ANDERSONS INC
Form 4
August 11, 2014

FORM 4

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

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL

OMB Number:	3235-0287
Expires:	January 31, 2005
Estimated average burden hours per response...	0.5

(Print or Type Responses)

1. Name and Address of Reporting Person *
WOODS JACQUELINE F

(Last) (First) (Middle)

480 W DUSSEL DR

(Street)

MAUMEE, OH 43537

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
ANDERSONS INC [ANDE]

3. Date of Earliest Transaction (Month/Day/Year)
08/08/2014

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director _____ 10% Owner
_____ Officer (give title below) _____ Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
COMMON STOCK	08/08/2014		M		3,600	A	$ 21.83	24,603	D	
COMMON STOCK	08/08/2014		F		1,314	D	$ 59.84	23,289	D	
COMMON STOCK	08/08/2014		S		100	D	$ 59.67	23,189	D	
COMMON STOCK	08/08/2014		S		1,386	D	$ 59.97	21,803	D	
COMMON STOCK	08/08/2014		S		100	D	$ 59.972	21,703	D	
	08/08/2014		S		200	D		21,503	D	

COMMON STOCK						$ 59.975		
COMMON STOCK	08/08/2014		S	200	D	$ 59.99	21,303	D
COMMON STOCK	08/08/2014		S	100	D	$ 60.018	21,203	D
COMMON STOCK	08/08/2014		S	200	D	$ 60.027	21,003	D

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)	
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares
SOSAR	$ 21.83	08/08/2014		M			3,600	03/01/2011	04/01/2015	COMMON STOCK	3,600

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
WOODS JACQUELINE F 480 W DUSSEL DR MAUMEE, OH 43537	X			

Signatures

Jacqueline Woods, by: Russell Mitchell, Limited Power of Attorney	08/11/2014
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. VALIGN="bottom" ALIGN="right"> 2,747 2,747

1-4 family acquisition/development

173 173 12,116 12,289 285

Commercial construction

202 202

Commercial acquisition/development

10,574 10,574

Multifamily

191 191 15,490 15,681 191

Owner-occupied

345 159 73 577 49,745 50,322 587

Non owner-occupied

845 1,140 7,287 9,272 149,253 158,525 11,561

Total commercial real estate

1,190 1,299 7,724 10,213 240,127 250,340 12,624

Agriculture

137 13 150 70,995 71,145 40

Residential real estate

Sr lien 1-4 family closed end

974 645 490 2,109 269,434 271,543 40 1,714

Jr lien 1-4 family closed end

140 19 89 248 5,179 5,427 89

Sr lien 1-4 family open end

206 99 429 734 57,598 58,332 202 225

Jr lien 1-4 family open end

233 47 81 361 44,395 44,756 134

Total residential real estate							
1,553	810	1,089	3,452	376,606	380,058	242	2,162

Explanation of Responses:

Consumer

Secured

45 297 7 349 20,326 20,675 6

Unsecured

9 2 11 2,031 2,042 1

Credit card

97 8 9 114 3,629 3,743 9

Overdrafts

1,874 1,874

Total consumer

151	307	16	474	27,860	28,334	9	7

Total non-covered loans excluded from ASC Topic 310-30							
4,407	2,416	9,302	16,125	811,418	827,543	345	15,891

Explanation of Responses:

Loans accounted for under ASC 310-30

Commercial							
	1,062	2,582	948	4,592	13,083	17,675	948
Commercial Real Estate							
	3,200	3,962	37,758	44,920	156,822	201,742	37,758
Agriculture							
	245		627	872	11,700	12,572	627
Residential Real Estate							
	2,763	310	23,856	26,929	96,457	123,386	23,856
Consumer							
	470	682	411	1,563	31,910	33,473	411

Total non-covered loans accounted for under ASC 310-30						
7,740	7,536	63,600	78,876	309,972	388,848	63,600

Explanation of Responses:

Total non-covered loans							
$12,147	$9,952	$72,902	$95,001	$1,121,390	$1,216,391	$63,945	$15,891

F-20

Table of Contents

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2012 (Unaudited)

	Non-Covered Loans December 31, 2011							
	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	Non- accrual
Loans excluded from ASC 310-30								
Commercial								
Wholesale	$ 681	$	$	$ 681	$ 24,660	$ 25,341	$	$
Manufacturing		33		33	7,162	7,195		46
Transportation/warehousing					11,501	11,501		
Finance and insurance	238			238	15,888	16,126		512
Oil & gas					20,510	20,510		
Lease					2,532	2,532		
All other commercial and industrial	3,552	434	10	3,996	52,096	56,092		202
Total commercial loans	4,471	467	10	4,948	134,349	139,297		760
Commercial real estate								
1-4 family construction					2,757	2,757		
1-4 family acquisition/development			37	37	13,302	13,339		92
Commercial construction								
Commercial acquisition/development		2,246	4,862	7,108	8,364	15,472		4,862
Multifamily		195		195	18,926	19,121		195
Owner-occupied	2,948			2,948	42,940	45,888		758
Non owner-occupied	2,418	1,234		3,652	166,924	170,576		16,053
Total commercial real estate	5,366	3,675	4,899	13,940	253,213	267,153		21,960
Agriculture	234	31	29	294	51,746	52,040		29
Residential real estate								
Sr lien 1-4 family closed end	791	79	668	1,538	238,035	239,573		1,571
Jr lien 1-4 family closed end	1,364		5	1,369	3,650	5,019		5
Sr lien 1-4 family open end	377	258	339	974	59,640	60,614	290	50
Jr lien 1-4 family open end	193	63	200	456	46,830	47,286		273
Total residential real estate	2,725	400	1,212	4,337	348,155	352,492	290	1,899
Consumer								
Secured	389	4		393	17,935	18,328		
Unsecured	12	1		13	2,701	2,714		1
Credit card	36	21	35	92	6,967	7,059	35	
Overdrafts					1,630	1,630		
Total consumer	437	26	35	498	29,233	29,731	35	1
Total non-covered loans excluded from ASC 310-30	13,233	4,599	6,185	24,017	816,696	840,713	325	24,649
Loans accounted under ASC 310-30								
Commercial	1,176	60	1,334	2,570	28,912	31,482	1,334	
Commercial Real Estate	4,486	630	38,269	43,385	199,912	243,297	38,269	
Agriculture	419		772	1,191	12,798	13,989	772	
Residential Real Estate	4,109	3,727	23,863	31,699	115,540	147,239	23,862	
Consumer	432	249	478	1,159	43,457	44,616	478	

Total non-covered loans accounted for under ASC 310-30	10,622	4,666	64,716	80,004	400,619	480,623	64,715	
Total non-covered loans	$ 23,855	$ 9,265	$ 70,901	$ 104,021	$ 1,217,315	$ 1,321,336	$ 65,040	$ 24,649

Table of Contents

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2012 (Unaudited)

Credit exposure for all non-covered loans as determined by the Company s internal risk rating system was as follows as of June 30, 2012 and December 31, 2011, respectively (in thousands):

	Non-Covered Loans June 30, 2012				
	Pass	Special Mention	Substandard	Doubtful	Total
Loans excluded from ASC 310-30					
Commercial					
Wholesale	$ 12,459	$ 40	$ 832	$	$ 13,331
Manufacturing	6,161	4	33		6,198
Transportation/warehousing	14,094		205		14,299
Finance and insurance	14,209		(1)		14,208
Oil & gas	6,827	9	75		6,911
Lease	1,181		941		2,122
All other commercial and industrial	26,019	4,247	10,331		40,597
Total commercial	80,950	4,300	12,416		97,666
Commercial real estate					
1-4 family construction	2,747				2,747
1-4 family acquisition/development	6,632		5,657		12,289
Commercial construction	202				202
Commercial acquisition/development	2,411		8,163		10,574
Multifamily	10,570	3,935	1,176		15,681
Owner-occupied	40,215	2,522	7,585		50,322
Non owner-occupied	96,483	44,779	17,263		158,525
Total commercial real estate	159,260	51,236	39,844		250,340
Agriculture	68,092	1,636	1,417		71,145
Residential real estate					
Sr lien 1-4 family closed end	267,156	331	4,056		271,543
Jr lien 1-4 family closed end	4,222	656	549		5,427
Sr lien 1-4 family open end	54,784	1,766	1,757	25	58,332
Jr lien 1-4 family open end	42,867	539	1,319	31	44,756
Total residential real estate	369,029	3,292	7,681	56	380,058
Consumer					
Secured	20,660		15		20,675
Unsecured	2,039		3		2,042
Credit card	3,743				3,743
Overdrafts	1,874				1,874
Total consumer	28,316		18		28,334

Total non-covered loans excluded from ASC 310-30	705,647	60,464	61,376	56	827,543
Loans accounted for under ASC 310-30					
Commercial	7,986	2,525	7,164		17,675
Commercial Real Estate	68,572	30,891	101,336	943	201,742
Agriculture	3,491	2,525	6,556		12,572
Residential Real Estate	66,163	5,699	51,049	475	123,386
Consumer	30,395	2,113	965		33,473
Total non-covered loans accounted for under ASC 310-30	176,607	43,753	167,070	1,418	388,848
Total non-covered loans	$ 882,254	$ 104,217	$ 228,446	$ 1,474	$ 1,216,391

F-22

Table of Contents

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2012 (Unaudited)

	Non-Covered Loans December 31, 2011				
	Pass	**Special Mention**	**Substandard**	**Doubtful**	**Total**
Loans excluded from ASC 310-30					
Commercial					
Wholesale	$ 24,038	$	$ 622	$ 681	$ 25,341
Manufacturing	7,116		79		7,195
Transportation/warehousing	11,234		267		11,501
Finance and insurance	13,853	4	2,269		16,126
Oil & gas	20,510				20,510
Lease	1,519		1,013		2,532
All other commercial and industrial	36,330	7,360	12,402		56,092
Total commercial	114,600	7,364	16,652	681	139,297
Commercial real estate					
1-4 family construction	2,757				2,757
1-4 family acquisition/development	7,952	389	4,998		13,339
Commercial construction					
Commercial acquisition/development	2,447	7,555	5,470		15,472
Multifamily	16,884	1,046	1,191		19,121
Owner-occupied	34,611	3,438	7,839		45,888
Non owner-occupied	105,744	36,891	27,941		170,576
Total commercial real estate	170,395	49,319	47,439		267,153
Agriculture	48,116	2,421	1,503		52,040
Residential real estate					
Sr lien 1-4 family closed end	234,983	1,477	3,113		239,573
Jr lien 1-4 family closed end	4,840	127	52		5,019
Sr lien 1-4 family open end	57,853	2,153	608		60,614
Jr lien 1-4 family open end	45,000	637	1,649		47,286
Total residential real estate	342,676	4,394	5,422		352,492
Consumer					
Secured	18,146	172	10		18,328
Unsecured	2,713		1		2,714
Credit card	7,059				7,059
Overdrafts	1,630				1,630
Total consumer	29,548	172	11		29,731
Total non-covered loans excluded from ASC 310-30	705,335	63,670	71,027	681	840,713
Loans accounted for under ASC 310-30					
Commercial	19,464	5,491	6,455	72	31,482
Commercial Real Estate	83,447	53,950	103,779	2,121	243,297
Agriculture	4,315	7,311	2,363		13,989

Residential Real Estate	78,795	14,986	53,458		147,239
Consumer	41,705	1,773	1,138		44,616
Total non-covered loans accounted for under ASC 310-30	227,726	83,511	167,193	2,193	480,623
Total non-covered loans	$ 933,061	$ 147,181	$ 238,220	$ 2,874	$ 1,321,336

Table of Contents

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2012 (Unaudited)

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 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. Inclusive of TDR s, the Company s unpaid principal balance of impaired loans was $62.4 million and $74.7 million at June 30, 2012 and December 31, 2011, respectively.

At June 30, 2012, the Company s unpaid principal balance and recorded investment of impaired loans was $62.4 million and $49.9 million, respectively. Of these impaired loans, 33 were within the commercial real estate segment, with an unpaid principal balance of $34.4 million and a recorded investment of $32.5 million. Twenty-seven of these commercial real estate loans, with a recorded investment of $30.2 million and an unpaid principal balance of $32.1 million were not covered by the FDIC loss sharing agreement, compared to six loans with a recorded investment of $2.2 million and an unpaid principal balance of $2.3 million that were covered by the FDIC loss sharing agreement. The commercial loan segment had a total of 44 loans, 28 of which were not covered by the FDIC loss sharing agreement with an unpaid principal balance and recorded investment of $8.8 million and $8.4 million, respectively. The 16 commercial loans that were covered by the FDIC loss sharing agreement had an unpaid principal balance and recorded investment of $13.8 million and $4.0 million, respectively. The residential real estate loan segment held 57 impaired loans, with an unpaid principal balance of $5.3 million and a recorded investment of $4.9 million. Of these 57 loans, two were covered by the FDIC loss sharing agreement with an unpaid principal balance and recorded investment of $1.6 million and $1.6 million, respectively, leaving 55 loans not covered by the FDIC loss sharing agreement with an unpaid principal balance of $3.7 million and a recorded investment of $3.3 million.

