National Bank Holdings Corp
Form 10-Q
May 09, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)
ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2014
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 incorporation or organization)	(I.R.S. Employer 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 ý 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 ý 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 x	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 ý
APPLICABLE ONLY TO CORPORATE ISSUERS:
Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practicable date.
As of May 6, 2014, NBHC had outstanding 41,017,351 shares of Class A voting common stock and 3,027,774 shares of Class B non-voting common stock, each with $0.01 par value per share, excluding 1,118,727 shares of restricted Class A common stock issued but not yet vested.

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,” “seek,” “potential,” “will,” “estimate,” “t “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 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 for, 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 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;

- regulatory limitations on dividends from our bank subsidiary;
- 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
- 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)

	March 31, 2014	December 31, 2013
ASSETS		
Cash and due from banks	$65,785	$67,420
Due from Federal Reserve Bank of Kansas City	117,871	107,894
Interest bearing bank deposits	14,159	14,146
Cash and cash equivalents	197,815	189,460
Investment securities available-for-sale (at fair value)	1,720,840	1,785,528
Investment securities held-to-maturity (fair value of $614,123 and $636,405 at March 31, 2014 and December 31, 2013, respectively)	616,221	641,907
Non-marketable securities	31,109	31,663
Loans (including covered loans of $287,590 and $309,397 at March 31, 2014 and December 31, 2013, respectively)	1,961,592	1,854,094
Allowance for loan losses	(13,972)	(12,521)
Loans, net	1,947,620	1,841,573
Loans held for sale	2,143	5,787
Federal Deposit Insurance Corporation (“FDIC”) indemnification asset, net	56,677	64,447
Other real estate owned	65,983	70,125
Premises and equipment, net	112,534	115,219
Goodwill	59,630	59,630
Intangible assets, net	20,893	22,229
Other assets	82,122	86,547
Total assets	$4,913,587	$4,914,115
LIABILITIES AND SHAREHOLDERS’ EQUITY		
Liabilities:		
Deposits:		
Non-interest bearing demand deposits	$689,248	$674,989
Interest bearing demand deposits	398,429	386,762
Savings and money market	1,334,521	1,280,871
Time deposits	1,443,898	1,495,687
Total deposits	3,866,096	3,838,309
Securities sold under agreements to repurchase	91,065	99,547
Due to FDIC	33,309	41,882
Other liabilities	27,268	36,585
Total liabilities	4,017,738	4,016,323
Shareholders’ equity:		
Common stock, par value $0.01 per share: 400,000,000 shares authorized; 52,268,851 and 52,289,347 shares issued; 44,486,467 and 44,918,336 shares outstanding at March 31, 2014 and December 31, 2013, respectively	512	512
Additional paid in capital	990,700	990,216
Retained earnings	39,121	39,966
Treasury stock of 6,761,257 and 6,306,551 shares at March 31, 2014 and December 31, 2013, respectively, at cost	(134,953)	(126,146)
Accumulated other comprehensive income (loss), net of tax	469	(6,756)
Total shareholders’ equity	895,849	897,792

Total liabilities and shareholders’ equity	$4,913,587	$4,914,115

See accompanying notes to the unaudited consolidated interim financial statements.

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES
Consolidated Statements of Operations (Unaudited)
(In thousands, except share and per share data)

