans	\$10,498	\$10,941	\$100,561	\$122,000	\$1,601,287	\$1,723,287	\$93,169	\$32,865

Table of Contents

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)  
 June 30, 2013

	Total Loans December 31, 2012				Current	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				
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								
Senior lien	1,261	119	1,825	3,205	373,243	376,448	22	5,815
Junior 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	—

Edgar Filing: National Bank Holdings Corp - Form 424B3

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

Table of Contents

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)  
 June 30, 2013

Credit exposure for all loans as determined by the Company's internal risk rating system was as follows as of June 30, 2013 and December 31, 2012, respectively (in thousands):

	Total Loans June 30, 2013				
	Pass	Special Mention	Substandard	Doubtful	Total
Loans excluded from ASC 310-30					
Commercial	\$155,575	\$6,118	\$41,724	\$472	\$203,889
Commercial real estate					
Construction	6,516	—	—	—	6,516
Acquisition/development	2,344	2,766	6,068	—	11,178
Multifamily	7,587	—	1,113	37	8,737
Owner-occupied	61,770	877	7,808	—	70,455
Non owner-occupied	134,175	27,283	9,311	—	170,769
Total commercial real estate	212,392	30,926	24,300	37	267,655
Agriculture	111,792	784	852	—	113,428
Residential real estate					
Senior lien	431,305	1,708	6,860	574	440,447
Junior lien	49,446	206	2,255	—	51,907
Total residential real estate	480,751	1,914	9,115	574	492,354
Consumer	28,234	—	255	7	28,496
Total loans excluded from ASC 310-30	988,744	39,742	76,246	1,090	1,105,822
Covered loans excluded from ASC 310-30	33,346	3,637	26,485	853	64,321
Non-covered loans excluded from ASC 310-30	955,398	36,105	49,761	237	1,041,501
Total loans excluded from ASC 310-30	988,744	39,742	76,246	1,090	1,105,822
Loans accounted for under ASC 310-30					
Commercial	26,903	3,078	42,161	1,184	73,326
Commercial real estate	145,617	29,644	227,927	6,173	409,361
Agriculture	30,217	2,135	9,769	—	42,121
Residential real estate	50,147	6,381	25,251	—	81,779
Consumer	9,449	583	846	—	10,878
Total loans accounted for under ASC 310-30	262,333	41,821	305,954	7,357	617,465
Covered loans accounted for under ASC 310-30	143,764	28,616	210,880	6,224	389,484
Non-covered loans accounted for under ASC 310-30	118,569	13,205	95,074	1,133	227,981
Total loans accounted for under ASC 310-30	262,333	41,821	305,954	7,357	617,465
Total loans	\$1,251,077	\$81,563	\$382,200	\$8,447	\$1,723,287
Total covered	\$177,110	\$32,253	\$237,365	\$7,077	\$453,805
Total non-covered	1,073,967	49,310	144,835	1,370	1,269,482
Total loans	\$1,251,077	\$81,563	\$382,200	\$8,447	\$1,723,287



Table of Contents

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)  
 June 30, 2013

	Total Loans December 31, 2012				
	Pass	Special Mention	Substandard	Doubtful	Total
Loans excluded from ASC 310-30					
Commercial	\$137,537	\$9,776	\$38,696	\$1,410	\$187,419
Commercial real estate					
Construction	3,915	—	—	—	3,915
Acquisition/development	6,727	—	3,706	—	10,433
Multifamily	8,409	3,798	1,201	13	13,421
Owner-occupied	44,129	4,006	9,632	—	57,767
Non owner-occupied	104,307	29,394	19,411	316	153,428
Total commercial real estate	167,487	37,198	33,950	329	238,964
Agriculture	120,471	1,359	3,844	—	125,674
Residential real estate					
Senior lien	365,571	2,240	8,106	531	376,448
Junior lien	48,359	251	2,214	5	50,829
Total residential real estate	413,930	2,491	10,320	536	427,277
Consumer	31,050	—	276	21	31,347
Total loans excluded from ASC 310-30	870,475	50,824	87,086	2,296	1,010,681
Covered loans excluded from ASC 310-30	32,117	9,974	36,427	1,756	80,274
Non-covered loans excluded from ASC 310-30	838,358	40,850	50,659	540	930,407
Total loans excluded from ASC 310-30	870,475	50,824	87,086	2,296	1,010,681
Loans accounted for under ASC 310-30					
Commercial	29,719	3,628	42,101	7,721	83,169
Commercial real estate	162,122	60,787	329,869	13,257	566,035
Agriculture	34,599	1,242	11,892	—	47,733
Residential real estate	57,697	6,614	41,789	—	106,100
Consumer	14,489	723	3,772	—	18,984
Total loans accounted for under ASC 310-30	298,626	72,994	429,423	20,978	822,021
Covered loans accounted for under ASC 310-30	159,430	57,056	292,174	19,288	527,948
Non-covered loans accounted for under ASC 310-30	139,196	15,938	137,249	1,690	294,073
Total loans accounted for under ASC 310-30	298,626	72,994	429,423	20,978	822,021
Total loans	\$1,169,101	\$123,818	\$516,509	\$23,274	\$1,832,702
Total covered	\$191,547	\$67,030	\$328,601	\$21,044	\$608,222
Total non-covered	977,554	56,788	187,908	2,230	1,224,480

Edgar Filing: National Bank Holdings Corp - Form 424B3

Total loans	\$1,169,101	\$123,818	\$516,509	\$23,274	\$1,832,702
-------------	-------------	-----------	-----------	----------	-------------

18

---

Table of Contents

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)  
June 30, 2013

Impaired Loans

Loans are considered to be impaired when it is probable that the Company will not be able to collect all amounts due in accordance with the contractual terms of the loan agreement. Included in impaired loans are loans excluded from ASC 310-30 on non-accrual status and troubled debt restructurings (“TDR’s”) described below. If a specific allowance is warranted based on the borrower’s overall financial condition, the specific allowance is calculated based on discounted cash flows using the loan’s initial contractual effective interest rate or the fair value of the collateral less selling costs for collateral dependent loans. At June 30, 2013, the Company measured \$15.4 million of impaired loans using discounted cash flows and the loan’s initial contractual effective interest rate and \$5.1 million of impaired loans based on the fair value of the collateral less selling costs. \$9.2 million of impaired loans that individually are less than \$250 thousand each, are measured through our general ALL reserves due to their relatively small size.