Table of Contents

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2012 (Unaudited)

These 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					
Wholesale	$ 3,846	$ 1,694	$	$ 2,039	$
Manufacturing	33	33		33	
Transportation/warehousing	205	205		210	3
Finance and insurance					
All other commercial and industrial	16,539	8,488		10,325	88
Total commercial	20,623	10,420		12,607	91
Commercial real estate					
1-4 family construction					
1-4 family acquisition/development	5,907	5,657		5,655	150
Commercial construction					
Commercial acquisition/development	8,542	8,163		8,163	16
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	
Total agriculture	43	40		42	
Residential real estate					
Sr. lien 1-4 Family closed end	2,615	2,502		2,564	3
Jr. lien 1-4 family closed end	145	125		131	
Sr. lien 1-4 family open end	778	579		579	1
Jr. lien 1-4 family open end	140	134		136	
Total residential real estate	3,678	3,340		3,410	4
Consumer					
Secured	15	15		15	
Unsecured	1	1		1	
Credit card					
Overdrafts					
Total consumer	16	16		16	

F-25

Table of Contents

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2012 (Unaudited)

			Impaired Loans June 30, 2012		
	Unpaid principal balance	Recorded investment	Allowance for loan losses allocated	Average recorded investment	Interest income recognized
With a related allowance recorded:					
Commercial					
Wholesale					
Manufacturing					
Transportation/warehousing					
Finance and insurance					
All other commercial and industrial	2,013	2,011	1,165	2,052	10
Total commercial	2,013	2,011	1,165	2,052	10
Commercial real estate					
1-4 family construction					
1-4 family acquisition/development					
Commercial construction					
Commercial 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					
Total agriculture					
Residential real estate					
Sr. lien 1-4 Family closed end	1,574	1,557	410	1,580	29
Jr. lien 1-4 family closed end					
Sr. lien 1-4 family open end					
Jr. lien 1-4 family open end					
Total residential real estate	1,574	1,557	410	1,580	29
Consumer					
Secured					
Unsecured					
Credit card					
Overdrafts					
Total Consumer					
Total impaired loans	$ 62,393	$ 49,860	$ 1,893	$ 52,635	$ 359

At December 31, 2011, the Company s unpaid principal balance and recorded investment of impaired loans was $74.7 million and $50.1 million, respectively. Of these impaired loans, 26 were within the commercial real estate segment, with an unpaid principal balance of $58.2 million and a recorded investment of $41.1 million. Twenty-one of these commercial real estate loans, with a recorded investment of $32.9 million and an

unpaid principal balance of $34.9 million were not covered by the FDIC loss sharing agreement, compared to five loans with a recorded investment of $8.2 million and an unpaid principal balance of $23.3 million that were covered by the FDIC loss sharing agreement. The commercial loan segment had a total of 20 loans, ten of which were not covered by the FDIC loss sharing agreement with an unpaid principal balance and recorded investment of

Table of Contents

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2012 (Unaudited)

$.8 million and $.8 million, respectively. The 10 commercial loans that were covered by the FDIC loss sharing agreement had an unpaid principal balance and recorded investment of $11.9 million and $4.6 million, respectively. The residential real estate loan segment held 43 impaired loans, with an unpaid principal balance of $3.9 million and a recorded investment of $3.6 million. Of these 43 loans, three were covered by the FDIC loss sharing agreement with an unpaid principal balance and recorded investment of $1.7 million and $1.7 million, respectively, leaving 40 loans not covered by the FDIC loss sharing agreement with an unpaid principal balance of $2.2 million and a recorded investment of $1.9 million.

These loans had a collective related allowance for loan losses allocated to them of $0.8 million at December 31, 2011. The table below shows additional information regarding impaired loans at December 31, 2011 (in thousands):

	Impaired Loans December 31, 2011				
	Unpaid principal balance	Recorded investment	Allowance for loan losses allocated	Average recorded investment	Interest income recognized
With no related allowance recorded:					
Commercial					
Wholesale	$ 3,205	$ 1,069	$	$ 2,137	$
Manufacturing	48	46		46	
Transportation/warehousing					
Finance and insurance	1,412	679		1,044	
All other commercial and industrial	8,008	3,580		5,793	
Total commercial	12,673	5,374		9,020	
Commercial real estate					
1-4 family construction					
1-4 family acquisition/development	27,205	12,007		19,484	24
Commercial construction					
Commercial acquisition/development	5,717	5,470		5,579	3
Multifamily	203	195		199	
Owner-occupied	2,856	2,678		2,746	6
Non-owner occupied	9,963	9,335		9,397	17
Total commercial real estate	45,944	29,685		37,405	50
Agriculture	30	29		30	
Total agriculture	30	29		30	
Residential real estate					
Sr. lien 1-4 Family closed end	2,756	2,712		2,730	5
Jr. lien 1-4 family closed end	5	5		5	
Sr. lien 1-4 family open end	89	50		70	
Jr. lien 1-4 family open end	468	273		371	
Total residential real estate	3,318	3,040		3,176	5
Consumer					
Secured					

Unsecured	1	1	1
Credit card			
Overdrafts			
Total consumer	1	1	1

Table of Contents

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2012 (Unaudited)

	Impaired Loans December 31, 2011				
	Unpaid principal balance	Recorded investment	Allowance for loan losses allocated	Average recorded investment	Interest income recognized
With an allowance recorded:					
Commercial					
Wholesale	$	$	$	$	$
Manufacturing					
Transportation/warehousing					
Finance and insurance					
All other commercial and industrial					
Total commercial					
Commercial real estate					
1-4 family construction					
1-4 family acquisition/development					
Commercial construction					
Commercial acquisition/development					
Multifamily					
Owner-occupied					
Non-owner occupied	12,304	11,508	608	11,508	
Total commercial real estate	12,304	11,508	608	11,508	
Agriculture					
Total agriculture					
Residential real estate					
Sr. lien 1-4 Family closed end					
Jr. lien 1-4 family closed end					
Sr. lien 1-4 family open end	460	460	174	460	
Jr. lien 1-4 family open end					
Total residential real estate	460	460	174	460	
Consumer					
Secured					
Unsecured					
Credit card					
Overdrafts					
Total Consumer					
Total impaired loans	$ 74,730	$ 50,098	$ 782	$ 61,600	$ 55

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. At June 30, 2012 and December 31,

2011, the Company had $29.5 million and $12.3 million, respectively, of accruing troubled debt restructurings (TDR s) that had been restructured from the original terms in order to facilitate repayment. Of these, $3.7 million and $1.4 million, respectively, were covered by FDIC loss sharing agreements.

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2012 (Unaudited)

During the three and six months ended June 30, 2012, the Company restructured 10 loan with a recorded investment of $16.1 million and 37 loans with a recorded investment of $21.6 million, respectively, to facilitate repayment. Loan modifications to loans accounted for under ASC Topic 310-30 are not considered troubled debt restructurings. The table below provides additional information related to accruing TDR s at June 30, 2012 and December 31, 2011 (in thousands):

	June 30, 2012			
	Recorded investment	Average year-to-date recorded investment	Unpaid principal balance	Unfunded commitments to fund TDR s
Commercial	$ 9,002	$ 8,938	$ 9,345	$ 1,743
Commercial real estate	18,229	18,273	18,975	
Agriculture				
Residential real estate	2,302	2,320	2,317	
Consumer	8	9	8	
Total	$ 29,541	$ 29,540	$ 30,645	$ 1,743

	December 31, 2011			
	Recorded investment	Average year-to date recorded investment	Unpaid principal balance	Unfunded commitments to fund TDR s
Commercial	$	$	$	$ 60
Commercial real estate	11,184	11,184	11,678	24
Agriculture				
Residential real estate	1,141	1,141	1,141	60
Consumer				
	$ 12,325	$ 12,325	$ 12,819	$ 144

The following table summarizes the Company s carrying value of non-accrual TDR s as of June 30, 2012 and December 31, 2011 (in thousands):

	Non-Accruing TDR s			
	June 30, 2012		December 31, 2011	
	Covered	Non-covered	Covered	Non-covered
Commercial	$	$ 650	$	$ 119
Commercial real estate		8,014		16,108
Agriculture				
Residential real estate	434	54		61
Consumer				
Total	$ 434	$ 8,719	$	$ 16,288

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 its restructured terms during the six months ended June 30, 2012. 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 non-owner occupied commercial real estate loan with a balance of $0.6 million at June 30, 2012 and the maximum amount defaulted during the period was $0.6 million.

Table of Contents

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2012 (Unaudited)

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 Topic 310-30 resulted in the following changes in the carrying amount of accretable yield during the six months ended June 30, 2012 (in thousands):

Accretable yield balance at December 31, 2011	$ 186,494
Reclassification from non-accretable difference	29,483
Reclassification to non-accretable difference	(5,651)
Accretion	(52,244)
Accretable yield balance at June 30, 2012	$ 158,082

Below is the composition of the net book value for loans accounted for under ASC Topic 310-30 at June 30, 2012 and December 31, 2011 (in thousands):

	June 30, 2012	December 31, 2011
Contractual cash flows	$ 1,722,993	$ 2,030,374
Non-accretable difference	(504,479)	(536,171)
Accretable yield	(158,082)	(186,494)
Loans accounted for under ASC Topic 310-30	$ 1,060,432	$ 1,307,709

Table of Contents

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2012 (Unaudited)

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, 2012 (in thousands):

	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	0	101	0	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)
Recoveries	155	273		(0)		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

Table of Contents

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2012 (Unaudited)

	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	2,382	138	758	161	6,327
Non 310-30 ending balance	1,725	3,577	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	$ 7,796	$ 660	$ 4,872	$ 647	$ 17,294
Ending allowance balance attributable to:						
Non 310-30 loans individually evaluated	$ 1,165	$ 318	$	$ 410	$	$ 1,893
Non 310-30 loans collectively evaluated	560	3,259	284	3,404	635	8,141
310-30 loans acquired w/ deteriorated credit	1,593	4,219	376	1,059	12	7,259
Total ending allowance balance	$ 3,318	$ 7,796	$ 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 allowance	153,622	226,768	87,864	377,210	28,318	873,782
310-30 loans acquired w/ deteriorated credit	117,711	706,672	59,139	143,432	33,478	1,060,432
Total loans	$ 283,764	$ 965,916	$ 147,043	$ 525,539	$ 61,812	$ 1,984,074

During the six months ended June 30, 2012 the Company reestimated the expected cash flows of the loan pools accounted for under ASC Topic 310-30 utilizing the same cash flow methodology used at the time of acquisition. The re-measurement resulted in impairments of $13.7 million, which were primarily driven by impairments of $7.8 million in the commercial real estate pools, the majority of which was from a Hillcrest Bank acquired loan portfolio, a $4.9 million impairment of the land and development pools, primarily driven by one loan acquired from Community Banks of Colorado, a $0.6 million impairment of residential real estate pools in the Bank of Choice acquired portfolio, and a $0.4 million impairment of a commercial and industrial pool related to the Hillcrest Bank acquired loan portfolio.

In evaluating the loan portfolio for an appropriate ALL level, non-impaired loans 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

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2012 (Unaudited)

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. During the six months ended June 30, 2012 the Company recorded $6.3 million of provision for loan losses for loans not accounted for under ASC Topic 310-30 primarily to provide for credit risk inherent in new loan originations and provide for charge offs previously provided for.

The Company charged off $5.6 million, net of recoveries, of non-ASC Topic 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 is 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. FDIC indemnification assets of $159.7 million and $151.0 million were established at the respective dates of the Hillcrest Bank and Community Banks of Colorado acquisitions as the estimated fair value of the expected reimbursements from the FDIC for losses on covered loans and OREO. 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, 2012 and 2011(in thousands):

	June 30, 2012	June 30, 2011
Balance at beginning of period	$ 223,402	$ 161,395
Accretion	(6,333)	3,739
Reduction for claims filed	(68,542)	(9,680)
Balance at end of period	$ 148,527	$ 155,454

During the six months ended June 30, 2012, we 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 as discussed below. 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. During the six months ended June 30, 2012 we 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 incurred during the fourth quarter of 2011 and the first quarter of 2012. Included in the $74.1 million were $5.6 million of claims related to additional losses incurred during the period that were not previously considered in the carrying amount of the indemnification asset. The loss claims

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2012 (Unaudited)

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, 2012, the FDIC paid $33.1 million related to losses incurred during the fourth quarter and paid us an additional $13.4 million subsequent to June 30, 2012. The remaining claimed amounts are anticipated to be received during the third quarter of 2012 and are included in other assets.

Note 7 Premises and Equipment

Premises and equipment consisted of the following at June 30, 2012 and December 31, 2011:

	June 30, 2012	December 30, 2011
Land	$ 29,719	$ 25,186
Buildings and improvements	69,521	48,933
Equipment	23,283	15,960
Total	122,522	90,079
Less: accumulated depreciation and amortization	(5,614)	(2,764)
Premises and equipment, net	$ 116,908	$ 87,315

Premises and equipment increased $29.6 million from December 31, 2011 to June 30, 2012, primarily because the Company purchased 26 of the banking center premises related to the Community Banks of Colorado acquisition from the FDIC. The Company incurred $1.8 million and $0.3 million of depreciation expense during the three months ended June 30, 2012 and 2011 and $3.0 million and $0.7 million of depreciation expense during the six months ended June 30, 2012 and 2011, respectively, which is included in occupancy and equipment expense.