	For the three months ended March 31, 2014	2013
Interest and dividend income:		
Interest and fees on loans	$33,247	$36,135
Interest and dividends on investment securities	13,168	13,248
Dividends on non-marketable securities	389	394
Interest on interest-bearing bank deposits	81	321
Total interest and dividend income	46,885	50,098
Interest expense:		
Interest on deposits	3,506	4,511
Interest on borrowings	32	18
Total interest expense	3,538	4,529
Net interest income before provision for loan losses	43,347	45,569
Provision for loan losses	1,769	1,417
Net interest income after provision for loan losses	41,578	44,152
Non-interest income (expense):		
FDIC indemnification asset amortization	(7,608)	(4,669)
FDIC loss sharing income (expense)	(957)	3,276
Service charges	3,540	3,687
Bank card fees	2,374	2,469
Gain on sales of mortgages, net	208	306
Gain on previously charged-off acquired loans	296	443
OREO related write-ups and other income	968	974
Other non-interest income	825	665
Total non-interest income (expense)	(354)	7,151
Non-interest expense:		
Salaries and benefits	20,774	22,956
Occupancy and equipment	6,474	5,965
Telecommunications and data processing	3,148	3,469
Marketing and business development	1,023	1,379
FDIC deposit insurance	1,045	1,047
ATM/debit card expenses	751	1,005
Professional fees	638	1,396
Other non-interest expense	2,409	2,908
Gain from the change in fair value of warrant liability	(898)	(627)
Intangible asset amortization	1,336	1,336
Other real estate owned expenses	1,633	4,719
Problem loan expenses	685	2,331
Total non-interest expense	39,018	47,884
Income before income taxes	2,206	3,419
Income tax expense	775	1,337
Net income	$1,431	$2,082
Income per share—basic	$0.03	$0.04
Income per share—diluted	$0.03	$0.04
Weighted average number of common shares outstanding:		
Basic	44,819,644	52,320,622

Diluted	44,863,138	52,346,525

See accompanying notes to the unaudited consolidated interim financial statements.

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income (Loss) (Unaudited)
(In thousands)

	For the three months ended			
	2014		2013	
Net income	$1,431		$2,082	
Other comprehensive income, net of tax:				
Securities available-for-sale:				
Net unrealized gains (losses) arising during the period, net of tax (expense) benefit of ($4,962) and $1,872 for the three months ended March 31, 2014 and 2013, respectively	8,070		(2,501	)
	$8,070		$(2,501	)
Net unrealized holding gains on securities transferred between available-for-sale to held-to-maturity:				
Less: amortization of net unrealized holding gains to income, net of tax benefit of $519 and $1,218 for the three months ended March 31, 2014 and 2013, respectively	(845	)	(1,945	)
	(845	)	(1,945	)
Other comprehensive income (loss)	7,225		(4,446	)
Comprehensive income (loss)	$8,656		$(2,364	)

See accompanying notes to the unaudited consolidated interim financial statements.

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NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES
Consolidated Statements of Changes in Shareholders' Equity (Unaudited)
Three Months Ended March 31, 2014 and 2013
(In thousands, except share and per share data)

	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Accumulated other comprehensive income (loss), net	Total
Balance, December 31, 2012	$523	$1,006,194	$43,273	$(4)	$ 40,573	$1,090,559
Net income	—	—	2,082	—	—	2,082
Stock-based compensation	—	1,441	—	—	—	1,441
(Repurchase of 13,003 shares)/retirement of 240 treasury shares	—	(234)	—	4	—	(230)
Dividends paid ($.05 per share)	—	—	(2,663)	—	—	(2,663)
Other comprehensive loss	—	—	—	—	(4,446)	(4,446)
Balance, March 31, 2013	523	1,007,401	42,692	—	36,127	1,086,743
Balance, December 31, 2013	512	990,216	39,966	(126,146)	(6,756)	897,792
Net income	—	—	1,431	—	—	1,431
Stock-based compensation	—	720	—	—	—	720
Issuance under equity compensation plan	—	(236)	—	—	—	(236)
Repurchase of shares (454,706 shares)	—	—	—	(8,807)	—	(8,807)
Dividends paid ($.05 per share)	—	—	(2,276)	—	—	(2,276)
Other comprehensive income	—	—	—	—	7,225	7,225
Balance, March 31, 2014	$512	$990,700	$39,121	$(134,953)	$ 469	$895,849

