

National Bank Holdings Corp
Form 10-Q
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
ASSETS		
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
LIABILITIES AND STOCKHOLDERS’ EQUITY		
Liabilities:		
Deposits:		
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	