Note 8 Other Real Estate Owned

A summary of the activity in the OREO balances during the six months ended June 30, 2012 and 2011 is as follows (in thousands):

	Six Months Ended June 30,	
	2012	2011
Balance at December 31	$ 120,636	$ 54,078
Transfers from loan portfolio, at fair value	56,100	29,426
Impairments	(7,213)	
Sales, net of gains and losses	(31,811)	(12,004)
Balance at June 30	$ 137,712	$ 71,500

The OREO balance of $137.7 million at June 30, 2012 includes the interests of several outside participating banks totaling $17.9 million, for which an offsetting liability is recorded in other liabilities and excludes $12.2 million 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 $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, and during the six months ended June 30, 2011, the Company sold $11.4 million of OREO and realized net losses of $0.6 million.

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2012 (Unaudited)

Note 9 Deposits

As of June 30, 2012 and December 31, 2011, deposits totaled $4.5 billion and $5.1 billion, respectively. Time deposits decreased from $2.8 billion at December 31, 2011 to $2.2 billion at June 30, 2012. The following table summarizes the Company s time deposits, based upon contractual maturity, at June 30, 2012 and December 31, 2011, by remaining maturity (in thousands):

	June 30, 2012		December 31, 2011	
	Balance	Weighted Average Rate	Balance	Weighted Average Rate
Three months or less	$ 636,277	1.29%	$ 746,835	1.30%
Over 3 months through 6 months	500,019	0.89%	554,740	1.15%
Over 6 months through 12 months	526,645	0.83%	1,014,949	1.23%
Over 12 months through 24 months	354,027	1.13%	309,848	1.58%
Over 24 months through 36 months	73,235	1.85%	52,879	2.01%
Over 36 months through 48 months	51,978	2.38%	54,678	2.65%
Over 48 months through 60 months	38,245	1.72%	43,550	1.89%
Thereafter	6,075	2.50%	7,117	2.77%
Total time deposits	$ 2,186,501	1.12%	$ 2,784,596	1.33%

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, 2012 and December 31, 2011, the Company had approximately $569.8 million and $1.1 billion, 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):

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
Non-interest bearing demand deposits	$	$	$	$
Interest bearing demand deposits	308	94	735	223
Money market accounts	980	1,155	2,071	2,428
Savings accounts	76	91	161	211
Time deposits	6,536	8,481	14,536	18,031
Total	$ 7,900	$ 9,821	$ 17,503	$ 20,893

Note 10 Regulatory Capital

NBH Bank, N.A. is subject to the regulatory capital adequacy requirements of the Federal Reserve Board, the FDIC, and the OCC, as applicable. Failure to meet the minimum capital requirements can initiate certain mandatory and possibly further discretionary actions by regulators that could have a material adverse effect on the Company s consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, banks must meet specific capital requirements that involve quantitative measures of assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. Capital amounts and classifications are subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2012 (Unaudited)

Typically, mature banks are required to maintain a Tier I risk-based capital ratio of 4.00%, a total risk-based capital ratio of 8.00% and a Tier 1 leverage ratio of 4.00% in order to meet minimum, adequately capitalized regulatory requirements. To be considered well-capitalized (under prompt corrective action provisions), banks must maintain minimum capital ratios of 6.00% for Tier I risk-based capital, 10.00% for total risk-based capital and 5.00% for the Tier 1 leverage ratio. However, in connection with the approval of the de novo charter for NBH Bank, N.A., the Company has agreed with its regulators to maintain capital levels of at least 10% Tier 1 leverage ratio, 11% Tier 1 risk-based capital ratio and 12% Tier 1 risk-based capital ratio through the fourth quarter of 2013.

At June 30, 2012 and December 31, 2011, as applicable, NBH Bank, N.A. and our 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, 2012					
	Actual		Required to be considered well capitalized (1)		Required to be considered adequately capitalized	
	Ratio	Amount	Ratio	Amount	Ratio	Amount
Tier 1 leverage ratio						
Consolidated	17.0%	$ 981,967	N/A	N/A	4%	$ 230,790
NBH Bank, N.A	15.2%	861,332	10%	$ 565,426	4%	226,170
Tier 1 risk-based capital ratio (2)						
Consolidated	49.3%	$ 981,967	6%	$ 119,451	4%	$ 79,634
NBH Bank, N.A	43.8%	861,332	11%	216,102	4%	78,583
Total risk-based capital ratio (2)						
Consolidated	50.2%	$ 999,572	10%	$ 199,086	8%	$ 159,268
NBH Bank, N.A	44.7%	878,937	12%	235,748	8%	157,165

	December 31, 2011					
	Actual		Required to be considered well capitalized (1)		Required to be considered adequately capitalized	
	Ratio	Amount	Ratio	Amount	Ratio	Amount
Tier 1 leverage ratio						
Consolidated	15.1%	$ 949,154	N/A	N/A	4%	$ 251,514
NBH Bank, N.A	13.4%	828,321	10%	$ 616,919	4%	246,768
Tier 1 risk-based capital ratio (2)						
Consolidated	49.4%	$ 949,154	6%	$ 114,077	4%	$ 76,051
NBH Bank, N.A.	44.2%	828,321	11%	206,258	4%	75,003
Total risk based capital ratio (2)						
Consolidated	50.5%	$ 960,681	10%	$ 190,129	8%	$ 152,103
NBH Bank, N.A	44.8%	839,848	12%	225,009	8%	150,006

(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 charters for the NBH Bank, N.A., as described above.

(2) Due to the conditional guarantee represented by the loss sharing agreements, the FDIC indemnification asset, as well as covered assets, are risk-weighted at 20% for purposes of risk-based capital computations.

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2012 (Unaudited)

Note 11 FDIC Loss Sharing Income

In connection with the loss sharing agreements that the Company has with the FDIC in regard to the Hillcrest Bank and Community Bank of Colorado transactions, the Company recognizes the changes in the FDIC indemnification asset and the clawback liability, in addition to the actual reimbursement of costs of resolution of covered assets from the FDIC, in FDIC loss sharing income in the consolidated 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, 2012 and 2011 (in thousands):

	For the three months ended June 30,		For the six months ended June 30,	
	2012	2011	2012	2011
FDIC indemnification asset accretion	$ (2,646)	$ 1,509	$ (6,333)	$ 3,739
Clawback liability amortization	(357)	(167)	(711)	(327)
Clawback liability remeasurement	1,077		1,067	
Reimbursement to FDIC for gain on sale	(163)		434	117
Reimbursement to FDIC for recoveries			(1)	23
FDIC reimbursement of costs of resolution of covered assets	3,519	582	6,986	2,847
Total	$ 1,430	$ 1,924	$ 1,442	$ 6,399

Note 12 Stock-Based Compensation and Employee Benefits

The Company provides stock-based compensation in accordance with the NBH Holdings Corp. 2009 Equity Incentive Plan (the Plan). The Plan provides the compensation committee of the board of directors of the Company the authority to grant, from time to time, awards of options, stock appreciation rights, restricted stock, restricted stock units, stock awards, or stock bonuses to eligible persons. On March 22, 2012, shareholders approved an amendment to the Plan, increasing the number of shares of Company stock reserved for issuance under the Plan by a number equal to 10% of the number of shares of common stock issued by the Company in its initial public offering of newly issued shares of common stock. As of June 30, 2012, the Company had not completed its initial public offering, and therefore, the aggregate number of shares of stock which may be granted under the Plan remained 5,750,000 and the maximum number of restricted shares and restricted share units that may be granted remained 1,725,000.

To date, the Company has issued stock options and restricted stock under the Plan. The compensation committee sets the option exercise price at the time of grant but in no case is the exercise price less than the fair market value of a share of stock at the date of grant. The Company has used information provided by third parties, including independent valuation specialists, as required by the Plan, to assist in the determination of estimates regarding fair values associated with the Company s stock-based compensation, including contemporaneous valuations of grant date fair values; however, the Company assumes full responsibility for the assumptions used therein and the resulting values.

The Company issued stock options and restricted stock during the six months ended June 30, 2012. The expense associated with the awarded stock options was measured at fair value using a Black-Scholes option-pricing model. The time vesting component of the restricted stock was valued at the same price as the common shares since they are assumed to be held beyond the vesting period. The market vesting component of the restricted stock was valued using a Monte Carlo Simulation with 100,000 simulation paths to assess the expected percentage of vested shares. A Geometric Brownian Motion was used for simulating the equity prices for a period of 10 years and if the restricted stock were not vested during the 10-year period it was assumed they were forfeited.

F-37

Table of Contents

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2012 (Unaudited)

Below are the weighted average assumptions used in the Black-Scholes option pricing model and the Monte Carlo Simulation to determine fair value of the Company s stock options and the market-vesting portion of the Company s restricted stock granted during the six months ended June 30, 2012:

	Black-Scholes	Monte Carlo
Risk-free interest rate	1.06%	1.10%
Expected volatility	38.00%	38.00%
Expected term (years)	6	10
Dividend yield	0.00%	0.00%

The Company s shares are not yet publicly traded and have limited private trading; therefore, expected volatility was estimated based on the median historical volatility, for a period commensurate with the expected term of the options, of 13 comparable companies with publicly traded shares. 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 and the dividend yield was assumed to be zero.

The following table summarizes the material vesting terms of the stock options granted in 2012:

	Number of Options Granted in 2012
Options are time-vested with 1/3 vesting on each of the first, second and third anniversary of the date of grant, and further subject to the Company s shares becoming publicly listed	240,000
Total options granted in 2012	240,000

Table of Contents

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2012 (Unaudited)

The following table summarizes option activity for the year ended December 31, 2011 and for the three months ended March 31, 2012 and June 30, 2012:

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term in Years	Aggregate Intrinsic Value
Outstanding at December 31, 2010	2,357,332	$ 20.00		
Granted during the three months ended March 31, 2011	203,500	20.00		
Granted during the three months ended June 30, 2011	63,500	20.00		
Granted during the three months ended September 30, 2011	26,500	20.00		
Granted during the three months ended December 31, 2011	993,000	20.00		
Forfeited	(402,500)	20.00		
Exercised				
Outstanding at December 31, 2011	3,241,332	20.00	9.67	
Granted during the three months ended March 31, 2012	215,000	20.00		
Granted during the three months ended June 30, 2012	25,000	20.00		
Forfeited	(8,000)	20.00		
Exercised				
Outstanding at June 30, 2012	3,473,332	20.00	7.33	
Options fully vested and exercisable at June 30, 2012	1,070,418	20.00	7.48	
Options expected to vest	2,302,520	$ 20.00	7.25	

Options granted during the six months ended June 30, 2012 had weighted average grant date fair values of $8.77.

Stock option expense is included in salaries and employee benefits in the accompanying consolidated statements of operations and totaled $1.1 million and $2.2 million, respectively, for the three months ended June 30, 2012 and 2011, and $2.0 million and $4.4 million for the six months ended June 30, 2012 and 2011, respectively. The options to acquire 240,000 shares of common stock granted during the six months ended June 30, 2012 and the options to acquire 993,000 shares of common stock granted during the fourth quarter of 2011 are subject to an additional vesting requirement of the Company s shares being publically listed on a national exchange. In accordance with ASC Topic 718, the Company will start recognizing compensation expense on the grants that have vesting requirements tied to the Company s shares becoming listed on a national exchange subsequent to that vesting requirement being fulfilled, with an expense recognition catch-up for the portion of the expense that has been deferred until that vesting criteria is met. As a result, no expense was recorded on these particular grants during the six months ended June 30, 2012 or during 2011. Upon listing on a national exchange, we will immediately recognize an expense catch-up for the portion of the expense that has been deferred until that vesting criterion is met. At June 30, 2012, the deferred portion of expense related to

Table of Contents

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2012 (Unaudited)

awards that have a public listing vesting requirement was $3.5 million. At June 30, 2012, there was $7.6 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 0.5 years.

Restricted stock may also be issued under the Plan as described above. Compensation expense for the portion of the restricted stock that contains a market vesting condition is recognized over the derived service period based on the fair value of the awards on the grant date. Compensation expense for the portion of the restricted stock that contains performance and service vesting conditions is recognized over the requisite service period based on fair value of the awards on the grant date. The Company did not recognize any expense related to the restricted stock awards that have vesting requirements tied to the Company s shares becoming listed on a national exchange, but will recognize this expense subsequent to that vesting requirement being fulfilled, as described above.

The following table summarizes restricted stock activity for the six months ended June 30, 2012:

	Restricted Stock	Weighted Average Grant Date Fair Value
Unvested at December 31, 2011	1,108,334	$ 15.58
Vested	(33,542)	20.00
Granted	100,000	19.94
Forfeited		
Surrendered		
Unvested at June 30, 2012	1,174,792	$ 15.82

As of June 30, 2012, there was $6.1 million of total unrecognized compensation cost related to non-vested restricted shares granted under the Plan. The cost is expected to be recognized over a weighted average period of 0.6 years. Expense related to restricted stock totaled $1.0 million and $2.1 million during the three months ended June 30, 2012 and 2011, respectively, and $2.3 million and $4.2 million during the six months ended June 30, 2012 and 2011, respectively, and is included in salaries and employee benefits in the Company s unaudited consolidated statements of operations.