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 three months ended March 31, 2014	2013
Cash flows from operating activities:		
Net income	$1,431	$2,082
Adjustments to reconcile net income to net cash used in operating activities:		
Provision for loan losses	1,769	1,417
Depreciation and amortization	4,180	3,812
Current income tax receivable (payable)	6,017	(6,739)
Deferred income tax asset	(4,584)	(3,574)
Discount accretion, net of premium amortization	1,320	5,466
Loan accretion	(17,733)	(24,293)
Net gain on sale of mortgage loans	(208)	(306)
Origination of loans held for sale, net of repayments	(6,506)	(12,382)
Proceeds from sales of loans held for sale	9,742	11,227
Amortization of indemnification asset	7,608	4,669
Gain on the sale of other real estate owned, net	(587)	(1,805)
Impairment on other real estate owned	822	4,526
Stock-based compensation	720	1,441
Decrease in due to FDIC, net	(8,573)	(260)
(Increase) decrease in other assets	(1,451)	409
Decrease in other liabilities	(9,355)	(3,443)
Net cash provided by (used in) operating activities	(15,388)	(17,753)
Cash flows from investing activities:		
Sale of FHLB stock	554	49
Maturities of investment securities held-to-maturity	24,190	57,599
Maturities of investment securities available-for-sale	76,532	158,532
Purchase of investment securities available-for-sale	—	(554,355)
Net (increase) decrease in loans	(90,125)	50,634
Purchase of premises and equipment	(159)	(2,122)
Proceeds from sales of loans	422	19,755
Proceeds from sales of other real estate owned	4,143	25,726
Decrease in FDIC indemnification asset	162	55,287
Net cash used in investing activities	15,719	(188,895)
Cash flows from financing activities:		
Net increase (decrease) in deposits	27,787	(139,918)
Decrease in repurchase agreements	(8,482)	(575)
Issuance under equity compensation plan	(236)	—
Payment of dividends	(2,238)	(2,616)
Repurchase of shares	(8,807)	(230)
Net cash provided by (used in) financing activities	8,024	(143,339)
Increase (decrease) in cash and cash equivalents	8,355	(349,987)
Cash and cash equivalents at beginning of the year	189,460	769,180
Cash and cash equivalents at end of period	$197,815	$419,193
Supplemental disclosure of cash flow information:		
Cash paid during the period for interest	$3,484	$4,906
Cash (received) paid during the period for taxes	$(638)	$8,580

Supplemental schedule of non-cash investing activities:		
Loans transferred to other real estate owned at fair value	$236	$17,043
FDIC indemnification asset claims transferred to other assets	$29	$9,132

See accompanying notes to the unaudited consolidated interim financial statements.

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NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
March 31, 2014

Note 1 Basis of Presentation

National Bank Holdings Corporation ("NBHC" or 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 financial services franchises and other complementary businesses in targeted markets. The Company is headquartered immediately south of Denver, in Greenwood Village, Colorado, and its primary operations are conducted through its wholly owned subsidiary, NBH Bank, N.A. The Company provides a variety of banking products to both commercial and consumer clients through a network of 97 banking centers located in Colorado, the greater Kansas City area and Texas, and through on-line and mobile banking products.

These interim consolidated financial statements serve to update the National Bank Holdings Corporation Annual Report on Form 10-K for the year ended December 31, 2013. The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, NBH Bank, N.A. The accompanying consolidated 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 period is 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, 2013 and are contained in the Company's Annual Report on Form 10-K. There have not been any significant changes to the application of significant accounting policies since December 31, 2013. 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 evaluation of investment securities for other-than-temporary impairment ("OTTI"), the valuation of stock-based compensation, 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

Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure - In January 2014, the FASB issued ASU 2014-04, "Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure." This update amends ASC Topic 310-40 and clarifies that an "in substance repossession or foreclosure" has occurred upon the creditor obtaining either legal title to the property upon completion of foreclosure, or the borrower conveying all interest in the property through completion of a deed in lieu of foreclosure. Upon occurrence, the creditor derecognizes the loan receivable and recognizes the collateralized real estate property. The amendments in the ASU will be effective for the Company for interim and annual periods beginning after December 15, 2014. Early adoption is permitted. Adoption of this amendment can be made using either a modified retrospective transition method or a prospective transition method. The adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements, 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 $2.3 billion at March 31, 2014 and $2.4 billion at December 31, 2013. Included in the aforementioned $2.3 billion was $1.7 billion of available-for-sale securities and $0.6 billion of held-to-maturity securities.