Table of Contents

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)  
 June 30, 2013

At June 30, 2013, the Company's recorded investment in impaired loans was \$29.7 million, \$9.8 million of which was covered by loss sharing agreements. Impaired loans had a collective related allowance for loan losses allocated to them of \$1.0 million at June 30, 2013. Additional information regarding impaired loans at June 30, 2013 is set forth in the table below (in thousands):

	Impaired Loans June 30, 2013				
	Unpaid principal balance	Recorded investment	Allowance for loan losses allocated	Average recorded investment	Interest income recognized
With no related allowance recorded:					
Commercial	\$7,619	\$7,606	\$—	\$8,079	\$218
Commercial real estate					
Construction	—	—	—	—	—
Acquisition/development	—	—	—	—	—
Multifamily	—	—	—	—	—
Owner-occupied	4,301	4,017	—	4,086	154
Non-owner occupied	6,275	4,953	—	5,312	—
Total commercial real estate	10,576	8,970	—	9,398	154
Agriculture	—	—	—	—	—
Residential real estate					
Senior lien	628	619	—	620	2
Junior lien	—	—	—	—	—
Total residential real estate	628	619	—	620	2
Consumer	—	—	—	—	—
Total impaired loans with no related allowance recorded	18,823	17,195	—	18,097	374
With a related allowance recorded:					
Commercial	6,709	1,677	296	1,708	6
Commercial real estate					
Construction	—	—	—	—	—
Acquisition/development	—	1	—	—	—
Multifamily	191	186	37	193	—
Owner-occupied	996	793	7	808	7
Non-owner occupied	906	760	5	765	7
Total commercial real estate	2,093	1,740	49	1,766	14
Agriculture	224	206	1	204	—
Residential real estate					
Senior lien	7,830	7,070	610	7,166	42
Junior lien	1,704	1,509	17	1,523	25
Total residential real estate	9,534	8,579	627	8,689	67
Consumer	328	307	8	323	2

Edgar Filing: National Bank Holdings Corp - Form 424B3

Total impaired loans with a related allowance recorded	18,888	12,509	981	12,690	89
Total impaired loans	\$37,711	\$29,704	\$981	\$30,787	\$463

20

---

Table of Contents

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)  
 June 30, 2013

At June 30, 2012, the Company's recorded investment in impaired loans was \$49.9 million, \$7.8 million of which was covered by loss sharing agreements. The impaired loans had a collective related allowance for loan losses allocated to them of \$1.9 million at June 30, 2012. The table below shows additional information regarding impaired loans at June 30, 2012 (in thousands):

	Impaired Loans June 30, 2012				
	Unpaid principal balance	Recorded investment	Allowance for loan losses allocated	Average recorded investment	Interest income recognized
With no related allowance recorded:					
Commercial	\$20,623	\$10,420	\$—	\$12,607	\$91
Commercial real estate					
Construction	—	—	—	—	—
Acquisition/development	14,449	13,820	—	13,818	166
Multifamily	198	191	—	191	—
Owner-occupied	5,336	5,042	—	5,111	37
Non owner-occupied	10,273	9,387	—	9,748	16
Total commercial real estate	30,256	28,440	—	28,868	219
Agriculture	43	40	—	42	—
Residential real estate					
Senior lien	3,393	3,081	—	3,143	4
Junior lien	285	259	—	267	—
Total residential real estate	3,678	3,340	—	3,410	4
Consumer	16	16	—	16	—
Total impaired loans with no related allowance recorded	54,616	42,256	—	44,943	314
With a related allowance recorded:					
Commercial	2,013	2,011	1,165	2,052	10
Commercial real estate					
Construction	—	—	—	—	—
Acquisition/development	—	—	—	—	—
Multifamily	—	—	—	—	—
Owner-occupied	372	358	137	358	—
Non owner-occupied	3,818	3,678	181	3,702	6
Total commercial real estate	4,190	4,036	318	4,060	6
Agriculture	—	—	—	—	—
Residential real estate					
Senior lien	1,574	1,557	410	1,580	29
Junior lien	—	—	—	—	—
Total residential real estate	1,574	1,557	410	1,580	29

Edgar Filing: National Bank Holdings Corp - Form 424B3

Consumer	—	—	—	—	—
Total impaired loans with a related allowance recorded	7,777	7,604	1,893	7,692	45
Total impaired loans	\$62,393	\$49,860	\$1,893	\$52,635	\$359

21

---

Table of Contents

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)  
 June 30, 2013

### Troubled debt restructurings

It is the Company's policy to review each prospective credit in order to determine the appropriateness and the adequacy of security or collateral prior to making a loan. In the event of borrower default, the Company seeks recovery in compliance with state lending laws, the respective loan agreements, and credit monitoring and remediation procedures that may include restructuring a loan to provide a concession by the Company to the borrower from their original terms due to borrower financial difficulties in order to facilitate repayment. Additionally, if a borrower's repayment obligation has been discharged by a court, and that debt has not been reaffirmed by the borrower, regardless of past due status, the loan is considered to be a troubled debt restructuring ("TDR"). At June 30, 2013 and December 31, 2012, the Company had \$14.9 million and \$17.7 million, respectively, of accruing TDR's that had been restructured from the original terms in order to facilitate repayment. Of these, \$7.1 million and \$5.0 million, respectively, were covered by FDIC loss sharing agreements.

Non-accruing TDR's at June 30, 2013 and December 31, 2012 totaled \$8.2 million and \$12.9 million, respectively. Of these, \$1.7 million were covered by the FDIC loss sharing agreements as of June 30, 2013 and \$3.6 million were covered by the FDIC loss sharing agreements as of December 31, 2012.

During the six months ended June 30, 2013, the Company restructured twenty-three loans with a recorded investment of \$4.3 million to facilitate repayment. Substantially all of the loan modifications were an extension of term and rate modifications. Loan modifications to loans accounted for under ASC 310-30 are not considered troubled debt restructurings. The table below provides additional information related to accruing TDR's at June 30, 2013 and December 31, 2012 (in thousands):

	Accruing TDR's June 30, 2013			
	Recorded investment	Average year-to- date recorded investment	Unpaid principal balance	Unfunded commitments to fund TDR's
Commercial	\$11,484	\$11,848	\$11,752	\$165
Commercial real estate	436	437	442	1,426
Agriculture	—	—	—	—
Residential real estate	2,903	2,930	2,913	21
Consumer	47	49	47	—
Total	\$14,870	\$15,264	\$15,154	\$1,612

  

	Accruing TDR's December 31, 2012			
	Recorded investment	Average year-to- date recorded investment	Unpaid principal balance	Unfunded commitments to fund TDR's

Edgar Filing: National Bank Holdings Corp - Form 424B3

Commercial	\$11,474	\$13,171	\$11,794	\$6,908
Commercial real estate	3,597	3,708	3,734	—
Agriculture	—	—	—	—
Residential real estate	2,458	2,469	2,460	35
Consumer	191	195	191	—
Total	\$17,720	\$19,543	\$18,179	\$6,943

Table of Contents

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)  
 June 30, 2013

The following table summarizes the Company's carrying value of non-accrual TDR's as of June 30, 2013 and December 31, 2012 (in thousands):

	Non - Accruing TDR's		December 31, 2012	
	June 30, 2013		Covered	Non-covered
	Covered	Non-covered	Covered	Non-covered
Commercial	\$104	\$643	\$1,736	\$1,215
Commercial real estate	186	4,953	313	6,823
Agriculture	—	—	—	21
Residential real estate	1,434	619	1,514	958
Consumer	—	256	—	291
Total	\$1,724	\$6,471	\$3,563	\$9,308

Accrual of interest is resumed on loans that were on non-accrual at the time of restructuring, only after the loan has performed sufficiently. The Company had one TDR that had been modified within the past 12 months that defaulted on their restructured terms during the six months ended June 30, 2013. For purposes of this disclosure, the Company considers "default" to mean 90 days or more past due on principal or interest. The defaulted TDR was a commercial real estate loan totaling \$39 thousand.