Note 13 Warrants

At June 30, 2012 and December 31, 2011, the Company had 830,750 outstanding warrants to purchase Company stock. The warrants were granted to certain lead stockholders of the Company, all with an exercise price of $20.00 per share. The term of the warrants is for ten years from the date of grant and the expiration dates of the warrants range from October 20, 2019 to September 30, 2020. The fair value of the warrants was estimated to be $7.0 million and $6.9 million at June 30, 2012 and December 31, 2011, respectively. The fair value of the warrants was estimated using a Black-Scholes option pricing model utilizing the following assumptions at the indicated dates:

	June 30, 2012	December 31, 2011
Risk-free interest rate	1.47%	1.56%
Expected volatility	38.00%	34.93%
Expected term (years)	7.3-8.3	8-9

Dividend yield	0.00%	0.00%

F-40

Table of Contents

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2012 (Unaudited)

The Company s shares are not yet publicly traded and have limited private trading; therefore, expected volatility was estimated based on the median historical volatility, for a period commensurate with the expected term of the warrants, of 13 comparable companies with publicly traded shares. The risk-free rate for the expected term of the warrants 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 based on the contractual term of the warrants. The dividend yield was assumed to be zero.

During the three months ended June 30, 2012, the Company recorded a benefit of $0.6 million and during the three months ended June 30, 2011, the Company recorded expense of $0.8 million. During the six months ended June 30, 2012 and 2011, the Company recorded expense of $0.1 million and $0.8 million, respectively, in the unaudited consolidated statements of operations resulting from the change in fair value on the revaluation of the warrant liability.

Note 14 Common Stock

The Company had 44,645,886 shares of Class A common stock and 7,545,353 shares of Class B common stock outstanding as of June 30, 2012 and 44,612,344 shares of Class A common stock and 7,545,353 shares of Class B common stock outstanding as of December 31, 2011. Additionally, as of June 30, 2012 and December 31, 2011, respectively, the Company had 1,174,792 and 1,108,334 shares 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.

At the Company s March 22, 2012 annual shareholders meeting, shareholders approved an elimination of the restriction on ownership of Class A shares and the automatic conversion of Class A shares into Class B non-voting shares. Shareholders also approved an amendment to the Certificate of Incorporation to add new provisions that would permit the underwriters in a registered offering to cause the conversion of shares of Class B non-voting shares into Class A shares in connection with such registered offerings and to deliver only Class A shares to buyers in such offerings.

Note 15 Income Per Share

The Company had 52,191,239 and 51,936,280 shares issued (inclusive and Class A & B) and outstanding as of June 30, 2012 and 2011, respectively, inclusive of 250,000 shares of founders shares that were issued in 2009 at par value. Stock options, certain 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 the three and six months ended June 30, 2012 and 2011. The Company also has Value Appreciation Rights (VAR s) issued to the FDIC in conjunction with the acquisition of Bank of Choice and Community Banks of Colorado that are potentially dilutive should the FDIC choose to settle this right in the Company s stock. The exercisability of the VAR s is contingent upon the Company having a triggering event upon public listing of its stock or a sale event, and as of June 30, 2012, the triggering events had not occurred, and as a result, the VAR s are not included in the calculations of diluted earnings per share.

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2012 (Unaudited)

The following table illustrates the computation of basic and diluted income per share for the three and six months ended June 30, 2012 and 2011 (in thousands except earnings per share):

	For the three months ended June, 30		For the six months ended June, 30	
	2012	**2011**	**2012**	**2011**
Basic earnings per share:				
Income available to common stockholders (numerator)	$ 2,702	$ 1,685	$ 4,345	$ 5,758
Weighted average common shares outstanding	52,191	51,936	52,184	51,936
Basic earnings per share:	$ 0.05	$ 0.03	$ 0.08	$ 0.11
Diluted earnings per share:				
Income available to common stockholders (numerator)	$ 2,702	$ 1,685	$ 4,345	$ 5,758
Weighted average common shares outstanding	52,191	51,936	52,184	51,936
Plus: effect of dilutive securities restricted stock (with no performance restrictions)	128	292	127	299
Weighted average shares applicable to diluted earnings per share (denominator)	52,319	52,228	52,311	52,235
Diluted earnings per share:	$ 0.05	$ 0.03	$ 0.08	$ 0.11

The Company had 3,473,332 and 2,620,832 outstanding stock options to purchase common stock at $20.00 per share at June 30, 2012 and 2011, 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, 2012 and 2011. The warrants have an exercise price of $20.00, which was out-of-the-money for purposes of dilution calculations. The Company had 1,174,792 and 1,299,168 restricted shares outstanding as of June 30, 2012 and 2011, 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.

Note 16 Commitments and Contingencies

Financial instrument commitments and contingencies

In the normal course of business, the Company enters into various off-balance sheet commitments to help meet the financing needs of clients. These financial instruments include commitments to extend credit, commercial and consumer lines of credit and standby letters of credit. The same credit policies are applied to these commitments as the loans on the consolidated statements of financial condition; however, these commitments involve varying degrees of credit risk in excess of the amount recognized in the consolidated statements of financial condition. At June 30, 2012 and December 31, 2011, the Company had loan commitments totaling $355.2 million and $341.1 million, respectively, and standby letters of credit that totaled $13.5 million and $20.0 million, respectively. The total amounts of unused commitments do not necessarily represent future credit exposure or cash requirements, as commitments often expire without being drawn upon. However, the contractual amount of these commitments represents the Company s potential credit loss exposure. Amounts funded at Hillcrest Bank and Community Banks of Colorado under non-cancelable commitments in effect at the date of acquisition are covered under the respective loss sharing agreements if certain conditions are met.

F-42

Table of Contents

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2012 (Unaudited)

Total unfunded commitments at June 30, 2012 and December 31, 2011 were as follows (in thousands):

	June 30, 2012			December 31, 2011		
	Covered	**Not Covered**	**Total**	**Covered**	**Not Covered**	**Total**
Commitments to fund loans:						
Residential	$	$ 68,711	$ 68,711	$ 1,517	$ 30,194	$ 31,711
Commercial and commercial real estate	574	21,729	22,303	2,437	38,937	41,374
Construction and land development	441	331	772	3,565	776	4,341
Consumer		8,992	8,992		39,690	39,690
Credit card lines of credit		17,581	17,581		20,738	20,738
Unfunded commitments under lines of credit	48,786	188,005	236,791	68,223	135,001	203,224
Commercial and standby letters of credit	5,584	7,892	13,476	3,051	16,986	20,037
Total	$ 55,385	$ 313,241	$ 368,626	$ 78,793	$ 282,322	$ 361,115

Commitments to fund loans Commitments to fund loans are legally binding agreements to lend to clients in accordance with predetermined contractual provisions providing there have been no violations of any conditions specified in the contract. These commitments are generally at variable interest rates and are for specific periods or contain termination clauses and may require the payment of a fee. The total amounts of unused commitments are not necessarily representative of future credit exposure or cash requirements, as commitments often expire without being drawn upon.

Credit card lines of credit The Company extends lines of credit to clients through the use of credit cards issued by the banks. These lines of credit represent the maximum amounts allowed to be funded, many of which will not exhaust the established limits, and as such, these amounts are not necessarily representations of future cash requirements or credit exposure.

Unfunded commitments under lines of credit In the ordinary course of business, the Company extends revolving credit to its clients through the use of bank-issued credit cards. These arrangements may require the payment of a fee.

Commercial and standby letters of credit As a provider of financial services, the Company routinely issues commercial and standby letters of credit, which may be financial standby letters of credit or performance standby letters of credit. These are various forms of back-up commitments to guarantee the performance of a customer to a third party. While these arrangements represent a potential cash outlay for the Company, the majority of these letters of credit will expire without being drawn upon. Letters of credit are subject to the same underwriting and credit approval process as traditional loans, and as such, many of them have various forms of collateral securing the commitment, which may include real estate, personal property, receivables or marketable securities.

Contingencies

In the ordinary course of business, the Company and its banks may be subject to litigation. Based upon the available information and advice from the Company s legal counsel, management does not believe that any potential, threatened or pending litigation to which it is a party will have a material adverse effect on the Company s liquidity, financial condition or results of operations.

Table of Contents

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2012 (Unaudited)

Note 17 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.

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. The Company classified its U.S. Treasury securities as Level 1 in the fair value hierarchy as of June 30, 2012 and December 31, 2011. 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, 2012 and December 31, 2011, the Company s level 2 securities included asset backed securities, mortgage-backed securities comprised of residential mortgage pass-through securities, other residential mortgage-backed securities, and at December 31, 2011 also included other mortgage-backed securities, all of which were issued or guaranteed by U.S. Government agencies or sponsored agencies. All other investment securities are classified as level 3. There were no transfers between levels 1 or 2 during the six months ended June 30, 2012 or 2011.

Table of Contents

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2012 (Unaudited)

Value appreciation rights issued to the FDIC The Company measures the fair value of the VAR on a recurring basis and is based on the spread between the strike price of the VAR and the average multiple of price to tangible book value indicated by national and regional bank indices, multiplied by the maximum number of applicable units.

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 common stock is not publicly traded in an exchange, and the fair value measurement of the warrant liability requires significant unobservable inputs to the valuation model.

Clawback liability The Company 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 agreements on a recurring basis. 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, 2012 and December 31, 2011 on the consolidated statement of financial condition utilizing the hierarchy structure described above (in thousands):

	June 30, 2012			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Investment Securities available-for-sale:				
U.S. Treasury securities	$ 300	$	$	$ 300
Asset backed securities		92,733		92,733
Mortgage-backed securities (MBS):				
Residential mortgage pass-through securities issued or guaranteed by U.S. Government agencies or sponsored agencies		792,384		792,384
Other residential MBS issued or guaranteed by U.S. Government agencies or sponsored agencies		918,007		918,007
Other securities			419	419
Total assets at fair value	$ 300	$ 1,803,124	$ 419	$ 1,803,843
Liabilities:				
Value appreciation rights issued to FDIC	$	$	$ 1,767	$ 1,767
Warrant liability			6,982	6,982
Clawback liability			29,638	29,638
Total liabilities at fair value	$	$	$ 38,387	$ 38,387

F-45

Table of Contents

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2012 (Unaudited)

	December 31, 2011			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Investment Securities available-for-sale:				
U.S. Treasury securities	$ 3,300	$	$	$ 3,300
U.S. Government sponsored agency obligations	3,010			3,010
Mortgage-backed securities (MBS):				
Residential mortgage pass-through securities issued or guaranteed by U.S. Government agencies or sponsored agencies		1,191,537		1,191,537
Other residential MBS issued or guaranteed by U.S. Government agencies or sponsored agencies		643,625		643,625
Other MBS issued or guaranteed by U.S. Government agencies or sponsored agencies		20,808		20,808
Other securities			419	419
Total assets at fair value	$ 6,310	$ 1,855,970	$ 419	$ 1,862,699
Liabilities:				
Value appreciation rights issued to FDIC	$	$	$ 1,767	$ 1,767
Warrant liability			6,845	6,845
Clawback liability			29,994	29,994
Total liabilities at fair value	$	$	$ 38,606	$ 38,606

The table below details the changes in Level 3 financial instruments during the six months ended June 30, 2012 (in thousands):

	Value appreciation rights issued to FDIC	**Warrant liability**	**Clawback liability**
Balance at December 31, 2011	$ 1,767	$ 6,845	$ 29,994
Change in value		137	
Accretion			711
Clawback revaluation			(1,067)
Net change in Level 3		137	(356)
Balance at end of period	$ 1,767	$ 6,982	$ 29,638

F-46

Table of Contents

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2012 (Unaudited)

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, 2012 (in thousands):

	Fair Value at June 30, 2012	Valuation Technique	Unobservable Input	Quantitative measures
Other securities	$ 419	Cash investment in private equity fund	Cash investment	
Impaired loans	49,859	Appraised value	Appraised values	
			Discount rate	0-25%
Clawback liability	29,638	Contractually	Intrinsic loss	
		defined	estimates	$323.3 million - $405 million
		Discounted Cash Flows	Expected credit losses	
			Asset purchase premium	$98 million - $182.7 million
			Discount rate	0.04
			Discount period	
Value appreciation rights issued to FDIC	1,767	Contractual	Tangible book value per share	
Warrant liability	6,982	Black-Scholes	Volatility	35% - 41%
		Finnerty Model	Holding period	0.6 - 1.0 (years)
			Stock price per share	

Fair Value of Instruments Measured on a Non-recurring Basis

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, 2012, the Company measured eleven loans not accounted for under ASC Topic 310-30 at fair value on a non-recurring basis. These loans carried specific reserves totaling $1.9 million. During the six months ended June 30, 2012 the Company added specific reserves of $1.2 million for two loans within the commercial segment with carrying balances of $2.0 million, $0.3 million for five loans within the commercial real estate segment (non-owner occupied) with carrying balances of $3.8 million, and $0.2 million for two residential real estate loans with carrying balances of $1.8 million. In addition, specific reserves totaling $0.6 million were eliminated during the six months ended, June 30, 2012 for two loans in non-owner occupied commercial real estate that were charged-off.

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 $7.2 million of OREO impairments during the six months ended June 30, 2012, of which $6.0 million, or 83.7%, 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

F-47

Table of Contents

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2012 (Unaudited)

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.

	Three Months Ended June 30, 2012				
	Level 1	Level 2	Level 3	Total	Gains (Losses) From Fair Value Changes
Other real estate owned	$	$	$ 137,712	$ 137,712	$ (7,213)
Impaired loans	$	$	$ 49,859	$ 49,859	$ (1,756)

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, 2012.

Note 18 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 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.