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NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
March 31, 2014

Available-for-sale

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

	March 31, 2014				
	Amortized cost	Gross unrealized gains	Gross unrealized losses		Fair value
Asset backed securities	$2,066	$2	$—		$2,068
Mortgage-backed securities ("MBS"):					
Residential mortgage pass-through securities issued or guaranteed by U.S. Government agencies or sponsored enterprises	465,901	8,422	(1,367	)	472,956
Other residential MBS issued or guaranteed by U.S. Government agencies or sponsored enterprises	1,270,165	11,020	(35,788	)	1,245,397
Other securities	419	—	—		419
Total	$1,738,551	$19,444	$(37,155	)	$1,720,840

	December 31, 2013				
	Amortized cost	Gross unrealized gains	Gross unrealized losses		Fair value
Asset backed securities	4,534	3	—		4,537
Mortgage-backed securities ("MBS"):					
Residential mortgage pass-through securities issued or guaranteed by U.S. Government agencies or sponsored enterprises	490,321	7,670	(3,001	)	494,990
Other residential MBS issued or guaranteed by U.S. Government agencies or sponsored enterprises	1,320,998	10,764	(46,180	)	1,285,582
Other securities	419	—	—		419
Total	$1,816,272	$18,437	$(49,181	)	$1,785,528

At March 31, 2014 and December 31, 2013, mortgage-backed securities represented 99.9% and 99.7%, 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").

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

	March 31, 2014								
	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	$252,142	$(1,366	)	$11	$(1	)	$252,153	$(1,367	)

Other residential MBS issued or guaranteed by U.S. Government agencies or sponsored enterprises	601,345	(21,735)	286,886	(14,053)	888,231	(35,788)
Total	$853,487	$(23,101)	$286,897	$(14,054)	$1,140,384	$(37,155)

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NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
March 31, 2014

	December 31, 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	$283,177	$(3,000)	$13	$(1)	$283,190	$(3,001)
Other residential MBS issued or guaranteed by U.S. Government agencies or sponsored enterprises	876,225	(44,101)	40,740	(2,079)	916,965	(46,180)
Total	$1,159,402	$(47,101)	$40,753	$(2,080)	$1,200,155	$(49,181)

Management evaluated all of the securities in an unrealized loss position and concluded that no other-than-temporary-impairment existed at March 31, 2014 or December 31, 2013. The unrealized losses in the Company's investments issued or guaranteed by U.S. government agencies or sponsored enterprises at March 31, 2014 were caused by changes in interest rates. 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 $191.9 million at March 31, 2014 and $177.6 million December 31, 2013. The increase in pledged available-for-sale investment securities was primarily attributable to an increase in deposit account balances during the three months ended March 31, 2014. Certain investment securities may also be pledged as collateral should the Company utilize its line of credit at the FHLB of Des Moines; however, no investment securities were pledged for this purpose at March 31, 2014 or December 31, 2013.

The table below summarizes the contractual maturities, as of the last scheduled repayment date, of the available-for-sale investment portfolio as of March 31, 2014 (in thousands):

	Amortized cost	Fair value
Due in one year or less	$—	$—
Due after one year through five years	2,074	2,076
Due after five years through ten years	185,658	185,373
Due after ten years	1,550,400	1,532,972
Other securities	419	419
Total investment securities available-for-sale	$1,738,551	$1,720,840

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 March 31, 2014 and 3.9 years as of December 31, 2013. This estimate is based on assumptions and actual results may differ. Other securities of $0.4 million have no stated contractual maturity date as of March 31, 2014.