Loans accounted for under ASC Topic 310-30

Loan pools accounted for under ASC Topic 310-30 are periodically remeasured to determine expected future cash flows. In determining the expected cash flows, the timing of cash flows and prepayment assumptions for 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 are fixed or variable rate loans. Prepayments may be assumed on large loans if circumstances specific to that loan warrant a prepayment assumption. No prepayments were presumed for small homogeneous commercial loans; however, prepayment assumptions are made that consider similar prepayment factors listed above for smaller homogeneous loans. The re-measurement of loans accounted for under ASC 310-30 resulted in the following changes in the carrying amount of accretable yield during the six months ended June 30, 2013 and 2012 (in thousands):

	June 30, 2013	June 30, 2012
Accretable yield beginning balance	\$133,585	\$186,494
Reclassification from non-accretable difference	37,725	29,483
Reclassification to non-accretable difference	(2,755)	(5,651)
Accretion	(40,013)	(52,244)
Accretable yield ending balance	\$128,542	\$158,082

The accretable yield of \$128.5 million at June 30, 2013 includes \$1.4 million of accretable yield related to the loan pool that was put on non-accrual status during the six months ended June 30, 2013. This accretable yield is not being accreted to income and its recognition will be deferred until full recovery of the carrying value of this pool is realized. Below is the composition of the net book value for loans accounted for under ASC 310-30 at June 30, 2013 and December 31, 2012 (in thousands):

	June 30, 2013	December 31, 2012
Contractual cash flows	\$1,199,710	\$1,444,279
Non-accretable difference	(453,703	) (488,673 )
Accretable yield	(128,542	) (133,585 )
Loans accounted for under ASC 310-30	\$617,465	\$822,021

Table of Contents

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)  
 June 30, 2013

## Note 5 Allowance for Loan Losses

The tables below detail the Company's allowance for loan losses ("ALL") and recorded investment in loans as of and for the three and six months ended June 30, 2013 and 2012 (in thousands):

	Three months ended June 30, 2013					
	Commercial	Commercial real estate	Agriculture	Residential real estate	Consumer	Total
Beginning balance	\$3,286	\$2,975	\$793	\$5,342	\$493	\$12,889
Non 310-30 beginning balance	2,875	2,492	524	4,356	493	10,740
Charge-offs	(624 )	(684 )	—	(549 )	(208 )	(2,065 )
Recoveries	86	112	13	27	72	310
Provision	(97 )	193	(42 )	499	114	667
Non 310-30 ending balance	2,240	2,113	495	4,333	471	9,652
310-30 beginning balance	411	483	269	986	—	2,149
Charge-offs	(407 )	16	—	(566 )	—	(957 )
Recoveries	—	—	—	—	—	—
Provision	42	(193 )	—	1,154	—	1,003
310-30 ending balance	46	306	269	1,574	—	2,195
Ending balance	\$2,286	\$2,419	\$764	\$5,907	\$471	\$11,847

Table of Contents

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)  
 June 30, 2013

	Six months ended June 30, 2013					
	Commercial	Commercial real estate	Agriculture	Residential real estate	Consumer	Total
Beginning balance	\$2,798	\$7,396	\$592	\$4,011	\$583	\$15,380
Non 310-30 beginning balance	2,798	3,056	323	4,011	540	10,728
Charge-offs	(1,253 )	(943 )	—	(624 )	(441 )	(3,261 )
Recoveries	95	112	13	41	149	410
Provision	600	(112 )	159	905	223	1,775
Non 310-30 ending balance	2,240	2,113	495	4,333	471	9,652
310-30 beginning balance	—	4,340	269	—	43	4,652
Charge-offs	(407 )	(2,796 )	—	(566 )	—	(3,769 )
Recoveries	—	—	—	—	—	—
Provision	453	(1,238 )	—	2,140	(43 )	1,312
310-30 ending balance	46	306	269	1,574	—	2,195
Ending balance	\$2,286	\$2,419	\$764	\$5,907	\$471	\$11,847
Ending allowance balance attributable to:						
Non 310-30 loans individually evaluated for impairment	\$296	\$49	\$1	\$627	\$8	\$981
Non 310-30 loans collectively evaluated for impairment	1,944	2,064	494	3,706	463	8,671
310-30 loans	46	306	269	1,574	—	2,195
Total ending allowance balance	\$2,286	\$2,419	\$764	\$5,907	\$471	\$11,847
Loans:						
Non 310-30 individually evaluated for impairment	\$9,283	\$10,710	\$206	\$9,198	\$307	\$29,704
Non 310-30 collectively evaluated for impairment	194,606	256,945	113,222	483,156	28,189	1,076,118
310-30 loans	73,326	409,361	42,121	81,779	10,878	617,465
Total loans	\$277,215	\$677,016	\$155,549	\$574,133	\$39,374	\$1,723,287
	Three months ended June 30, 2012					
	Commercial	Commercial real estate	Agriculture	Residential real estate	Consumer	Total
Beginning balance	\$4,371	\$3,641	\$166	\$3,645	\$585	\$12,408
Non 310-30 beginning balance	1,889	3,110	166	3,363	553	9,081
Charge-offs	(127 )	(241 )	(8 )	(430 )	(203 )	(1,009 )
Recoveries	—	101	—	72	20	193
Provision	(37 )	608	126	808	265	1,770
Non 310-30 ending balance	1,725	3,578	284	3,813	635	10,035
310-30 beginning balance	2,482	531	—	282	32	3,327
Charge-offs	(176 )	(6,613 )	—	(144 )	(19 )	(6,952 )

Edgar Filing: National Bank Holdings Corp - Form 424B3

Recoveries	155	273	—	—	—	428
Provision	(868	) 10,028	376	921	(1	) 10,456
310-30 ending balance	1,593	4,219	376	1,059	12	7,259
Ending balance	\$3,318	\$7,797	\$660	\$4,872	\$647	\$17,294