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2012 (Unaudited)

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, 2012 and December 31, 2011, 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, 2012		December 31, 2011	
		Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
ASSETS:					
Cash and cash equivalents	Level 1	$ 704,586	$ 704,586	$ 1,628,137	$ 1,628,137
U.S. Treasury securities available-for-sale	Level 1	300	300	3,300	3,300
U.S. Government sponsored agency obligations available-for-sale	Level 1			3,010	3,010
Asset backed securities available-for-sale	Level 2	92,733	92,733		
Mortgage-backed securities residential mortgage pass-through securities issued or guaranteed by U.S. Government agencies or sponsored agencies available-for-sale	Level 2	792,384	792,384	1,191,537	1,191,537
Mortgage-backed securities other residential mortgage-backed securities issued or guaranteed by U.S. Government agencies or sponsored agencies available-for-sale	Level 2	918,007	918,007	643,625	643,625
Mortgage-backed securities other mortgage-backed securities issued or guaranteed by U.S. Government agencies or sponsored agencies available-for-sale	Level 2			20,808	20,808
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 agencies held-to-maturity	Level 2	707,110	713,130	6,801	6,829
Capital stock of FHLB	Level 2	8,056	8,056	4,097	4,097
Capital stock of FRB	Level 2	25,020	25,020	25,020	25,020
Loans receivable	Level 3	1,966,780	1,966,376	2,262,524	2,272,886
Accrued interest receivable	Level 2	14,867	14,867	16,022	16,022
LIABILITIES:					
Deposit transaction accounts	Level 2	2,343,048	2,343,048	2,278,457	2,278,457
Time deposits	Level 2	2,186,501	2,153,246	2,784,596	2,790,314
Securities sold under agreements to repurchase	Level 2	57,508	57,508	47,597	47,597
Due to FDIC	Level 3	32,810	32,810	67,972	67,972
Value appreciation rights issued to FDIC	Level 3	1,767	1,767	1,767	1,767
Warranty liability	Level 3	6,982	6,982	6,845	6,845
Accrued interest payable	Level 2	6,533	6,533	11,017	11,017

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2012 (Unaudited)

Cash and cash equivalents

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

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 and covered loans

The estimated fair value of the loan portfolio is estimated using a discounted cash flow analysis using a discount rate based on interest rates currently being offered 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.

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 date, for deposits of similar remaining maturities.

Securities sold under agreements to repurchase

The vast majority of the Company s repurchase agreements are overnight transactions that mature the day after the transaction, and as a result of this short-term nature, the estimated fair value is equal to the carrying value.

Due to FDIC

The amount due to FDIC is specified in the purchase agreements and is discounted to reflect the uncertainty in the timing and payment of the amount due by the Company.

Value appreciation rights issued to FDIC (VAR)

The estimated fair value of the VAR is tied to the Company s stock price and is fully described in note 4 of the Company s December 31, 2011 audited consolidated financial statements.

Warrant liability

The warrant liability is estimated using a Black-Scholes model, the assumptions of which are detailed in note 17.

Accrued interest payable

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

Table of Contents

KPMG LLP

Suite 1000

1000 Walnut Street

Kansas City, MO 64106-2162

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders

National Bank Holdings Corporation:

We have audited the accompanying consolidated statements of financial condition of National Bank Holdings Corporation and subsidiaries (fka NBH Holdings Corp.) (the Company) as of December 31, 2011 and 2010, and the related consolidated statements of operations, stockholders equity and other comprehensive income, and cash flows for the years ended December 31, 2011 and 2010, and for the period from June 16, 2009 (date of inception) through December 31, 2009. These consolidated financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of National Bank Holdings Corporation and subsidiaries as of December 31, 2011 and 2010, and the results of their operations and their cash flows for the years ended December 31, 2011 and 2010, and for the period from June 16, 2009 (date of inception) through December 31, 2009, in conformity with U.S. generally accepted accounting principles.

Kansas City, Missouri

March 27, 2012

KPMG LLP is a Delaware limited liability partnership,

the U.S. member firm of KPMG International Cooperative

(KPMG International), a Swiss entity.

Table of Contents

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES

Consolidated Statements of Financial Condition

December 31, 2011 and 2010

(In thousands, except share and per share data)

	December 31, 2011	December 31, 2010
ASSETS		
Cash and due from banks	$ 93,862	$ 64,885
Due from Federal Reserve Bank of Kansas City	1,421,734	1,449,905
Federal funds sold and interest bearing bank deposits	112,541	392,940
Cash and cash equivalents	1,628,137	1,907,730
Investment securities available-for-sale	1,862,699	1,254,595
Investment securities held-to-maturity	6,801	
Non-marketable securities	29,117	17,800
Loans receivable, net covered	952,715	703,573
Loans receivable, net non-covered	1,321,336	865,297
Allowance for loan losses	(11,527)	(48)
Loans, net	2,262,524	1,568,822
Federal Deposit Insurance Corporation (FDIC) indemnification asset, net	223,402	161,395
Other real estate owned	120,636	54,078
Premises and equipment, net	87,315	37,320
Goodwill	59,630	52,442
Intangible assets, net	32,923	27,273
Other assets	38,842	24,066
Total assets	$ 6,352,026	$ 5,105,521
LIABILITIES AND STOCKHOLDERS EQUITY		
Liabilities:		
Demand deposits:		
Non-interest bearing	$ 678,735	$ 326,159
Interest bearing	537,160	211,601
Savings and money market	1,062,562	671,562
Time deposits	2,784,596	2,264,017
Total deposits	5,063,053	3,473,339
Pending investment trades payable		564,094
Securities sold under agreements to repurchase	47,597	24,164
Due to FDIC	67,972	13,564
Other liabilities	84,675	36,601
Total liabilities	5,263,297	4,111,762
Stockholders equity:		
Common Stock, par value $0.01 per share:		
400,000,000 shares authorized and 52,157,697 and 51,936,280 shares issued and outstanding at December 31, 2011 and December 31, 2010, respectively	522	520

Additional paid in capital		994,705		982,637
Retained earnings		46,480		4,517
Accumulated other comprehensive income, net of tax		47,022		6,085
Total stockholders equity		1,088,729		993,759
Total liabilities and stockholders equity	$	6,352,026	$	5,105,521

See accompanying notes to the consolidated financial statements.

Table of Contents

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES

Consolidated Statements of Operations

For the Years ended December 31, 2011 and 2010 and

For the Period from June 16, 2009 (Date of Inception) through December 31, 2009

(In thousands, except share and per share data)

	2011	2010	2009
Interest and dividend income:			
Interest and fees on loans	$ 134,069	$ 17,153	$
Interest and dividends on investment securities	59,323	1,501	
Dividends on non-marketable securities	1,132	88	
Interest on interest-bearing bank deposits	2,635	2,680	481
Total interest and dividend income	197,159	21,422	481
Interest expense:			
Interest on deposits	41,574	5,483	
Interest on borrowings	122	29	
Total interest expense	41,696	5,512	
Net interest income before provision for loan losses	155,463	15,910	481
Provision for loan losses	20,002	88	
Net interest income after provision for loan losses	135,461	15,822	481
Non-interest income:			
FDIC loss sharing (expense) income	(4,722)	2,236	
Service charges	16,810	1,094	
Bank card fees	7,611	517	
Bargain purchase gain	60,520	37,778	
Gain (loss) on sales of mortgages	1,103	268	
Gain (loss) on sale of securities, net	(645)	11	
Gain on recoveries of previously charged-off acquired loans	5,902		
Other non-interest income	2,907	259	
Total non-interest income	89,486	42,163	
Non-interest expense:			
Salaries and employee benefits	67,480	25,876	1,775
Occupancy and equipment	17,975	1,392	32
Professional fees	14,250	1,338	84
Telecommunications and data processing	12,905	849	
Marketing and business development	6,034	65	
Other real estate owned expenses	7,064	673	
Problem loan expenses	4,389	615	
Intangible asset amortization	4,359		
FDIC deposit insurance	4,550	712	
ATM/debit card expenses	2,892	206	

Acquisition related costs	4,935	14,076	
Loss (gain) from change in fair value of warrant liability	(56)	44	(270)
Other non-interest expense	8,761	3,135	226
Total non-interest expense	155,538	48,981	1,847
Income (loss) before income taxes	69,409	9,004	(1,366)
Income tax expense	27,446	2,953	168
Net income (loss)	$ 41,963	$ 6,051	$ (1,534)
Income (loss) per share basic	$ 0.81	$ 0.11	$ (0.07)
Income (loss) per share diluted	$ 0.81	$ 0.11	$ (0.07)
Weighted average number of common shares outstanding:			
Basic	51,978,744	53,000,454	21,251,006
Diluted	52,104,021	53,000,454	21,251,006

See accompanying notes to the consolidated financial statements.

F-53

Table of Contents

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the Years ended December 31, 2011 and 2010 and

For the Period from June 16, 2009 (Date of Inception) through December 31, 2009

(In thousands)

	2011	2010	2009
Cash flows from operating activities:			
Net income (loss)	$ 41,963	$ 6,051	$ (1,534)
Adjustments to reconcile net income (loss) to net cash used in operating activities:			
Provision for loan losses	20,002	88	
Depreciation and amortization	7,028	228	
Loss (gain) on sale of securities, net	645	(11)	
Deferred income tax expense	(1,941)	2,561	
Discount accretion, net of premium amortization	5,504	743	
Loan accretion	(75,760)	(12,586)	
Amortization (accretion) of indemnification asset	6,132	(1,689)	
Bargain purchase gain	(60,520)	(37,778)	
(Gain) loss on the sale of other real estate owned, net	(3,063)	432	
Impairment on other real estate owned	1,138		
Stock-based compensation	12,564	16,613	
Increase in due to FDIC, net	5,844	13,564	
Decrease (increase) in other assets	5,094	(10,038)	(485)
Decrease (increase) in other liabilities	14,295	(13,589)	74
Net cash used in operating activities	(21,075)	(35,411)	(1,945)
Cash flows from investing activities:			
(Purchase) sale of FHLB of Des Moines stock	(3,467)	3,024	
Sale of FHLB of Topeka stock	12,252		
Purchase of FRB Stock	(13,320)	(16,800)	
Sale of FRB stock	5,811		
Sales of investment securities available-for-sale	228,374	69,118	
Maturities of investment securities available-for-sale	269,859		
Purchase of investment securities held-to-maturity	(3,583)		
Purchase and settlement of investment securities available-for-sale	(1,463,778)	(460,169)	
Net decrease in loans	425,537	95,969	
Purchase of premises and equipment	(21,823)	(950)	(80)
Proceeds from sales of other real estate owned	51,745	8,029	
Decrease in FDIC Indemnification asset	82,848		
Net cash provided from acquisitions	636,918	1,492,167	
Net cash provided by (used in) investing activities	207,373	1,190,388	(80)
Cash flows from financing activities:			
Net decrease in deposits	(365,500)	(146,571)	
Increase in repurchase agreements	18,832		
Repayment of FHLB Advances	(133,529)	(83,894)	
FDIC Clawback liability	14,800	11,571	
Restricted stock redemptions	(496)		
Issuance (repurchase) of common stock	2	(127,641)	1,101,313
Net cash (used in) provided by financing activities	(465,891)	(346,535)	1,101,313

(Decrease) increase in cash and cash equivalents	(279,593)	808,442	1,099,288
Cash and cash equivalents at beginning of the year	1,907,730	1,099,288	
Cash and cash equivalents at end of the year	$ 1,628,137	1,907,730	$ 1,099,288
Supplemental disclosure of cash flow information:			
Cash paid during the year for interest	$ 46,063	$ 8,503	$
Cash paid during the year for taxes	$ 16,772	$ 685	$
Issuance of warrants	$	$ 4,845	$ 2,283
Issuance of value appreciation rights	$ 1,147	$ 750	$
Supplemental schedule of noncash investing activities:			
Loans transferred to other real estate owned	$ 52,294	$ 11,604	$
Investment trades transacted but not settled	$	$ 564,094	$

See accompanying notes to the consolidated financial statements.

Table of Contents

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES

Consolidated Statements of Stockholders Equity and

Other Comprehensive Income

For the Years ended December 31, 2011 and 2010 and

For the Period from June 16, 2009 (Date of Inception) through December 31, 2009

(In thousands, except share data)

	Common stock	Additional paid-in capital	Retained (deficit)/earnings	Accumulated other comprehensive income, net	Total
Balance, June 16, 2009	$	$	$	$	$
Capital contribution	584	1,100,729			1,101,313
Issuance of common stock warrants (237,500 warrants)		(2,283)			(2,283)
Net loss			(1,534)		(1,534)
Balance, December 31, 2009	$ 584	$ 1,098,446	$ (1,534)	$	$ 1,097,496
Shares repurchased (6,382,024 shares)	(64)	(127,577)			(127,641)
Issuance of warrants (593,200 warrants)		(4,845)			(4,845)
Increase in additional paid-in capital in connection with stock-based compensation plans		16,613			16,613
Net income, net of tax of $4			6,051		6,051
Other comprehensive income:					
Unrealized gains on available-for-sale securities arising during the period, net of tax of $3,138				6,092	6,092
Reclassification adjustment for gains included in net income, net of tax of $4				(7)	(7)
Total comprehensive income					12,136
Balance, December 31, 2010	$ 520	$ 982,637	$ 4,517	$ 6,085	$ 993,759
Increase in additional paid-in capital in connection with stock-based compensation plans		12,564			12,564
Restricted stock vesting	2				2
Redemption of restricted stock		(496)			(496)
Transfer					
Net income			41,963		41,963
Other comprehensive income:					
Unrealized gains on available-for-sale securities arising during the period, net of tax of $26,263				40,537	40,537
Reclassification adjustment for losses included in net income, net of tax of $245				400	400
Total comprehensive income					82,900
Balance, December 31, 2011	$ 522	$ 994,705	$ 46,480	$ 47,022	$ 1,088,729

See accompanying notes to the consolidated financial statements.