Held-to-maturity

At March 31, 2014 and December 31, 2013 the Company held $616.2 million and $641.9 million of held-to-maturity investment securities, respectively. Held-to-maturity investment securities are summarized as follows as of the dates indicated (in thousands):

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NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
March 31, 2014

	March 31, 2014			
	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	$492,294	$1,537	$(862)	$492,969
Other residential MBS issued or guaranteed by U.S. Government agencies or sponsored enterprises	123,927	320	(3,093)	121,154
Total investment securities held-to-maturity	$616,221	$1,857	$(3,955)	$614,123

	December 31, 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	$513,090	$175	$(1,776)	$511,489
Other residential MBS issued or guaranteed by U.S. Government agencies or sponsored enterprises	128,817	104	(4,005)	124,916
Total investment securities held-to-maturity	$641,907	$279	$(5,781)	$636,405

The table below summarizes the contractual maturities, as of the last scheduled repayment date, of the held-to-maturity investment portfolio at March 31, 2014 (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	17,597	17,760
Due after ten years	598,624	596,363
Total investment securities held-to-maturity	$616,221	$614,123

The carrying value of held-to-maturity investment securities pledged as collateral totaled $58.9 million and $68.5 million at March 31, 2014 and December 31, 2013, respectively. All of the held-to-maturity investment securities in unrealized loss positions at March 31, 2014 and December 31, 2013 had been in continuous unrealized loss positions for less than 12 months at the respective reporting dates. Actual maturities of mortgage-backed securities may differ from scheduled maturities depending on the repayment characteristics and experience of the underlying financial instruments. The estimated weighted average expected life of the held-to-maturity mortgage-backed securities portfolio as of March 31, 2014 and December 31, 2013 was 3.8 years. This estimate is based on assumptions and actual results may differ.

Note 4 Loans

The loan portfolio is comprised of loans 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

14.7% of the total loan portfolio at March 31, 2014, compared to 16.7% of the total loan portfolio at December 31, 2013.

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 March 31, 2014 and December 31, 2013. The carrying value of loans are net of discounts on loans excluded

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from Accounting Standards Codification (“ASC”) Topic 310-30, and fees and costs of $12.9 million and $13.3 million as of March 31, 2014 and December 31, 2013, respectively (in thousands):

	March 31, 2014				
	ASC 310-30 loans	Non 310-30 loans	Total loans	% of total	
Commercial	$52,107	$530,462	$582,569	29.7	%
Commercial real estate	263,608	317,137	580,745	29.6	%
Agriculture	23,545	131,586	155,131	7.9	%
Residential real estate	60,467	548,758	609,225	31.1	%
Consumer	6,819	27,103	33,922	1.7	%
Total	$406,546	$1,555,046	$1,961,592	100.0	%
Covered	$244,322	$43,268	$287,590	14.7	%
Non-covered	162,224	1,511,778	1,674,002	85.3	%
Total	$406,546	$1,555,046	$1,961,592	100.0	%

	December 31, 2013				
	ASC 310-30 loans	Non 310-30 loans	Total loans	% of total	
Commercial	$61,511	$421,984	$483,495	26.1	%
Commercial real estate	291,198	283,022	574,220	31.0	%
Agriculture	27,000	132,952	159,952	8.6	%
Residential real estate	63,011	536,913	599,924	32.3	%
Consumer	8,160	28,343	36,503	2.0	%
Total	$450,880	$1,403,214	$1,854,094	100.0	%
Covered	$259,364	$50,033	$309,397	16.7	%
Non-covered	191,516	1,353,181	1,544,697	83.3	%
Total	$450,880	$1,403,214	$1,854,094	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. During 2013, the Company determined that the cash flows of one covered commercial and industrial loan pool were no longer reasonably estimable, and in accordance with the guidance in ASC 310-30, this pool was put on non-accrual status. During the three months ended March 31, 2014, this loan pool was returned to accrual status due to improved performance and predictability of cash flows within that pool. At March 31, 2014, this loan pool had a carrying value of $14.7 million. 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.

