

National Bank Holdings Corp  
Form 10-K  
March 18, 2013  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

**FORM 10-K**

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended December 31, 2012

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

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(State or other jurisdiction of

(I.R.S. Employer Identification No.)

incorporation or organization)

5570 DTC Parkway,

Greenwood Village, Colorado, 80111

(Address of principal executive offices) (Zip Code)

(720) 529-3336

Registrant's telephone, including area code

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Class A Common Stock, Par Value \$0.01	New York Stock Exchange

Securities registered pursuant to section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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 <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-accelerated filer <input checked="" type="checkbox"/> (do not check if a smaller reporting company)	Smaller Reporting Company <input type="checkbox"/>

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of June 30, 2012, the last business day of the Registrant's most recently completed second fiscal quarter, there was no established public market for the Registrant's Class A or Class B common stock and, therefore, the Registrant cannot calculate the aggregate market value of its Class A and Class B common stock held by non-affiliates as of such date.

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### **APPLICABLE ONLY TO CORPORATE REGISTRANTS:**

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

As of March 11, 2013, NBHC had outstanding 46,347,287 shares of Class A voting common stock, and 5,967,619 shares of Class B non-voting common stock.

### **DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the Registrant's definitive proxy statement for its 2013 Annual Meeting of Shareholders to be filed within 120 days of December 31, 2012 will be incorporated by reference into Part III of this form 10-K.

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**PART I**

**Item 1. BUSINESS.**  
**Summary**

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

We believe we have a disciplined approach to acquisitions, both in terms of the selection of targets and the structuring of transactions, which has been exhibited by our four acquisitions to date. As of December 31, 2012, we had \$5.4 billion in assets, \$4.2 billion in deposits and \$1.1 billion in stockholders' equity. We currently operate a network of 101 full-service banking centers, with the majority of those banking centers located in the greater Kansas City region and Colorado. We believe that our established presence positions us well for growth opportunities in our current and complementary markets.

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

**Our Acquisitions**

A key component of our growth strategy is to grow through the acquisition of financial institutions, including distressed financial institutions. We consider our ability to source, diligence and close transactions to be a core skill set. We established our presence in the greater Kansas City region through two complementary acquisitions completed in the fourth quarter of 2010. On October 22, 2010, we acquired selected assets and assumed selected liabilities of Hillcrest Bank of Overland Park, Kansas from the FDIC. Through this transaction, we acquired nine full-service banking centers and 32 retirement center locations, which are predominantly located in the greater Kansas City region but also include one full-service banking center and six retirement centers in Colorado and two full-service banking centers and six retirement centers in Texas. Retirement centers offer full-service banking services to residents in retirement communities that value convenience and relationship banking. The centers are designed to be efficient and are located within the premises of each community center and typically measure approximately 130 square feet. They are staffed with a part-time banker and open for three hours per day to offer consumer banking services. The products and services are centered on traditional depository services, including checking, money market, and time deposit accounts. We do not have any current plans to further develop this business line.

On December 10, 2010, we completed our acquisition, without FDIC assistance, of a portion of the franchise of Bank Midwest, one of six subsidiaries of Dickinson Financial Corporation, that consisted of select performing loans and client deposits, and included 39 full-service banking centers. As a result of these acquisitions, at June 30, 2012 (the last date as of which data are available), we were the seventh largest depository institution in the Kansas City MSA ranked by deposits with a 4.5% deposit market share according to SNL Financial.

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We expanded in the Colorado market through two complementary acquisitions beginning with the purchase of selected assets and assumption of selected liabilities of Bank of Choice, a state-chartered commercial bank based in Greeley, Colorado, from the FDIC on July 22, 2011. In connection with this acquisition, we also acquired 16 full-service banking centers. On October 21, 2011, we acquired selected assets and assumed selected liabilities of Community Banks of Colorado, a state chartered bank based in Greenwood Village, Colorado, from the FDIC. We acquired 36 full-service banking centers in Colorado and four in California in connection with this transaction. The Community Banks of Colorado acquisition enhanced our penetration into the Colorado market, giving us a combined network of 52 full-service banking centers in that state and ranking us as the 14<sup>th</sup> largest depository institution by deposits with a 1.4% deposit market share as of June 30, 2012 (the last date as of which data are available) according to SNL Financial.