F-55

Table of Contents

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011, 2010 and 2009

Note 1 Basis of Presentation

National Bank Holdings Corporation, formerly known as NBH Holdings Corp., (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 consolidated financial statements include the accounts of Company and its wholly owned subsidiaries, Bank Midwest, N.A., which was acquired by the Company on December 10, 2010 (now known as NBH Bank, N.A.), including the accounts of the Bank of Choice, which was acquired by Bank Midwest, N.A. on July 22, 2011 and the Community Banks of Colorado, which was acquired by Bank Midwest, N.A. on October 21, 2011, and Hillcrest Bank, N.A., which was acquired by the Company on October 22, 2010 and merged into Bank Midwest, N.A. in 2011 (collectively, the Banks). The results of operations of the Banks are included from the respective dates of the acquisitions (October 22, 2010 for Hillcrest Bank, N.A., December 10, 2010 for Bank Midwest, N.A., July 22, 2011 for Bank of Choice, and October 21, 2011 for Community Banks of Colorado), and as such, the operating results for 2009 do not reflect any results of operations for the Banks. 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. The consolidated financial statements reflect all adjustments which are, in the opinion of management, necessary for a fair statement of the results presented, including retrospective adjustments to the acquisition day fair values of certain assets acquired and liabilities assumed in the Community Banks of Colorado transaction that occurred during the measurement period. All other 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.

In accordance with the guidance provided by Securities and Exchange Commission (SEC) Staff Accounting Bulletin Topic 1.K, Financial Statements of Acquired Troubled Financial Institutions (SAB 1.K), and pursuant to a request for relief submitted to, and not objected to by the SEC, the Company has omitted certain financial information of its acquisitions that is typically required under Rule 3-05 of Regulation S-X and the related pro forma financial information required by Article 11 of Regulation S-X. SAB 1.K provides relief from certain reporting requirements, including pro forma information in the case of an acquisition of a troubled financial institution for which historical financial information is not reasonably available and in which federal assistance is an essential and significant part of the transaction, or where the nature and magnitude of federal assistance is so pervasive as to substantially reduce the relevance of such information to an assessment of future operations.

As discussed in Note 3, the Financial Accounting Standards Board (FASB) released new guidance to address pro forma disclosure requirements for business combinations. For the Company, disclosure of such information is impracticable as the Company s acquisitions related to troubled financial institutions for which historical financial information is not reasonably available and in which federal assistance was an essential and significant part of the transaction, or where the nature and magnitude of federal assistance is so pervasive as to reduce the relevance of such information to an assessment of future operations.

The Company s significant accounting policies followed in the preparation of the consolidated financial statements are disclosed in Note 2. 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 covered assets, the valuation of the FDIC indemnification asset and clawback liability, the valuation of other real estate owned, the fair value

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011, 2010 and 2009

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, 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 Summary of Significant Accounting Policies

a) Acquisition activities The Company accounts for business combinations under the acquisition method of accounting. Assets acquired and liabilities assumed are measured and recorded at fair value at the date of acquisition, including identifiable intangible assets. If the fair value of net assets acquired exceeds the fair value of consideration paid, a bargain purchase gain is recognized at the date of acquisition. Conversely, if the consideration paid exceeds the fair value of the net assets acquired, goodwill is recognized at the acquisition date. Fair values are subject to refinement for up to a maximum of one year after the closing date of an acquisition as information relative to closing date fair values becomes available.

The determination of the fair value of loans acquired takes into account credit quality deterioration and probability of loss; therefore, the related ALL is not carried forward. The Company has segregated total loans into two separate categories: (a) loans receivable covered and (b) loans receivable non-covered, both of which are more fully described below.

Identifiable intangible assets are recognized separately if they arise from contractual or other legal rights or if they are separable (i.e., capable of being sold, transferred, licensed, rented, or exchanged separately from the entity). Deposit liabilities and the related depositor relationship intangible assets, known as the core deposit intangible assets, may be exchanged in observable exchange transactions. As a result, the core deposit intangible asset is considered identifiable, because the separability criterion has been met.

An FDIC indemnification asset is recognized when the FDIC contractually indemnifies, in whole or in part, the Company for a particular uncertainty. The recognition and measurement of an indemnification asset is based on the related indemnified items. The Company recognizes an indemnification asset at the same time that the indemnified item is recognized and measures it on the same basis as the indemnified items, subject to collectibility or contractual limitations on the indemnified amounts.

Under FDIC loss sharing agreements, the Company may be required to return a portion of cash received from the FDIC in the event that losses do not reach a specified threshold, based on the initial discount less cumulative servicing costs for the covered assets acquired. Such liabilities are referred to as clawback liabilities and are considered to be contingent consideration as they require the return of a portion of the initial consideration in the event that certain contingencies are met. The Company recognizes clawback liabilities that represent contingent consideration at fair value at the date of acquisition. The clawback liabilities are included in due to FDIC in the accompanying consolidated statements of financial condition, and are periodically re-measured and any changes in value are reflected in both the carrying amount of the clawback liability and the related accretion that is recognized through FDIC loss sharing income in the consolidated statements of operations until the contingency is resolved.

b) Cash and cash equivalents Cash and cash equivalents include cash, cash items, amounts due from other banks, amounts due from the Federal Reserve Bank of Kansas City, federal funds sold, and interest-bearing bank deposits.

Table of Contents

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011, 2010 and 2009

c) Investment securities Investment securities may be classified in three categories: trading, available-for-sale and held-to-maturity. Management determines the appropriate classification at the time of purchase and reevaluates the classification at each reporting period. The Company has classified the majority of its investment portfolio as available-for-sale. Any sales of available-for-sale securities are for the purpose of executing the Company s asset/liability management strategy, reducing borrowings, funding loan growth, providing liquidity, or eliminating a perceived credit risk in a specific security. Held-to-maturity securities are carried at amortized cost and the available-for-sale securities are carried at estimated fair value. Unrealized gains or losses on securities available-for-sale are reported as accumulated other comprehensive income (AOCI), a component of stockholders equity, net of income tax. Gains and losses realized upon sales of securities are calculated using the specific-identification method and are included in gains or losses on sale of securities, net in the consolidated statements of operations. Premiums and discounts are amortized to interest income over the estimated lives of the securities. Prepayment experience is periodically evaluated and a determination made regarding the appropriate estimate of the future rates of prepayment. When a change in a bond s estimated remaining life is necessary, a corresponding adjustment is made in the related premium amortization or discount accretion. Purchases and sales of securities, including any corresponding gains or losses, are recognized on a trade-date basis and a receivable or payable is recognized for pending transaction settlements.

Management evaluates all investments for OTTI on a quarterly basis, and more frequently when economic or market conditions warrant such evaluation. Impairment is considered to be other-than-temporary if it is likely that all amounts contractually due will not be received for debt securities and when there is no positive evidence indicating that an investment s carrying amount is recoverable in the near term for equity securities. When impairment is considered other than temporary, the cost basis of the security is written down to fair value, with the impairment charge related to credit included in earnings, while the impairment charge related to all other factors is recognized in other comprehensive income. If the Company has the intent to sell the security or it is more likely than not that the Company will be required to sell the security, the entire amount of the OTTI is recorded in earnings. In evaluating whether the impairment is temporary or other than temporary, the Company considers, among other things, the severity and duration of the unrealized loss position; adverse conditions specifically related to the security; changes in expected future cash flows; downgrades in the rating of the security by a rating agency; the failure of the issuer to make scheduled interest or principal payments; whether the Company has the intent to sell the security; and whether it is more likely than not that the Company will be required to sell the security.

d) Non-marketable securities Non-marketable securities include Federal Reserve Bank stock and Federal Home Loan Bank stock. These securities have been acquired for debt or regulatory purposes, are carried at cost, and are classified as available-for-sale.

e) Loans receivable covered Loans acquired in FDIC assisted transactions that are covered under loss sharing agreements are referred to as covered loans. Pursuant to the terms of the loss sharing agreements, the FDIC will reimburse the Company for a percentage of losses on covered assets up to stated loss thresholds. The Company must reimburse the FDIC for its share of recoveries with respect to losses for which the FDIC paid the Company a reimbursement under loss sharing agreements.

Covered loans are recorded at their estimated fair value at the time of acquisition. Estimated fair values of covered loans were based on a discounted cash flow methodology that considers various factors including the type of loan and related collateral, classification status, fixed or variable interest rate, term of loan and whether or not the loan was amortizing, and a discount rate reflecting the Company s assessment of risk inherent in the cash flow estimates. Covered loans were grouped together according to similar characteristics such as type of loan, loan purpose, geography, risk rating and underlying collateral and were treated as distinct pools when applying

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011, 2010 and 2009

various valuation techniques and, in certain circumstances, for the ongoing monitoring of the credit quality and performance of the pools. Each pool is accounted for as a single loan for which the integrity is maintained throughout the life of the asset.

The Company accounts for and evaluates acquired loans in accordance with the provisions of Accounting Standards Codification (ASC) Topic 310-30, *Loans and Debt Securities Acquired with Deteriorated Credit Quality*. When loans exhibit evidence of credit deterioration since origination and it is probable at the date of acquisition that the Company will not collect all principal and interest payments in accordance with the terms of the loan agreement, the expected shortfall in future cash flows, as compared to the contractual amount due, is recognized as a non-accretable difference. Any excess of expected cash flows over the acquisition date fair value is known as the accretable yield, and is recognized as accretion income over the life of each pool. Loans that meet the criteria for non-accrual of interest at the time of acquisition may be considered performing, regardless of whether the customer is contractually delinquent, if the timing and expected cash flows on such loans can be reasonably estimated and if collection of the new carrying value of such loans is expected.

Expected cash flows over the acquisition date fair value are periodically reestimated utilizing the same cash flow methodology used at the time of acquisition and subsequent decreases to the expected cash flows will generally result in a provision for loan losses charge to the Company s consolidated statements of operations. Any increases to the cash flow projections are recognized on a prospective basis through an increase to the pool s accretion income over its remaining life once any previously recorded provision expense has been reversed. These cash flow evaluations are inherently subjective as they require material estimates, all of which may be susceptible to significant change.

Covered loans outside the scope of ASC Topic 310-30 are accounted for under ASC Topic 310, *Receivables*. Discounts created when the loans are recorded at their estimated fair values at acquisition are accreted over the remaining term of the loan as an adjustment to the related loan s yield. Similar to uncovered and originated loans described below, the accrual of interest income on covered loans that are not impaired at the time of acquisition is discontinued when the collection of principal or interest, in whole or in part, is doubtful. Interest is generally not accrued on loans 90 days or more past due unless they are well secured and in the process of collection.

In the event of borrower default of covered loans or non-covered loans, as described below, the Company may seek recovery in compliance with state lending laws, the respective loan agreements, and credit monitoring and remediation procedures that may include modifying or restructuring a loan from its original terms, for economic or legal reasons, to provide a concession to the borrower from their original terms due to borrower financial difficulties in order to facilitate repayment. Such restructured loans are considered troubled debt restructurings and are identified in accordance with ASC Topic 310-40 *Troubled Debt Restructurings by Creditors*. Under this guidance, modifications to loans that fall within the scope of ASC Topic 310-30 are not considered troubled debt restructurings, regardless of otherwise meeting the definition of a troubled debt restructuring.

f) Loans receivable non-covered Loans receivable not covered include loans that are acquired through acquisitions that are not covered by loss sharing agreements and loans originated by the Company. Much like covered loans, acquired non-covered loans are initially recorded at fair value and are accounted for under either ASC Topic 310-30 or ASC Topic 310, as described above. Loans originated by the Company are carried at the principal amount outstanding, net of premiums, discounts, unearned income, and deferred loan fees and costs. Non-refundable loan origination and commitment fees, net of direct costs of originating or acquiring loans, and fair value adjustments for acquired loans, are deferred and recognized as an adjustment to the loans effective yield over the estimated remaining lives of the related loans.

Table of Contents

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011, 2010 and 2009

Interest income on loans that were not impaired at the time of acquisition and interest income on loans originated by the Company is accrued and credited to income as it is earned using the interest method based on daily balances of the principal amount outstanding. However, interest is generally not accrued on loans 90 days or more past due, unless they are well secured and in the process of collection. Additionally, in certain situations, loans that are not contractually past due may be placed on non-accrual status due to the continued failure to adhere to contractual payment terms by the borrower coupled with other pertinent factors, such as insufficient collateral value or deficient primary and secondary sources of repayment. Accrued interest receivable is reversed when a loan is placed on non-accrual status and payments received generally reduce the carrying value of the loan. Interest is not accrued while a loan is on non-accrual status and interest income is generally recognized on a cash basis only after payment in full of the past due principal and collection of principal outstanding is reasonably assured. A loan may be placed back on accrual status if all contractual payments have been received, or sooner under certain conditions and collection of future principal and interest payments is no longer doubtful.

g) Allowance for loan losses The allowance for loan losses (ALL) represents management s estimate of probable credit losses inherent in loans, including acquired and covered loans to the extent necessary, as of the balance sheet date. The determination of the ALL takes into consideration, among other matters, the estimated fair value of the underlying collateral, economic conditions, historical net loan losses, any declines in cash flow assumptions from acquisition, and other factors that warrant recognition. In addition, various regulatory agencies, as an integral part of the examination process, periodically review the ALL. Such agencies may require the Company to recognize additions to the ALL or increases to adversely graded classified loans based on their judgments about information available to them at the time of their examinations.