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Pooled loans accounted for under ASC 310-30 that are 90 days or more past due and still accreting are generally considered to be performing and are included in loans 90 days or more past due and still accruing. At March 31, 2014 and December 31, 2013, $9.7 million and $9.5 million, respectively, of loans excluded from the scope of ASC 310-30 were on non-accrual and $14.8 million of loans accounted for under ASC 310-30 were on non-accrual status at December 31, 2013. Loan delinquency for all loans is shown in the following tables at March 31, 2014 and December 31, 2013, respectively (in thousands):

	Total Loans March 31, 2014							
	30-59 days past due	60-89 days past due	Greater than 90 days past due	Total past due	Current	Total loans	Loans > 90 days past due and still accruing	Non-accrual
Loans excluded from ASC 310-30								
Commercial	$1,210	$1,020	$282	$2,512	$527,950	$530,462	$25	$992
Commercial real estate								
Construction	—	—	—	—	4,957	4,957	—	—
Acquisition/development	44	—	—	44	8,225	8,269	—	—
Multifamily	99	—	—	99	10,294	10,393	—	1,059
Owner-occupied	255	387	52	694	109,089	109,783	—	956
Non owner-occupied	113	38	203	354	183,381	183,735	—	203
Total commercial real estate	511	425	255	1,191	315,946	317,137	—	2,218
Agriculture	80	—	365	445	131,141	131,586	—	539
Residential real estate								
Senior lien	1,401	533	750	2,684	494,576	497,260	—	5,283
Junior lien	65	17	46	128	51,370	51,498	—	482
Total residential real estate	1,466	550	796	2,812	545,946	548,758	—	5,765
Consumer	764	11	29	804	26,299	27,103	28	224
Total loans excluded from ASC 310-30	$4,031	$2,006	$1,727	$7,764	$1,547,282	$1,555,046	$53	$9,738
Covered loans excluded from ASC 310-30	$174	$52	$351	$577	$42,691	$43,268	$—	$2,175
Non-covered loans excluded from ASC 310-30	3,857	1,954	1,376	7,187	1,504,591	1,511,778	53	7,563
Total loans excluded from ASC 310-30	$4,031	$2,006	$1,727	$7,764	$1,547,282	$1,555,046	$53	$9,738
Loans accounted for under ASC 310-30								
Commercial	$15,819	$538	$4,372	$20,729	$31,378	$52,107	$4,372	$—
Commercial real estate	4,425	2,636	41,218	48,279	215,329	263,608	41,219	—
Agriculture	43	—	51	94	23,451	23,545	51	—
Residential real estate	1,997	242	1,968	4,207	56,260	60,467	1,968	—
Consumer	166	7	179	352	6,467	6,819	179	—
Total loans accounted for under ASC 310-30	$22,450	$3,423	$47,788	$73,661	$332,885	$406,546	$47,789	—

Covered loans accounted for under ASC 310-30	$18,589	$2,501	$37,198	$58,288	$186,034	$244,322	$37,199	$—
Non-covered loans accounted for under ASC 310-30	3,861	922	10,590	15,373	146,851	162,224	10,590	—
Total loans accounted for under ASC 310-30	$22,450	$3,423	$47,788	$73,661	$332,885	$406,546	$47,789	$—
Total loans	$26,481	$5,429	$49,515	$81,425	$1,880,167	$1,961,592	$47,842	$9,738
Covered loans	$18,763	$2,553	$37,549	$58,865	$228,725	$287,590	$37,199	$2,175
Non-covered loans	7,718	2,876	11,966	22,560	1,651,442	1,674,002	10,643	7,563
Total loans	$26,481	$5,429	$49,515	$81,425	$1,880,167	$1,961,592	$47,842	$9,738