25

---

Table of Contents

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)  
 June 30, 2013

	Six months ended June 30, 2012					
	Commercial	Commercial real estate	Agriculture	Residential real estate	Consumer	Total
Beginning balance	\$2,959	\$3,389	\$282	\$4,121	\$776	\$11,527
Non 310-30 beginning balance	1,597	3,389	154	3,423	776	9,339
Charge-offs	(2,759)	(2,413)	(8)	(464)	(595)	(6,239)
Recoveries	—	219	—	96	293	608
Provision	2,887	2,383	138	758	161	6,327
Non 310-30 ending balance	1,725	3,578	284	3,813	635	10,035
310-30 beginning balance	1,362	—	128	698	—	2,188
Charge-offs	(215)	(8,143)	—	(560)	(19)	(8,937)
Recoveries	—	273	—	—	—	273
Provision	446	12,089	248	921	31	13,735
310-30 ending balance	1,593	4,219	376	1,059	12	7,259
Ending balance	\$3,318	\$7,797	\$660	\$4,872	\$647	\$17,294
Ending allowance balance attributable to:						
Non 310-30 loans individually evaluated for impairment	\$1,165	\$318	\$—	\$410	\$—	\$1,893
Non 310-30 loans collectively evaluated for impairment	560	3,260	284	3,403	635	8,142
310-30 loans	1,593	4,219	376	1,059	12	7,259
Total ending allowance balance	\$3,318	\$7,797	\$660	\$4,872	\$647	\$17,294
Loans:						
Non 310-30 individually evaluated for impairment	\$12,431	\$32,476	\$40	\$4,897	\$16	\$49,860
Non 310-30 collectively evaluated for impairment	153,622	226,768	87,864	371,139	28,318	867,711
310-30 loans	117,711	706,672	59,139	143,432	33,478	1,060,432
Total loans	\$283,764	\$965,916	\$147,043	\$519,468	\$61,812	\$1,978,003

In evaluating the loan portfolio for an appropriate ALL level, non-impaired loans that were not accounted for under ASC 310-30 were grouped into segments based on broad characteristics such as primary use and underlying collateral. Within the segments, the portfolio was 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 was based upon qualitative risk factors, including economic trends and conditions, industry conditions, asset quality, loss trends, lending management, portfolio growth and loan review/internal audit results.

The Company charged-off \$1.8 million and \$2.9 million, net of recoveries, of non ASC 310-30 loans during the three and six months ended June 30, 2013, respectively. The Company had previously provided specific reserves for \$1.3 million of the net charge-offs realized during the three and six months ended June 30, 2013. Improvements in credit

quality trends of the non 310-30 loan portfolio were seen in both past due and non-performing loans during the three and six months ended June 30, 2013 and, through management's evaluation discussed above, resulted in a provision for loan losses on the non 310-30 loans of \$0.7 million and \$1.8 million, respectively.

During the six months ended June 30, 2013, the Company re-estimated the expected cash flows of the loan pools accounted for under ASC 310-30 utilizing the same cash flow methodology used at the time of acquisition. The re-measurement resulted in a net impairment of \$1.0 million and \$1.3 million for the three and six months ended June 30, 2013. The impairments were primarily driven by the residential real estate segment, with \$1.2 million and \$2.1 million in impairments during the three and six months ended June 30, 2013. As a result of gross cash flow improvements during the three and six months ended June 30,

Table of Contents

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)  
 June 30, 2013

2013, the re-measurements resulted in a reversal of \$0.2 million and \$1.2 million, respectively, of impairment expense in the commercial real estate segment.

During the three and six months ended June 30, 2012, the Company's re-measurement of expected future cash flows of ASC 310-30 loans resulted in impairments of \$10.5 million and \$13.7 million, respectively. The commercial real estate pool was the primary contributor to the total impairment with impairments of \$10.0 million and \$12.1 million for the three and six months ended June 30, 2012, respectively. The residential real estate pool recorded impairments of \$0.9 million for the three and six months ended June 30, 2012. During the three and six months ended June 30, 2012, the Company recorded \$1.8 million and \$6.3 million, respectively, of provision for loan losses for loans not accounted for under ASC 310-30 primarily to provide for changes in credit risk inherent in new loan originations and provide for charge offs.

The Company charged off \$5.6 million, net of recoveries, of non ASC 310-30 loans during the six months ended June 30, 2012, \$2.4 million of which was the result of a large commercial and industrial loan that was not considered indicative of future charge-offs in the commercial and industrial loan category. The Company also charged off \$2.4 million of commercial real estate loans, primarily the result of two commercial real estate loans outside of our core market areas totaling \$2.1 million.

#### Note 6 FDIC Indemnification Asset

Under the terms of the purchase and assumption agreement with the FDIC with regard to the Hillcrest Bank and Community Banks of Colorado acquisitions, the Company is reimbursed for a portion of the losses incurred on covered assets. 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, any differences between the carrying value of the covered assets versus the payments received during the resolution process, that are reimbursable by the FDIC, are recognized in the consolidated statements of operations as FDIC loss sharing income. Any gains or losses realized from the resolution of covered assets reduce or increase, respectively, the amount recoverable from the FDIC.

Below is a summary of the activity related to the FDIC indemnification asset during the six months ended June 30, 2013 and 2012 (in thousands):

	For the six months ended	
	June 30, 2013	June 30, 2012
Balance at beginning of period	\$86,923	\$223,402
Accretion	(7,635	) (6,333
FDIC portion of charge-offs exceeding fair value marks	1,644	5,533
Reduction for claims filed	(21,049	) (74,075
Balance at end of period	\$59,883	\$148,527

During the six months ended June 30, 2013, the Company recognized \$7.6 million of negative accretion on the FDIC indemnification asset, and reduced the carrying value of the FDIC indemnification asset by \$21.0 million as a result of claims filed with the FDIC. The negative accretion resulted from an overall increase in actual and expected cash flows

on the underlying covered assets, resulting in lower expected reimbursements from the FDIC. The increase in overall expected cash flows from these underlying assets is reflected in increased accretion rates on covered loans and is being recognized over the expected remaining lives of the underlying covered loans as an adjustment to yield. 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 the loss sharing agreements. During the six months ended June 30, 2013, the Company received \$67.6 million in payments from the FDIC.

During the six months ended June 30, 2012, the Company 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. During the six months ended June 30, 2012, the Company 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.

Table of Contents

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)  
 June 30, 2013

## Note 7 Other Real Estate Owned

A summary of the activity in the OREO balances during the six months ended June 30, 2013 and 2012 is as follows (in thousands):

	For the three months ended For the six months ended June 30,	
	2013	2012
Beginning balance	\$94,808	\$120,636
Transfers from loan portfolio, at fair value	25,379	56,100
Impairments	(7,148)	(7,213)
Sales	(37,672)	(35,851)
Gain on sale of OREO, net	3,932	4,040
Ending balance	\$79,299	\$137,712

The OREO balances include the interests of several outside participating banks totaling \$4.0 million at June 30, 2013, \$5.3 million at December 31, 2012, and \$17.9 million at June 30, 2012, for which an offsetting liability is recorded in other liabilities. It excludes \$10.7 million, \$10.6 million and \$12.2 million, for the same respective periods, of the Company's minority interests in OREO which are held by outside banks where the Company was not the lead bank and does not have a controlling interest, for which the Company maintains a receivable in other assets.