The Company uses an internal risk rating system to indicate credit quality in the loan portfolio. The risk rating system is applied to covered and non-covered loans and uses a series of grades, which reflect management s assessment of the risk attributable to loans based on an analysis of the borrower s financial condition and ability to meet contractual debt service requirements. Loans that management perceives to have acceptable risk are categorized as Pass loans. The Special mention loans represent loans that have potential credit weaknesses that deserve management s close attention. Special mention loans include borrowers that have potential weaknesses or unwarranted risks that, unless corrected, may threaten the borrower s ability to meet debt requirements. However, these borrowers are still believed to have the ability to respond to and resolve the financial issues that threaten their financial situation. Loans classified as Substandard are inadequately protected by the current sound worth and paying capacity of the obligor or of the collateral pledged, if any. Substandard loans have a distinct possibility of loss if the deficiencies are not corrected. Doubtful loans are loans that management believes the collection of payments in accordance with the terms of the loan agreement is highly questionable and improbable. Doubtful loans are deemed impaired and put on non-accrual status. Loans accounted for under ASC Topic 310-30, despite being 90 days or more past due or internally adversely classified, may be classified as performing upon and subsequent to acquisition, regardless of whether the customer is contractually delinquent, if the timing and expected cash flows on such loans can be reasonably estimated and if collection of the carrying value of such loans is expected. Interest accrual is discontinued on doubtful loans and certain substandard loans that are excluded from ASC Topic 310-30, as is more fully discussed in Note 7.

The Company routinely evaluates risk-rated credits for impairment. Impairment, if any, is typically measured for each loan based on a thorough analysis of the most probable source of repayment, including the present value of the loan s expected future cash flows, the loan s estimated fair value, or the estimated fair value of the underlying collateral less costs of disposition for collateral dependent loans. General allowances are established for loans with similar characteristics. In this process, general allowance factors are based on an analysis of historical loss and recovery experience, if any, related to the acquired loans, as well as certain industry experience, with adjustments made for qualitative or environmental factors that are likely to cause

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011, 2010 and 2009

estimated credit losses to differ from historical experience. To the extent that the data supporting such factors has limitations, management s judgment and experience play a key role in determining the allowance estimates.

Additions to the ALL are made by provisions for loan losses that are charged to operations. The allowance is decreased by charge-offs due to losses and is increased by provisions for loan losses and recoveries. When it is determined that specific loans, or portions thereof, are uncollectible, these amounts are charged off against the ALL. If repayment of the loan is collateral dependent, the fair value of the collateral, less cost to sell, is used to determine charge-off amounts.

The Company maintains an ALL for loans accounted for under ASC Topic 310-30 as a result of impairment to loan pools arising from the periodic re-valuation of these loans. Any impairment in the individual pool is generally recognized in the current period as provision for loan losses. Any improvement in the estimated cash flows, is generally not recognized immediately, but is instead reflected as an adjustment to the related loan pools yield on a prospective basis once any previously recorded impairment has been recaptured.

h) FDIC indemnification asset An FDIC indemnification asset results from loss sharing agreements in FDIC-assisted transactions and is measured separately from the related covered assets as they are not contractually embedded in those assets and are not transferable should the Company choose to dispose of the covered assets. The FDIC indemnification asset represents the estimated fair value of expected reimbursements from the FDIC for losses on covered loans and covered OREO. Pursuant to the terms of the loss sharing agreements, covered loans and OREO are subject to stated loss thresholds whereby the FDIC will reimburse the Company for a percentage of losses and expenses up to the stated loss thresholds. The FDIC indemnification asset is initially recorded at its estimated fair value. Fair value is estimated using projected cash flows related to the loss sharing agreements based on the expected reimbursements for losses and the applicable loss sharing percentages. These cash flows are discounted to reflect the uncertainty of the timing of the loss sharing reimbursement from the FDIC and the discount is accreted to income in connection with the expected speed of reimbursements. This accretion is included in FDIC loss sharing income (loss) in the consolidated statements of operations.

The accounting for the FDIC indemnification asset is closely related to the accounting for the underlying, indemnified assets. The Company reestimates the expected indemnification asset cash flows in conjunction with the periodic reestimation of cash flows on covered loans. Improvements in cash flow expectations on covered loans generally result in a related decline in the expected indemnification cash flows and are reflected prospectively as a negative yield adjustment on the indemnification asset. Declines in cash flow expectations on covered loans generally result in an increase in expected indemnification cash flows and are reflected as an increase to the indemnification asset. This increase is included in FDIC loss sharing income (loss) in the consolidated statements of operations. As indemnified assets are resolved and the Company is reimbursed by the FDIC for the value of the resolved portion of the FDIC indemnification asset, the Company reduces the carrying value of the FDIC indemnification asset.

i) Clawback liability A clawback liability is recorded to reflect the contingent liability assumed in an FDIC-assisted transaction whereby the Company is obligated to refund a portion of cash received from the FDIC at acquisition in the event that losses do not reach a specified threshold, based on the initial discount received less cumulative servicing amounts for the covered assets acquired. Such a liability is considered to be contingent consideration as it requires a payment by the Company to the FDIC in the event that certain contingencies are met. The clawback liability is recorded at its acquisition date fair value and is included in due to FDIC in the accompanying statements of financial condition. The clawback liability is remeasured at each reporting period and any changes are reflected in both the carrying amount of the clawback liability and the related accretion that

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011, 2010 and 2009

is recognized through FDIC loss sharing income in the consolidated statements of operations until the contingency is resolved.

j) Value appreciation rights Value appreciation rights (VAR) may be issued in business combinations as part of the consideration transferred and a finite term is set forth in each VAR agreement. The VAR is tied to the Company s stock price and is remeasured at each reporting period based on the spread between the strike price of the VAR and the average multiple of price to tangible book value indicated by national and regional bank indices, multiplied by the maximum number of applicable units.

k) Premises and equipment With the exception of premises and equipment acquired through business combinations, which are initially measured and recorded at fair value, purchased land is stated at cost, and buildings and equipment are carried at cost, including capitalized interest when appropriate, less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful life of the asset. The Company generally assigns depreciable lives of 39 years for buildings, 7 to 15 years for building improvements, and 3 to 7 years for equipment. Leasehold improvements are amortized over the shorter of their estimated useful lives or remaining lease terms. Maintenance and repairs are charged to non-interest expense as incurred. The Company reviews premises and equipment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. An impairment loss is recognized when the sum of the undiscounted future net cash flows expected to result from the use of the asset and its eventual disposal is less than its carrying amount.

l) Goodwill and intangible assets Goodwill is established and recorded if the consideration given during an acquisition transaction exceeds the fair value of the net assets received. Goodwill has an indefinite useful life and is not amortized, but is evaluated annually for potential impairment, or when events or circumstances indicate a potential impairment. The Company first evaluates potential impairment of goodwill by comparing the fair value of the reporting unit to its carrying amount. Any excess of carrying value over fair value would indicate a potential impairment and the Company would proceed to perform an additional test to determine whether goodwill has been impaired and calculate the amount of that impairment. Intangible assets that have finite useful lives, such as core deposit intangibles, are amortized over their estimated useful lives.

The Company s core deposit intangible assets represent the value of the anticipated future cost savings that will result from the acquired core deposit relationships versus an alternative source of funding. Judgment may be used in assessing goodwill and intangible assets for impairment. Estimates of fair value are based on projections of revenues, operating costs and cash flows of the reporting unit considering historical and anticipated future results, general economic and market conditions, as well as the impact of planned business or operational strategies. The valuations use a combination of present value techniques to measure fair value and consider market factors. Additionally, judgment is used in determining the useful lives of finite-lived intangible assets. Adverse changes in the economic environment, operations of the reporting unit, or changes in judgments and projections could result in a significantly different estimate of the fair value of the reporting unit and could result in an impairment of goodwill and/or intangible assets.

m) Other real estate owned OREO consists of property that has been foreclosed on or repossessed by deed in lieu of foreclosure. The assets are initially recorded at the fair value of the collateral less estimated costs to sell, with any initial valuation adjustments charged to the ALL. Subsequent valuation adjustments, if any, in addition to gains and losses realized on sales and net operating expenses, are recorded in other non-interest expense. Costs associated with maintaining property, such as utilities and maintenance, are charged to expense in the period in which they occur, while costs relating to the development and improvement of property are capitalized to the extent the balance does not exceed fair value. All OREO acquired through acquisition is

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011, 2010 and 2009

recorded at fair value at the date of acquisition. The Company s loss sharing agreements with the FDIC covers losses and expenses incurred on OREO resulting from the covered assets in the Hillcrest Bank and Community Banks of Colorado transactions in the same manner, and are included in the same loss thresholds, as the covered loans.

n) Securities sold under agreements to repurchase The Company enters into sales of securities under agreements to repurchase as of a specified future date. These repurchase agreements are considered financing agreements and the obligation to repurchase assets sold is reflected as a liability in the consolidated statements of financial condition of the Company. The repurchase agreements are collateralized by debt securities that are under the control of the Company.

o) Stock-based compensation The Company accounts for stock-based compensation in accordance with ASC Topic 718, *Compensation Stock Compensation*. The Company grants stock-based awards including stock options and restricted stock. Stock option grants are for a fixed number of common shares and are issued to employees and directors at exercise prices which are not less than the fair value of a share of stock at the date of grant. The options vest over a time period stated in each option agreement and may be subject to other performance vesting conditions, which require the related compensation expense to be recorded ratably over the requisite service period starting when such conditions become probable. Certain stock options contain vesting conditions that are tied to the Company s shares becoming publicly listed on a national exchange. Restricted stock is granted for a fixed number of shares, the transferability of which is restricted until such shares become vested according to the terms in the award agreement. Restricted shares typically have multiple vesting qualifications which may include time-vesting of a set portion of the restricted shares following a qualified investment transaction (a performance criterion), market criteria that are tied to specified market conditions of the Company s common stock price and/or vesting tied to the Company s shares becoming publicly listed on a national exchange.

The fair value of awards is measured using either a Black-Scholes model or a Monte Carlo simulation model, depending on the vesting requirement of each grant. Expense is typically recognized over the expected vesting period, by vesting tranche, based on the fair value of the awards on the grant date. In accordance with ASC Topic 718, the Company will recognize compensation expense on the grants that have vesting requirements tied to the Company s shares becoming listed on a national exchange subsequent to that vesting requirement being met. The amortization of stock-based compensation reflects any estimated forfeitures and the expense realized in subsequent periods may be adjusted to reflect the actual forfeitures realized. The outstanding stock options and restricted shares carry a maximum contractual term of 10 years. To the extent that any award is forfeited, surrendered, terminated, expires, or lapses without being exercised, the shares of stock subject to such award not delivered as a result thereof are again made available for awards under the Plan.

p) Warrants The Company issued warrants to certain lead stockholders. The warrants are for a fixed number of shares and expire ten years from the date of issuance. If exercised, the Company must settle the warrants in its own stock. The exercise price and the number of warrants are subject to a down-round provision whereby subsequent equity issuances at a price below the existing exercise price will result in a downward adjustment to the exercise price and an increase to the number of warrants, and as a result, the warrants are classified as a liability in the Company s consolidated statements of financial condition. The Company is required to revalue the warrants at the end of each reporting period and any change in fair value is reported in the statements of operations as loss (gain) from change in fair value of warrant liability in non-interest expense in the period in which the change occurred. The fair value of the warrants is calculated using a Black-Scholes model.

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011, 2010 and 2009

q) Income taxes The Company and its subsidiaries file U.S. federal and certain state income tax returns on a consolidated basis. Additionally, the Company and its subsidiaries file separate state income tax returns with various state jurisdictions. The provision for income taxes includes the income tax balances of the Company and all of its subsidiaries.

Deferred tax assets and liabilities are recognized for temporary differences between the financial reporting basis and the tax basis of the Company s assets and liabilities at enacted tax rates expected to be in effect when such amounts are realized or settled. Deferred tax assets and liabilities are adjusted for the effects of changes in tax rates in the period of change. The Company establishes a valuation allowance when management believes, based on the weight of available evidence, it is more likely than not that some portion of the deferred tax assets will not be realized.

The Company recognizes and measures income tax benefits based upon a two-step model: 1) a tax position must be more likely than not to be sustained based solely on its technical merits in order to be recognized; and 2) the benefit is measured as the largest dollar amount of that position that is more likely than not to be sustained upon settlement. The difference between the benefit recognized for a position in this model and the tax benefit claimed on a tax return is treated as an unrecognized tax benefit. The Company recognizes income tax related interest and penalties in income tax expense.

q) Earnings (loss) per share (EPS) Basic earnings (loss) per share are computed by dividing income allocated to common stockholders by the weighted average number of common shares outstanding during each period. Diluted earnings (loss) per common share are computed by dividing income allocated to common stockholders by the weighted average common shares outstanding during the period, plus amounts representing the dilutive effect of stock options outstanding, unvested restricted shares, warrants to issue common stock, or other contracts to issue common shares (common stock equivalents). Common stock equivalents are excluded from the computation of diluted earnings (loss) per common share in periods in which they have an anti-dilutive effect.