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	Total Loans December 31, 2013							
	30-59 days past due	60-89 days past due	Greater than 90 days past due	Total past due	Current	Total loans	Loans > 90 days past due and still accruing	Non-accrual
Loans excluded from ASC 310-30								
Commercial	$897	$156	$555	$1,608	$420,376	$421,984	$115	$1,280
Commercial real estate								
Construction	316	—	—	316	5,023	5,339	—	—
Acquisition/development	45	—	—	45	7,975	8,020	—	1
Multifamily	1,003	—	—	1,003	9,681	10,684	—	1,096
Owner-occupied	52	7	21	80	93,367	93,447	—	692
Non owner-occupied	329	—	203	532	165,000	165,532	—	203
Total commercial real estate	1,745	7	224	1,976	281,046	283,022	—	1,992
Agriculture	188	7	—	195	132,757	132,952	—	153
Residential real estate								
Senior lien	733	415	1,062	2,210	482,381	484,591	—	5,326
Junior lien	204	—	80	284	52,038	52,322	—	519
Total residential real estate	937	415	1,142	2,494	534,419	536,913	—	5,845
Consumer	191	21	23	235	28,108	28,343	14	247
Total loans excluded from ASC 310-30	$3,958	$606	$1,944	$6,508	$1,396,706	$1,403,214	$129	$9,517
Covered loans excluded from ASC 310-30	194	60	155	409	49,624	50,033	115	1,944
Non-covered loans excluded from ASC 310-30	3,764	546	1,789	6,099	1,347,082	1,353,181	14	7,573
Total loans excluded from ASC 310-30	$3,958	$606	$1,944	$6,508	$1,396,706	$1,403,214	$129	$9,517
Loans accounted for under ASC 310-30								
Commercial	$582	$322	$4,505	$5,409	$56,102	$61,511	$4,505	$14,827
Commercial real estate	1,902	5,179	49,228	56,309	234,889	291,198	49,227	—
Agriculture	714	—	296	1,010	25,990	27,000	296	—
Residential real estate	977	977	1,817	3,771	59,240	63,011	1,817	—
Consumer	327	265	19	611	7,549	8,160	19	—
Total loans accounted for under ASC 310-30	$4,502	$6,743	$55,865	$67,110	$383,770	$450,880	$55,864	$14,827
Covered loans accounted for under ASC 310-30	$1,471	$4,949	$42,356	$48,776	$210,588	$259,364	$42,355	$14,827
Non-covered loans accounted for under ASC 310-30	3,031	1,794	13,509	18,334	173,182	191,516	13,509	—
Total loans accounted for under ASC 310-30	$4,502	$6,743	$55,865	$67,110	$383,770	$450,880	$55,864	$14,827

Total loans	$8,460	$7,349	$57,809	$73,618	$1,780,476	$1,854,094	$55,993	$24,344
Covered loans	$1,665	$5,009	$42,511	$49,185	$260,212	$309,397	$42,470	$16,771
Non-covered loans	6,795	2,340	15,298	24,433	1,520,264	1,544,697	13,523	7,573
Total loans	$8,460	$7,349	$57,809	$73,618	$1,780,476	$1,854,094	$55,993	$24,344

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Credit exposure for all loans as determined by the Company's internal risk rating system was as follows as of March 31, 2014 and December 31, 2013, respectively (in thousands):

	Total Loans March 31, 2014				
	Pass	Special mention	Substandard	Doubtful	Total
Loans excluded from ASC 310-30					
Commercial	$489,203	$5,394	$35,681	$184	$530,462
Commercial real estate					
Construction	4,957	—	—	—	4,957
Acquisition/development	1,558	2,248	4,463	—	8,269
Multifamily	9,334	—	1,034	25	10,393
Owner-occupied	104,127	166	5,490	—	109,783
Non owner-occupied	161,381	18,140	4,214	—	183,735
Total commercial real estate	281,357	20,554	15,201	25	317,137
Agriculture	121,436	331	9,819	—	131,586
Residential real estate					
Senior lien	488,132	1,223	7,497	408	497,260
Junior lien	49,119	197	2,182	—	51,498
Total residential real estate	537,251	1,420	9,679	408	548,758
Consumer	26,876	—	227	—	27,103
Total loans excluded from ASC 310-30	$1,456,123	$27,699	$70,607	$617	