Of the \$79.3 million of OREO at June 30, 2013, \$45.5 million, or 57.4%, was covered by 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, 2013, the Company sold \$37.7 million of OREO and realized net gains on these sales of \$3.9 million.

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.

## Note 8 Deposits

As of June 30, 2013 and December 31, 2012, deposits totaled \$4.0 billion and \$4.2 billion, respectively. Time deposits decreased from \$1.8 billion at December 31, 2012 to \$1.6 billion at June 30, 2013. The following table summarizes the Company's time deposits, based upon contractual maturity, at June 30, 2013 and December 31, 2012, by remaining maturity (in thousands):

	June 30, 2013		December 31, 2012		
	Balance	Weighted Average Rate	Balance	Weighted Average Rate	
Three months or less	\$329,163	0.65	% \$356,446	0.78	%
Over 3 months through 6 months	339,916	0.59	% 259,097	0.68	%

Edgar Filing: National Bank Holdings Corp - Form 424B3

Over 6 months through 12 months	514,388	0.60	% 583,209	0.67	%
Over 12 months through 24 months	248,386	0.92	% 373,283	0.88	%
Over 24 months through 36 months	102,572	1.60	% 111,599	1.77	%
Over 36 months through 48 months	39,018	1.67	% 43,967	1.83	%
Over 48 months through 60 months	18,538	1.35	% 19,278	1.44	%
Thereafter	4,985	1.82	% 5,839	2.32	%
Total time deposits	\$1,596,966	0.76	% \$1,752,718	0.85	%

28

---

Table of Contents

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)  
 June 30, 2013

In connection with the Company's FDIC-assisted transactions, the FDIC provided Hillcrest Bank, Bank of Choice 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, 2013 and December 31, 2012, the Company had approximately \$111.9 million and \$164.3 million, respectively, of time deposits that were subject to penalty-free withdrawals.

The Company incurred interest expense on deposits as follows during the periods indicated (in thousands):

	For the three months ended		For the six months ended	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Interest bearing demand deposits	\$ 180	\$ 308	\$ 379	\$ 735
Money market accounts	827	980	1,662	2,072
Savings accounts	54	76	114	161
Time deposits	3,110	6,536	6,527	14,535
Total	\$4,171	\$7,900	\$8,682	\$17,503

Note 9 Regulatory Capital

At June 30, 2013 and December 31, 2012, as applicable, NBH Bank, N.A. and the consolidated holding company exceeded all capital ratio requirements under prompt corrective action or other regulatory requirements, as is detailed in the table below (dollars in thousands):

	June 30, 2013					
	Actual		Required to be considered well capitalized <sup>(1)</sup>		Required to be considered adequately capitalized	
	Ratio	Amount	Ratio	Amount	Ratio	Amount
Tier 1 leverage ratio						
Consolidated	18.7	% \$950,460	N/A	N/A	4	% \$203,435
NBH Bank, N.A.	17.3	% 861,541	10	% \$498,299	4	% 199,320
Tier 1 risk-based capital ratio <sup>(2)</sup>						
Consolidated	50.1	% \$950,460	6	% \$113,753	4	% \$75,836
NBH Bank, N.A.	46.1	% 861,541	11	% 205,389	4	% 74,687
Total risk-based capital ratio <sup>(2)</sup>						
Consolidated	50.8	% \$963,108	10	% \$189,589	8	% \$151,671
NBH Bank, N.A.	46.8	% 874,189	12	% 224,061	8	% 149,374

Table of Contents

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)  
 June 30, 2013

	December 31, 2012					
	Actual		Required to be considered well capitalized <sup>(1)</sup>		Required to be considered adequately capitalized	
	Ratio	Amount	Ratio	Amount	Ratio	Amount
Tier 1 leverage ratio						
Consolidated	18.2	% \$962,779	N/A	N/A	4	% \$211,439
NBH Bank, N.A.	16.4	% 851,365	10	% \$518,244	4	% 207,298
Tier 1 risk-based capital ratio <sup>(2)</sup>						
Consolidated	51.9	% \$962,779	6	% \$111,396	4	% \$74,264
NBH Bank, N.A.	46.6	% 851,365	11	% 201,147	4	% 73,144
Total risk-based capital ratio <sup>(2)</sup>						
Consolidated	52.7	% \$978,535	10	% \$185,659	8	% \$148,527
NBH Bank, N.A.	47.4	% 867,121	12	% 219,433	8	% 146,289

(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 charter for NBH Bank, N.A., as described above.

(2) 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.

#### Note 10 FDIC Loss Sharing Income

In connection with the loss sharing agreements that the Company has with the FDIC with regard to the Hillcrest Bank and Community Banks of Colorado transactions, the Company recognizes the actual reimbursement of costs of resolution of covered assets from the FDIC through the statements of operations. The table below provides additional details of the Company's FDIC loss sharing income during the three and six months ended June 30, 2013 and 2012 (in thousands):

	For the three months ended		For the six months ended	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Clawback liability amortization	\$(310 )	\$(357 )	\$(623 )	\$(711 )
Clawback liability remeasurement	76	1,077	649	1,067
Reimbursement (to) from FDIC for (gain) loss on sale of and income from covered OREO	(1,241 )	(163 )	(2,101 )	434
Reimbursement to FDIC for recoveries	(7 )	—	(22 )	(1 )
FDIC reimbursement of costs of resolution of covered assets	2,675	3,519	6,566	6,986
Total	\$1,193	\$4,076	\$4,469	\$7,775

#### Note 11 Stock-based Compensation and Employee Benefits

The Company issued stock options in accordance with the NBH Holdings Corp. 2009 Equity Incentive Plan (the "Plan") during the six months ended June 30, 2013. These option awards vest on a graded basis over 1-4 years of continuous service and have 10-year contractual terms. The expense associated with the awarded stock options was measured at fair value using a Black-Scholes option-pricing model using the following weighted average assumptions:

30

---

Table of Contents

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)  
 June 30, 2013

	Black-Scholes
Risk-free interest rate	1.02 %
Expected volatility	31.85 %
Expected term (years)	6.70
Dividend yield	1.11 %

Expected volatility was calculated using a time-based weighted migration of the Company's own stock price volatility coupled with those of a peer group of 9 comparable publicly traded companies for a period commensurate with the expected term of the options. The risk-free rate for the expected term of the options was based on the U.S. Treasury yield curve at the date of grant and based on the expected term. The expected term was estimated to be the average of the contractual vesting term and time to expiration. The dividend yield was assumed to be \$0.05 per share per quarter. Options granted during the six months ended June 30, 2013 had weighted average grant date fair values of \$5.30 per share.