The following table summarizes certain highlights of our four acquisitions to date as of each acquisition date:

	<b>Community Banks of Colorado</b>	<b>Bank of Choice</b>	<b>Bank Midwest</b>	<b>Hillcrest Bank</b>
Date acquired	October 21, 2011	July 22, 2011	December 10, 2010	October 22, 2010
FDIC-assisted	Yes	Yes	No	Yes
Loss share	Yes (1)	No	No	Yes(2)
Full-service banking centers	40	16	39	9 (and 32 retirement centers)
Deposits (millions)	\$1,195	\$760	\$2,386	\$1,234
Assets (millions)	\$1,228	\$950	\$2,426	\$1,377
Primary Market	Colorado	Colorado	Greater Kansas City Region	Greater Kansas City Region

(1) Commercial Shared-Loss Agreement.

(2) Single Family Shared-Loss Agreement and Commercial Shared-Loss Agreement.

We believe we have a disciplined approach to acquisitions, which has been exhibited in our transactions to date. We believe that we have established critical mass in our current markets and have structured acquisitions that limit our credit risk, which has positioned us for attractive risk-adjusted returns. Further details of our acquisitions appear below.

**Hillcrest Bank**

On October 22, 2010, we acquired selected assets and assumed selected liabilities of Hillcrest Bank from the FDIC, as receiver. Hillcrest Bank was a state-chartered non-member bank, established on December 3, 1975 as Oak Park National Bank that subsequently changed its name to Oak Park Bank on May 1, 1987 and to Hillcrest Bank on January 1, 1997. Included in the transaction were 41 banking centers, 26 of which are in the greater Kansas City region (six of which are traditional banking centers and 20 of which are banking centers located within senior living facilities that provide convenient, limited scope banking services consisting primarily of time deposits to the employees and residents of these senior living facilities), eight of which are in Texas (two of which are full-service banking centers and six of which are in senior living facilities) and seven of which are in Colorado (one of which is a full-service banking center and six of which are in senior living facilities).

The Hillcrest Bank acquisition gave the Company assets with a fair value of \$1.4 billion, including \$781 million of loans, \$235 million of marketable investment securities, \$134 million of cash and cash equivalents, and \$226 million of other assets. Liabilities with a fair value of \$1.3 billion were also assumed, including \$1.2 billion of non-brokered deposits, \$84 million of Federal Home Loan Bank ( FHLB ) advances, and \$21 million of other liabilities. The acquisition excluded deposits of \$250 million that were retained by the FDIC, and the FDIC made a cash contribution of \$183 million to us as part of the transaction.

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The FDIC has agreed to absorb a portion of all future credit losses and workout expenses through a loss sharing arrangement that covers single-family mortgage loans for a period of 10 years and commercial loans, including other real estate owned ( OREO ), for a period of five years (excluding \$3.1 million in consumer loans as of the date of acquisition). The coverage amounts are subject to loss thresholds as follows (in thousands):

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

We acquired other Hillcrest Bank assets that are not covered by the loss sharing arrangement with the FDIC, including cash, certain investment securities acquired at fair market value and other tangible assets. The loss sharing arrangement does not apply to subsequently acquired, purchased or originated assets. At June 30, 2012, the covered assets consisted of assets with a book value of \$456.0 million. The total unpaid principal balance ( UPB ) (or for OREO, the carrying amount) of the covered assets at June 30, 2012 was \$609.2 million. In connection with the Hillcrest Bank acquisition, we created the newly chartered Hillcrest Bank, N.A. to hold the acquired assets. Hillcrest Bank, N.A. was later merged into Bank Midwest as described under the heading The Restructuring.

**Bank Midwest**

In July 2010, we agreed to acquire, and on December 10, 2010 we completed the acquisition of certain assets and liabilities formerly held by Bank Midwest, one of six banking subsidiaries owned by Dickinson Financial Corporation, a privately held bank holding company located in Kansas City, Missouri. The acquired assets and assumed liabilities included 39 of Bank Midwest's 58 banking centers, \$2.4 billion of Bank Midwest's \$3.3 billion of deposits and \$905.4 million of Bank Midwest's \$2.4 billion of loans, and the rights to the name Bank Midwest.