The following table summarizes option activity for the six months ended June 30, 2013:

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term in Years	Aggregate Intrinsic Value
Outstanding at December 31, 2012	3,471,665	\$ 19.98	6.94	\$22,800.00
Granted during the six months ended June 30, 2013	148,350	18.28		
Forfeited	(27,990)	) 19.80		
Exercised	—	—		
Outstanding at June 30, 2013	3,592,025	\$ 19.91	6.40	\$254,961.70
Options fully vested and exercisable at June 30, 2013	2,588,832	\$20.00	6.46	\$—
Options expected to vest	974,140	\$ 19.71	6.61	\$231,670.53

Stock option expense is included in salaries and employee benefits in the accompanying consolidated statements of operations and totaled \$0.6 million and \$1.1 million for the three months ended June 30, 2013 and 2012, respectively, and \$1.3 million and \$2.0 million of the six months ended June 30, 2013 and 2012, respectively. At June 30, 2013, there was \$2.2 million of total unrecognized compensation cost related to non-vested stock options granted under the Plan. The cost is expected to be recognized over a weighted average period of 0.7 years.

Expense related to non-vested restricted stock totaled \$0.7 million and \$1.0 million during the three months ended June 30, 2013 and 2012, respectively, and \$1.4 million and \$2.3 million during the six months ended June 30, 2013 and 2012, respectively, and is included in salaries and employee benefits in the Company's consolidated statements of operations. As of June 30, 2013, there was \$3.1 million of total unrecognized compensation cost related to non-vested restricted shares granted under the Plan, which is expected to be recognized over a weighted average period of 1.0 years. The following table summarizes restricted stock activity for the six months ended June 30, 2013:

Edgar Filing: National Bank Holdings Corp - Form 424B3

	Total Restricted Shares	Weighted Average Grant-Date Fair Value
Unvested at December 31, 2012	951,668	\$ 14.79
Granted	136,768	18.09
Forfeited	(1,992)	18.09
Unvested at June 30, 2013	1,086,444	\$ 15.20

Table of Contents

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)  
 June 30, 2013

Note 12 Common Stock

The Company had 45,409,579 shares of Class A common stock and 5,967,619 shares of Class B common stock outstanding as of June 30, 2013 and 46,368,483 shares of Class A common stock and 5,959,189 shares of Class B common stock outstanding as of December 31, 2012. Additionally, as of June 30, 2013 and December 31, 2012, the Company had 1,086,444 and 951,668 shares, respectively, of restricted Class A common stock issued but not yet vested under the NBH Holdings Corp. 2009 Equity Incentive Plan. Class A common stock possesses all of the voting power for all matters requiring action by holders of common stock, with certain limited exceptions. The Company's 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.

Note 13 Income Per Share

The Company calculates income per share under the two-class method, as certain non-vested share awards contain nonforfeitable rights to dividends. As such, these awards are considered securities that participate in the earnings of the Company. Non-vested shares are discussed further in note 11.

The Company had 51,377,198 and 52,191,239 shares outstanding (inclusive of Class A and B) as of June 30, 2013 and 2012, respectively. Certain stock options, non-vested restricted shares and warrants are potentially dilutive securities, but are not included in the calculation of diluted earnings per share because to do so would have been anti-dilutive for three and six months ended June 30, 2013 and 2012, respectively.

The following table illustrates the computation of basic and diluted income per share for the three and six months ended June 30, 2013 and 2012 (in thousands, except share and earnings per share information):

	For the three months ended		For the six months ended	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Distributed earnings	\$2,649	\$—	\$5,312	\$—
Undistributed earnings (distributions in excess of earnings)	249	2,702	(332)	4,345
Net income	2,898	2,702	4,980	4,345
Less: earnings allocated to participating securities	(7)	—	(7)	—
Earnings allocated to common stockholders	\$2,891	\$2,702	\$4,973	\$4,345
Weighted average shares outstanding for basic earnings per common share	52,055,434	52,191,239	52,187,295	52,184,051
Dilutive effect of equity awards	25,892	127,931	25,898	127,297
Weighted average shares outstanding for diluted earnings per common share	52,081,326	52,319,170	52,213,193	52,311,348
Basic earnings per share	\$0.06	\$0.05	\$0.10	\$0.10
Diluted earnings per share	\$0.06	\$0.05	\$0.10	\$0.10

The Company had 3,592,025 and 3,473,332 outstanding stock options to purchase common stock at weighted average exercise prices of \$19.91 and \$20.00 per share at June 30, 2013 and 2012, respectively, which were not included in the computations of diluted income per share because the options' exercise price was greater than the average market price of the common shares during those periods. Additionally, the Company had 830,750 outstanding warrants to purchase

the Company's common stock as of June 30, 2013 and 2012. The warrants have an exercise price of \$20.00, which was out-of-the-money for purposes of dilution calculations during both periods. The Company had 1,086,444 and 1,174,792 unvested restricted shares outstanding as of June 30, 2013 and 2012, respectively, which have performance, market and time-vesting criteria, and as such, any dilution is derived only for the timeframe in which the vesting criteria had been met and where the inclusion of those restricted shares is dilutive.

Table of Contents

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)  
June 30, 2013

Note 14 Fair Value Measurements

The Company uses fair value measurements to record fair value adjustments to certain assets and liabilities and to disclose the fair value of its financial instruments. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. For disclosure purposes, the Company groups its financial and non-financial assets and liabilities into three different levels based on the nature of the instrument and the availability and reliability of the information that is used to determine fair value. The three levels are defined as follows:

• Level 1—Includes assets or liabilities in which the inputs to the valuation methodologies are based on unadjusted quoted prices in active markets for identical assets or liabilities.

• Level 2—Includes assets or liabilities in which the inputs to the valuation methodologies are based on similar assets or liabilities in inactive markets, quoted prices for identical or similar assets or liabilities in inactive markets, and inputs other than quoted prices that are observable, such as interest rates, yield curves, volatilities, prepayment speeds, and other inputs obtained from observable market input.

• Level 3—Includes assets or liabilities in which the inputs to the valuation methodology are based on at least one significant assumption that is not observable in the marketplace. These valuations may rely on management's judgment and may include internally-developed model-based valuation techniques.

Level 1 inputs are considered to be the most transparent and reliable and level 3 inputs are considered to be the least transparent and reliable. The Company assumes the use of the principal market to conduct a transaction of each particular asset or liability being measured and then considers the assumptions that market participants would use when pricing the asset or liability. Whenever possible, the Company first looks for quoted prices for identical assets or liabilities in active markets (level 1 inputs) to value each asset or liability. However, when inputs from identical assets or liabilities on active markets are not available, the Company utilizes market observable data for similar assets and liabilities. The Company maximizes the use of observable inputs and limits the use of unobservable inputs to occasions when observable inputs are not available. The need to use unobservable inputs generally results from the lack of market liquidity of the actual financial instrument or of the underlying collateral. Although, in some instances, third party price indications may be available, limited trading activity can challenge the observability of these quotations.

Changes in the valuation inputs used for measuring the fair value of financial instruments may occur due to changes in current market conditions or other factors. Such changes may necessitate a transfer of the financial instruments to another level in the hierarchy based on the new inputs used. The Company recognizes these transfers at the end of the reporting period that the transfer occurs. During the six months ended June 30, 2013 and 2012, there were no transfers of financial instruments between the hierarchy levels.

The following is a description of the valuation methodologies used for assets and liabilities measured at fair value, as well as the general classification of each instrument under the valuation hierarchy:

Fair Value of Financial Instruments Measured on a Recurring Basis

Investment securities available-for-sale—Investment securities available-for-sale are carried at fair value on a recurring basis. To the extent possible, observable quoted prices in an active market are used to determine fair value and, as such, these securities are classified as level 1. At December 31, 2012 the Company classified its U.S. Treasury securities as level 1 in the fair value hierarchy. At June 30, 2013 the Company did not hold U.S. Treasury securities. When quoted market prices in active markets for identical assets or liabilities are not available, quoted prices of securities with similar characteristics, discounted cash flows or other pricing characteristics are used to estimate fair

values and the securities are then classified as level 2. At June 30, 2013 and December 31, 2012, the Company's level 2 securities included asset backed securities, mortgage-backed securities comprised of residential mortgage pass-through securities, and other residential mortgage-backed securities. All other investment securities are classified as level 3. There were no transfers between levels 1, 2 or 3 during the six months ended June 30, 2013 or 2012.

Warrant liability—The Company measures the fair value of the warrant liability on a recurring basis using a Black-Scholes option pricing model. The Company's shares became publicly traded on September 20, 2012 and prior to that, had limited private trading; therefore, expected volatility was estimated based on the median historical volatility, for a period commensurate

Table of Contents

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)  
 June 30, 2013

with the expected term of the warrants, of 9 comparable companies with publicly traded shares, and is deemed a significant unobservable input to the valuation model.

Clawback liability—The Company periodically measures the net present value of expected future cash payments to be made by the Company to the FDIC that must be made within 45 days of the conclusion of the loss sharing. The expected cash flows are calculated in accordance with the loss sharing agreements and are based primarily on the expected losses on the covered assets, which involve significant inputs that are not market observable.

The tables below present the financial instruments measured at fair value on a recurring basis as of June 30, 2013 and December 31, 2012 on the consolidated statements of financial condition utilizing the hierarchy structure described above (in thousands):

	June 30, 2013			Total
	Level 1	Level 2	Level 3	
Assets:				
Investment securities available-for-sale:				
Asset backed securities	\$—	\$43,578	\$—	\$43,578
Mortgage-backed securities (“MBS”):				
Residential mortgage pass-through securities issued or guaranteed by U.S. Government agencies or sponsored enterprises	—	560,135	—	560,135
Other residential MBS issued or guaranteed by U.S. Government agencies or sponsored enterprises	—	1,442,404	—	1,442,404
Other securities	—	—	419	419
Total assets at fair value	\$—	\$2,046,117	\$419	\$2,046,536
Liabilities:				
Warrant liability	\$—	\$—	\$5,158	\$5,158
Clawback liability	—	—	31,245	31,245
Total liabilities at fair value	\$—	\$—	\$36,403	\$36,403

Table of Contents

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)  
 June 30, 2013

	December 31, 2012			Total
	Level 1	Level 2	Level 3	
Assets:				
Investment securities available-for-sale:				
U.S. Treasury securities	\$ 300	\$—	\$—	\$ 300
Asset backed securities	—	90,003	—	90,003
Mortgage-backed securities (“MBS”):				
Residential mortgage pass-through securities issued or guaranteed by U.S. Government agencies or sponsored enterprises	—	678,017	—	678,017
Other residential MBS issued or guaranteed by U.S. Government agencies or sponsored enterprises	—	949,289	—	949,289
Other securities	—	—	419	419
Total assets at fair value	\$ 300	\$ 1,717,309	\$ 419	\$ 1,718,028
Liabilities:				
Warrant liability	\$—	\$—	\$ 5,461	\$ 5,461
Clawback liability	—	—	31,271	31,271
Total liabilities at fair value	\$—	\$—	\$ 36,732	\$ 36,732

The table below details the changes in Level 3 financial instruments during the six months ended June 30, 2013 (in thousands):

	Warrant liability	Clawback liability
Balance at December 31, 2012	\$ 5,461	\$ 31,271
Change in value	(303)	(649)
Accretion	—	623
Settlement	—	—
Net change in Level 3	(303)	(26)
Balance at June 30, 2013	\$ 5,158	\$ 31,245

#### Fair Value of Financial Instruments Measured on a Non-recurring Basis

Certain assets may be recorded at fair value on a non-recurring basis as conditions warrant. These non-recurring fair value measurements typically result from the application of lower of cost or fair value accounting or a write-down occurring during the period.

The Company records collateral dependent loans that are considered to be impaired at their estimated fair value. A loan is considered impaired when it is probable that the Company will be unable to collect all contractual amounts due in accordance with the terms of the loan agreement. Collateral dependent impaired loans are measured based on the fair value of the collateral. The Company relies on third-party appraisals and internal assessments in determining the estimated fair values of these loans. The inputs used to determine the fair values of loans are considered level 3 inputs in the fair value hierarchy. During the six months ended June 30, 2013, the Company measured 26 loans not accounted for under ASC 310-30 at fair value on a non-recurring basis. These loans carried specific reserves totaling

\$0.9 million at June 30, 2013. During the six months ended June 30, 2013, the Company added specific reserves of \$0.5 million for ten loans with carrying balances of \$7.9 million at June 30, 2013. The Company also eliminated specific reserves of \$1.6 million for thirteen loans during the six months ended June 30, 2013, primarily due to paydowns on these loans.

The Company may be required to record loans held-for-sale on a non-recurring basis. The non-recurring fair value adjustments could involve lower of cost or fair value accounting and may include write-downs.

Table of Contents

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)  
 June 30, 2013

OREO is recorded at the lower of the loan balance or the fair value of the collateral less estimated selling costs. The estimated fair values of OREO are updated periodically and further write-downs may be taken to reflect a new basis. The Company recognized \$7.1 million of OREO impairments in its consolidated statements of financial condition during the six months ended June 30, 2013, of which \$5.2 million, or 72.9%, were on OREO that was covered by loss sharing agreements with the FDIC. The fair values of OREO are derived from third party price opinions or appraisals that generally use an income approach or a market value approach. If reasonable comparable appraisals are not available, then the Company may use internally developed models to determine fair values. The inputs used to determine the fair values of OREO are considered level 3 inputs in the fair value hierarchy.