Of the 39 banking centers included in the transaction, 25 are in the greater Kansas City region and the remaining 14 are elsewhere in Missouri. The transaction excluded all of Bank Midwest's banking centers that were located in Wal-Mart locations, deposits of \$862 million and all non-accrual loans and OREO, which were retained by Dickinson Financial Corporation.

The Bank Midwest acquisition gave us assets with a fair value of \$2.4 billion, including \$882 million of loans, \$1.4 billion of cash and cash equivalents and \$174 million of other assets. Liabilities with a fair value of \$2.4 billion were also assumed, including \$2.4 billion of non-brokered deposits and \$40 million of other liabilities. In connection with the Bank Midwest acquisition, we established the newly chartered national bank NBH Bank, N.A., originally with the name Bank Midwest, N.A., to hold the acquired assets.

As a result of the Hillcrest and Bank Midwest acquisitions, we were, at June 30, 2012 (the last date as of which data are available), the seventh largest depository institution in the Kansas City MSA ranked by deposits with a 4.5% deposit market share, according to SNL Financial.

**Bank of Choice**

On July 22, 2011, our wholly owned bank subsidiary NBH Bank, N.A., acquired selected assets and assumed selected liabilities of Bank of Choice from the FDIC as receiver. Bank of Choice was a Colorado state-chartered commercial bank established in 1896 and based in Greeley, Colorado. Included in this transaction were 16 full-service banking centers in Colorado.

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The Bank of Choice acquisition gave the Company assets with a fair value of \$950 million, including \$361 million of loans, \$134 million of marketable investment securities, \$402 million of cash and cash equivalents, and \$53 million of other assets. Liabilities with a fair value of \$889 million were also assumed, including \$760 million of non-brokered deposits, \$117 million of FHLB advances, and \$12 million of other liabilities.

We did not enter into a loss sharing agreement with the FDIC on the Bank of Choice acquisition, but rather the FDIC contributed a payment of \$274 million, consisting of a \$172 million asset discount and approximately \$102 million for the difference in liabilities assumed and assets acquired.

**Community Banks of Colorado**

On October 21, 2011, our wholly owned bank subsidiary, NBH Bank, N.A., acquired selected assets and assumed selected liabilities of Community Banks of Colorado from the FDIC as receiver. Community Banks of Colorado was a Colorado state-chartered, Fed-member, commercial bank established in 1973 as Bank of Cripple Creek and later changed its name to Community Banks of Colorado in 1995 and was based in Greenwood Village, Colorado. Included in this transaction were 40 full-service banking centers, 36 of which are in Colorado and four of which are in California.

The Community Banks of Colorado acquisition gave the Company assets with a fair value of \$1.2 billion, including \$755 million of loans, \$11 million of marketable investment securities, \$250 million of cash and cash equivalents, and \$212 million of other assets. Liabilities with a fair value of \$1.2 billion were also assumed, including \$1.2 billion of non-brokered deposits, \$16 million of FHLB advances, and \$17 million of other liabilities.

The FDIC has agreed to absorb a portion of all future credit losses and workout expenses through a loss sharing arrangement that covers the large majority of the Community Bank of Colorado's commercial loans and OREO (\$480 million) for a term of five years. The loss sharing arrangement does not cover any losses on single-family residential loans or selected commercial real estate loans.

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

With the Bank of Choice and Community Banks of Colorado acquisitions, we substantially increased our presence in Colorado, becoming the third largest banking center network among Colorado based banks ranked by deposits as of June 30, 2012 (the last date as of which data are available), according to SNL Financial. We believe this market and our position in it offer attractive growth potential due to the number of distressed banks, retrenching competitors and attractive demographic characteristics.

**The Restructuring**

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

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

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

Concentration of business activity

High-quality deposit bases

Advantageous competitive landscape that provides opportunity to achieve meaningful market presence

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

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

Markets sizeable enough to support our long-term growth objectives

**Current Markets**

Our current markets are broadly defined as the greater Kansas City region and Colorado. Our specific emphasis is on the I-35 corridor surrounding the Kansas City MSA and the Colorado Front Range corridor, defined as the Denver, Boulder, Colorado Springs, Fort Collins and Greeley MSAs. The table below describes certain key statistics regarding our presence in these markets as of June 30, 2012 (the last date as of which data are available).