The table below provides information regarding the assets recorded at fair value on a non-recurring basis during the six months ended June 30, 2013 (in thousands):

	June 30, 2013				Losses From Fair Value Changes
	Level 1	Level 2	Level 3	Total	
Other real estate owned	\$—	\$—	\$79,299	\$79,299	\$7,055
Impaired loans	\$—	\$—	\$29,704	\$29,704	\$5,445

The Company did not record any liabilities for which the fair value was made on a non-recurring basis during the six months ended June 30, 2013.

The following table provides information about the valuation techniques and unobservable inputs used in the valuation of financial instruments falling within level 3 of the fair value hierarchy as of June 30, 2013. The table below excludes non-recurring fair value measurements of collateral value used for impairment measures for OREO. These valuations utilize third party appraisal or broker price opinions, and are classified as level 3 due to the significant judgment involved. (dollars in thousands):

	Fair Value at June 30, 2013	Valuation Technique	Unobservable Input	Quantitative Measures
Other securities	\$419	Cash investment in private equity fund	Cash investment	
Impaired loans	29,704	Appraised value	Appraised values Discount rate	0-25%
Clawback liability	31,245	Contractually defined discounted cash flows	Intrinsic loss estimates Expected credit losses Asset purchase premium Discount rate	\$323.3 million - \$405 million — \$98 million-\$182.7 million 4%

Warrant liability	5,158	Black-Scholes	Discount period	28-40 months
			Volatility	15%-48%

Note 15 Fair Value of Financial Instruments

The fair value of a financial instrument is the amount that would be exchanged between willing parties, other than in a forced liquidation. Fair value is determined based upon quoted market prices to the extent possible; however, in many instances, there are no quoted market prices for the Company's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques that may be significantly impacted by the assumptions used, including the discount rate and estimates of future cash flows. Changes in any of these

Table of Contents

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)  
 June 30, 2013

assumptions could significantly affect the fair value estimates. The fair value of the financial instruments listed below does not reflect a premium or discount that could result from offering all of the Company's holdings of financial instruments at one time, nor does it reflect the underlying value of the Company, as ASC Topic 825 excludes certain financial instruments and all non-financial instruments from its disclosure requirements. In connection with the Hillcrest Bank, Bank Midwest, Bank of Choice and Community Banks of Colorado acquisitions, the Company recorded all of the acquired assets and assumed liabilities at fair value at the respective dates of acquisition. The fair value of financial instruments at June 30, 2013 and December 31, 2012, including methods and assumptions utilized for determining fair value of financial instruments, are set forth below (in thousands):

	Level in Fair Value Measurement Hierarchy	June 30, 2013		December 31, 2012	
		Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
<b>ASSETS:</b>					
Cash and cash equivalents	Level 1	\$302,756	\$302,756	\$769,180	\$769,180
Securities purchased under agreements to resell	Level 2	100,000	100,004	—	—
U.S. Treasury securities available-for-sale	Level 1	—	—	300	300
Asset backed securities available-for-sale	Level 2	43,578	43,578	90,003	90,003
Mortgage-backed securities—residential mortgage pass-through securities issued or guaranteed by U.S. Government agencies or sponsored enterprises available-for-sale	Level 2	560,135	560,135	678,017	678,017
Mortgage-backed securities—other residential mortgage-backed securities issued or guaranteed by U.S. Government agencies or sponsored enterprises available-for-sale	Level 2	1,442,404	1,442,404	949,289	949,289
Other securities	Level 3	419	419	419	419
Mortgage-backed securities—residential mortgage pass-through securities issued or guaranteed by U.S. Government agencies or sponsored enterprises held-to-maturity	Level 2	509,690	506,162	577,486	584,551
Mortgage-backed securities—other residential mortgage-backed securities issued or guaranteed by U.S. Government agencies or sponsored enterprises held-to-maturity	Level 2	82,971	80,668	—	—
Capital stock of FHLB	Level 2	6,755	6,755	7,976	7,976

Edgar Filing: National Bank Holdings Corp - Form 424B3

Capital stock of FRB	Level 2	25,020	25,020	25,020	25,020
Loans receivable, net	Level 3	1,711,440	1,717,300	1,817,322	1,829,987
Loans held-for-sale	Level 2	6,288	6,288	5,368	5,368
Accrued interest receivable	Level 2	11,596	11,596	12,673	12,673
LIABILITIES:					
Deposit transaction accounts	Level 2	2,390,761	2,390,761	2,448,001	2,448,001
Time deposits	Level 2	1,596,966	1,601,250	1,752,718	1,759,886
Securities sold under agreements to repurchase	Level 2	122,879	122,795	53,685	53,686
Due to FDIC	Level 3	31,245	31,245	31,271	31,271
Warrant liability	Level 3	5,158	5,158	5,461	5,461
Accrued interest payable	Level 2	3,718	3,718	4,239	4,239

Table of Contents

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)  
June 30, 2013

Cash and cash equivalents

Cash and cash equivalents have a short-term nature and the estimated fair value is equal to the carrying value.

Securities purchased under agreements to resell

The fair value of securities purchased under agreements to resell is estimated by discounting contractual maturities utilizing current market rates for similar instruments.

Investment securities

The estimated fair value of investment securities is based on quoted market prices or bid quotations received from securities dealers. Other investment securities, including securities that are held for regulatory purposes are carried at cost, less any other than temporary impairment.

Loans receivable

The estimated fair value of the loan portfolio is estimated using a discounted cash flow analysis using a discount rate based on interest rates offered at the respective measurement dates for loans with similar terms to borrowers of similar credit quality. The allowance for loan losses is considered a reasonable estimate of any required adjustment to fair value to reflect the impact of credit risk. The estimates of fair value do not incorporate the exit-price concept prescribed by ASC Topic 820 Fair Value Measurements and Disclosures.

Loans held-for-sale

Loans held-for-sale are carried at the lower of aggregate cost or estimated fair value. The portfolio consists primarily of fixed rate residential mortgage loans that are sold within 45 days. The estimated fair value is based on quoted market prices for similar loans in the secondary market and are classified as level 2.

Accrued interest receivable

Accrued interest receivable has a short-term nature and the estimated fair value is equal to the carrying value.

Deposits

The estimated fair value of deposits with no stated maturity, such as non-interest bearing demand deposits, savings, NOW accounts, and money market accounts, is equal to the amount payable on demand. The fair value of interest-bearing time deposits is based on the discounted value of contractual cash flows of such deposits, taking into account the option for early withdrawal. The discount rate is estimated using the rates offered by the Company, at the respective measurement dates, for deposits of similar remaining maturities.

Securities sold under agreements to repurchase