States	Deposit Market Share Rank (1)	Banking Centers (1)	Deposits (millions) (1)	Deposit Market Share (1)
Missouri	9	41	\$ 1,928.2	1.6%
Colorado	14	56	1,406.3	1.4
Kansas	13	24	722.0	1.1

  

MSAs	Deposit Market Share Rank (1)	Banking Centers (1)	Deposits (millions) (1)	Deposit Market Share (1)
Kansas City, MO-KS	7	50	\$ 1,906.8	4.5%
Denver-Aurora-Broomfield, CO	17	21	606.7	1.0
Greeley, CO	4	5	222.9	7.5
Saint Joseph, MO-KS	3	4	244.1	11.5
Maryville, MO	2	3	167.0	30.3
Kirksville, MO	2	2	139.3	22.1
Fort Collins-Loveland, CO	16	4	89.9	1.7

(1) Note: Excludes our Texas and California operations and MSAs in which we have less than \$100 million in deposits.  
*Source: SNL Financial as of June 30, 2012, except Banking Centers, which reflects the most recently available data.*

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

	Deposits (billions)	# of Businesses (thousands)	Population (millions)	Population Density (# / sq. mile)	Population Growth (1)	Median Household Income	Top 3 Competitor Combined Deposit Market Share
Kansas City, MO-KS MSA	\$ 42.7	77	2.1	263.7	12.4%	\$ 53,761	36%
CO Front Range(2)	80.3	182.7	4.2	280.2	21.7	27,290	52
U.S.				88.7	11.3	50,157	54(3)

(1) Population growths are for the period 2000 through 2012.

(2) CO Front Range is a population weighted average of the following Colorado MSAs: Denver, Boulder, Colorado Springs, Fort Collins and Greeley.

(3) Based on U.S. Top 20 MSAs (determined by population).

Source: SNL Financial as of December 31, 2012, except Deposits and Top 3 Competitor Combined Deposit Market Shares, which reflects data as of June 30, 2012.

**Prospective Markets**

We believe there is significant opportunity to both enhance our presence in our current markets and enter new complementary markets that meet our objectives. As we evaluate potential acquisition opportunities, we believe there are many financial institutions that continue to face credit challenges, capital constraints and liquidity issues. As of December 31, 2012, according to SNL Financial 37 banks in our current markets and in surrounding states had Texas Ratios either (1) in excess of 100% or (2) less than 0%. Texas Ratio is a key measure of a bank's financial health and is defined as the sum of nonaccrual loans, troubled debt restructurings ( TDR s ), other real estate owned ( OREO ) and loans 90 days or more past due and still accruing divided by the sum of the bank's tangible common equity and loan loss reserves. If a bank's Texas Ratio is negative, it indicates that the bank has negative tangible common equity and is therefore generally considered insolvent and also a potential acquisition target. Additionally, as of December 31, 2012, according to SNL Financial there were 88 other banks with assets between \$750 million and \$10 billion and Texas Ratios (1) less than 100% and (2) greater than 0%, which present potential acquisition opportunities that we believe would complement our product offerings while simultaneously taking advantage of operating efficiencies and scale and our local branding and leadership. We believe those dynamics will provide ongoing opportunities for us to continue to execute our acquisition strategy over the next several years. We also believe there are a number of healthy banks in these markets that would complement our breadth of products and services and benefit from our operating effectiveness and scale while welcoming our approach to local branding and leadership.

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

	Banks with Texas Ratios > 100% or <0%			Other Banks with Assets Between \$750mm and \$10bn		
	# of Banks	Total Assets (\$millions)	Total Deposits (\$millions)	# of Banks	Total Assets (\$millions)	Total Deposits (\$millions)
<b>By Urban Corridor</b>						
Kansas City MSA	4	\$ 955	\$ 704	6	\$ 10,070	\$ 7,523
Colorado Front Range	6	1,428	1,222	5	9,445	7,657
<b>Urban Corridor Total</b>	10	\$ 2,383	\$ 1,926	11	\$ 19,515	\$ 15,180
<b>By State</b>						
Missouri	13	\$				