Note 3 Recent Accounting Pronouncements

Disclosure of Supplementary Pro Forma Information for Business Combinations In December 2010, the FASB issued ASU 2010-29, *Disclosure of Supplementary Pro Forma Information for Business Combinations* to provide guidance on the pro forma revenue and earnings information disclosed subsequent to a business combination. The guidance specifies that if a public entity presents comparative financial statements, pro forma revenue and earnings of the combined entity should be presented as though the business combination(s) that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. The guidance also expands the supplemental pro forma disclosures to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in the reported pro forma revenue and earnings. The new disclosure requirements are effective for business combinations that occur on or after December 15, 2010. As described in Note 1, the Company has omitted certain financial information of its acquisitions that is typically required under Rule 3-05 of Regulation S-X and the related pro forma financial information required by Article 11 of Regulation S-X pursuant to a request for relief submitted to, and not objected to by the SEC. The Company anticipates that it will request similar relief for any future acquisitions of troubled financial institutions for which historical financial information is not reasonably available and in which federal assistance is an essential and significant part of the transaction, or where the nature and magnitude of federal assistance is so pervasive as to substantially reduce the relevance of such information to an assessment of future operations. Adoption of this ASU affects disclosures only, and the Company does not expect that the adoption of the new guidance will have a material impact on its financial position, results of operations or liquidity.

Table of Contents

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011, 2010 and 2009

Creditor s Determination of Whether a Restructuring is a Troubled Debt Restructuring In April, 2011, the FASB issued ASU 2011-02 *A Creditors Determination of Whether a Restructuring is a Troubled Debt Restructuring* to clarify existing guidance for determining if a creditor has granted a concession and whether a debtor is experiencing financial difficulties for purposes of determining whether a restructuring constitutes a troubled debt restructuring. The guidance further clarifies that, for loans accounted for in a pool in accordance with Accounting Standards Codification (ASC) Topic 310-30, *Loans and Debt Securities Acquired with Deteriorated Credit Quality*, neither the modification of a loan within a pool nor the changes in expected cash flows of a pool that result from the modification of one or more loans within the pool constitute a troubled debt restructuring. The Company implemented this guidance during 2011 and expects that the adoption of this guidance will increase the classification of loans not accounted for under ASC Topic 310-30 as troubled debt restructurings upon modification of loan terms.

Reconsideration of Effective Control for Repurchase Agreements In April, 2011, the FASB issued ASU No. 2011-03 *Reconsideration of Effective Control for Repurchase Agreements*. The amendments in this ASU remove from the assessment of effective control the criterion relating to the transferor s ability to repurchase or redeem financial assets on substantially the agreed terms, even in the event of default by the transferee. This guidance also eliminates the requirement to demonstrate that the transferor possesses adequate collateral to fund substantially all of the cost of purchasing replacement financial assets. The guidance in this ASU is effective for the first interim or annual period beginning on or after December 15, 2011. The guidance is to be applied prospectively to transactions or modifications of existing transactions that occur on or after the effective date and early adoption is not permitted. The Company will adopt the methodologies prescribed by this ASU by the date required, and does not anticipate that the ASU will have a material effect on its financial statements, results of operations or liquidity.

Fair Value Measurements In May 2011, the FASB issued ASU 2011-04, *Fair Value Measurement* to facilitate convergence between U.S. GAAP and International Financial Reporting Standards (IFRS) to achieve common fair value measurement and disclosure requirements. The amendments in the ASU provide common requirements for measuring fair value and for disclosing information about fair value measurements. They do not require additional fair value measurements and are not intended to establish valuation standards or affect valuation practices outside of financial reporting. The amendments provided in the ASU will be effective for the Company for interim and annual periods beginning after December 15, 2011. The Company does not expect that the adoption of ASU 2011-04 will have a material impact on its financial statements, results of operations or liquidity.

Presentation of Comprehensive Income In June 2011, the FASB issued ASU 2011-05, *Presentation of Comprehensive Income.* This guidance provides entities with an option of presenting the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. This guidance eliminates the option to present the components of other comprehensive income as part of the statement of changes in stockholders equity. The Company is required to adopt this update retrospectively for the quarter ended March 31, 2012. Adoption of this update will affect the presentation of the components of comprehensive income in the Company s financial statements, but will not have an impact on the Company s consolidated statements of financial condition, results of operations or liquidity. ASU 2011-12 delayed the effective date of certain requirements of ASU 2011-05 related to the presentation of reclassifications of items out of accumulated other comprehensive income.

Goodwill Impairment Testing In September 2011, the FASB issued ASU 2011-08, *Testing for Goodwill Impairment*, which amends ASC Topic 350 to allow companies the option of performing a qualitative assessment

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011, 2010 and 2009

before calculating the fair value of the reporting unit (i.e. step one of the goodwill impairment test). If the Company determines, on the basis of qualitative factors, that it is more likely than not that the fair value of the reporting unit is greater than its carrying amount, the two-step impairment test would not be required. The amendments are effective for interim and annual goodwill impairment tests performed for fiscal years beginning after December 15, 2011. However, early adoption is permitted. The Company will adopt the amended standard for the year ending December 31, 2012, as required. The Company does not expect this standard to have a material impact on its financial statements, results of operations or liquidity.

Note 4 Acquisition Activities

The Company completed two acquisitions in 2011 and two acquisitions in 2010. The Company has determined that the each of the acquisitions, as more fully described below, constitutes a business combination as defined in ASC Topic 805, *Business Combinations*. Accordingly, as of the date of the acquisitions, the Company recorded the assets acquired and liabilities assumed at fair value. The Company determined fair values in accordance with the guidance provided in ASC Topic 820, *Fair Value Measurements and Disclosures*. Fair value is established by discounting the expected future cash flows with a market discount rate for like maturity and risk instruments. The estimation of expected future cash flows requires significant assumptions about appropriate discount rates, expected future cash flows, market conditions and other future events and actual results could differ materially. The determination of the initial fair values of covered loans and the related FDIC indemnification asset and clawback liability involve a high degree of judgment and complexity. The Company has made the determinations of fair value using the best information available at the time; however, the assumptions used are subject to change and, if changed, could have a material effect on the Company s financial position and results of operations.

Community Banks of Colorado On October 21, 2011, the Company entered into a purchase and assumption agreement with the FDIC, as receiver, to acquire certain assets and assume substantially all of the liabilities of the former Community Banks of Colorado of Greenwood Village, Colorado. Upon closing the acquisition, the Company reopened the 36 full-service banking centers in Colorado and the 4 full-service banking centers in California previously owned by Community Banks of Colorado, as branches of Bank Midwest, N.A., branded as Community Banks of Colorado.

Excluding the effects of acquisition accounting adjustments, the Company acquired assets of $1.3 billion and assumed deposits and other liabilities of $1.2 billion in connection with the acquisition of Community Banks of Colorado. The net assets were acquired at a discount of $98.0 million, which is reflected as a portion of the cash acquired, and the settlement amount received from the FDIC at close was $61.4 million. In conjunction with the Community Banks of Colorado purchase and assumption agreement, the Company also provided the FDIC with Value Appreciation Rights (VAR) whereby the FDIC is entitled to a payment equal to the excess of the Company s common stock price and a strike price of $18.93 per unit at a future time, not to exceed two years. The VAR may be settled in cash or the Company s stock. The VAR is applicable to a maximum of 100,000 units and the Company has estimated the fair value of the VAR at the date of acquisition of Community Banks of Colorado to be approximately $0.5 million, and is included in Due to FDIC in the accompanying consolidated statements of financial condition.

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011, 2010 and 2009

The Company has determined that the Community Banks of Colorado acquisition constitutes a business combination as defined under ASC Topic 805. In accordance with that guidance, the Company recorded all assets acquired and liabilities assumed at their fair values as of the date of acquisition. Information regarding the fair value adjustments recorded by the Company in accordance with ASC Topic 805 is shown in the following table (in thousands):

	As Acquired from FDIC	Fair Value Adjustments	Settlement amount received from FDIC	As recorded by the Company
Assets acquired:				
Cash and cash equivalents	$ 188,770	$	$ 61,390	$ 250,160
Investment securities, available for sale	11,361			11,361
Non-marketable securities	2,753			2,753
Loans	966,248	(211,365)		754,883
FDIC indemnification asset		150,987		150,987
Other real estate owned	72,478	(42,729)		29,749
Premises and equipment	212			212
Goodwill		7,188		7,188
Core deposit intangible asset		4,810		4,810
Due from FDIC	9,936			9,936
Accrued interest and other assets	6,245			6,245
Total assets	$ 1,258,003	$ (91,109)	$ 61,390	$ 1,228,284
Liabilities assumed:				
Deposits	$ 1,194,987	$	$	$ 1,194,987
Federal Home Loan Bank advances	15,000	1,381		16,381
Accrued interest payable	553			553
Due to FDIC	630	15,347		15,977
Other liabilities	386			386
Total liabilities	$ 1,211,556	$ 16,728	$	$ 1,228,284

The fair value of loans and OREO acquired in the Community Banks of Colorado acquisition decreased $7.1 and $1.6 million during the measurement period from the original estimates. The change resulted in an increase to the indemnification asset of $5.5 million, an increase in goodwill of $2.7 million and a decrease to the clawback liability of $0.5 million. These adjustments are reflected in the above table.

At the date of acquisition, the gross contractual amounts receivable for loans not subject to the requirements of ASC Topic 310-30 was $144.7 million, the Company s best estimate of contractual cash flows not expected to be collected was $27.0 million and recorded fair value was $116.8 million.

In connection with the purchase and assumption agreement with the FDIC, the Company entered into a loss sharing agreement with the FDIC whereby the Company will be reimbursed by the FDIC for a portion of the losses incurred on certain loans and certain OREO as a result of the resolution and disposition of the problem assets of Community Banks of Colorado. The loss sharing agreement with the FDIC covers a significant portion of the Community Banks of Colorado commercial loans, select other loans and unfunded commitments, and OREO, which

are collectively referred to as the covered assets. However, the Company also acquired other assets of Community Banks of Colorado that are not covered by the loss sharing agreements, including $250.2 million of cash and cash equivalents, $11.4 million of investment securities, $2.8 million of

Table of Contents

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011, 2010 and 2009

non-marketable securities, $288.2 million of non-covered loans and overdrafts, $4.9 million of non-covered OREO, and other assets. The loss sharing agreement covers losses on select loans and OREO and has provisions that reimburse the Company for direct expenses related to the resolution of the covered assets. For purposes of the loss sharing agreement, there are three tranches of losses, each beginning after the loss threshold of the previous tranche has been met, and each with a specified loss-coverage percentage. The loss thresholds and coverage amounts are as follows (dollars in thousands):

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

The FDIC s obligation to reimburse the Company for losses with respect to covered assets begins with the first dollar of loss incurred. The Company is also required to refund to the FDIC its share of recoveries under the loss sharing agreements. The term for the loss sharing agreement is eight years. The Company will share in losses and recoveries with the FDIC for the first five years. After the first five years, the FDIC will not share in losses but only in recoveries for the remaining three years. The reimbursable losses from the FDIC are based on the book value of the relevant covered assets as determined by the FDIC at the date of acquisition and may not directly correspond to the Company s carrying value of the related assets. The expected reimbursements from the FDIC under the loss sharing agreement were recorded as an indemnification asset at the estimated fair value of $151.0 million at the date of acquisition.

Within 45 days of the end of the loss sharing agreement with the FDIC, the Company may be required to pay the FDIC in the event that losses do not reach a specified threshold, based on the initial discount received less cumulative servicing amounts for the covered assets acquired. The Company recorded $14.8 million as the estimated fair value of this clawback liability at the acquisition date.

In connection with the Community Banks of Colorado transaction, the Company recognized approximately $7.2 million of goodwill and a $4.8 million core deposit intangible. The goodwill of $7.2 million recorded at the date of acquisition represents the amount by which the fair value of the consideration paid exceeds the acquisition-date fair value of the identifiable net assets acquired and synergies expected to be realized through consolidating the operations of Community Banks of Colorado with the Company s existing operations.

Bank of Choice On July 22, 2011, the Company entered into a purchase and assumption agreement with the FDIC, as receiver, to acquire certain assets and assume substantially all of the liabilities of the former Bank of Choice of Greeley, Colorado through its Bank Midwest, N.A. subsidiary. Upon closing the acquisition, the Company reopened the 16 full-service banking centers previously owned by the Bank of Choice, as branches of Bank Midwest, N.A., branded as Bank of Choice. Excluding the effects of acquisition accounting adjustments, the Company acquired assets of $772.6 million and assumed deposits and other liabilities of $872.7 million in connection with the acquisition of Bank of Choice. The net liabilities were acquired at a discount of $171.6 million, which is reflected as a portion of the cash acquired. In conjunction with the Bank of Choice purchase and assumption agreement, the Company also provided the FDIC with Value Appreciation Rights (VAR) whereby the FDIC is entitled to a cash or stock payment equal to the excess of the Company s common stock price and a strike price of $17.95 per unit at a future time, not to exceed two years. The VAR is applicable to a maximum of 100,000 units and the Company estimated the fair value of the VAR at the date of acquisition of Bank of Choice to be approximately $0.6 million, which is included in Due to FDIC in the accompanying consolidated statements of financial condition.

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011, 2010 and 2009

The Company has determined that the Bank of Choice acquisition constitutes a business combination as defined in ASC Topic 805. Accordingly, as of the date of acquisition, the Company recorded the assets acquired and liabilities assumed at fair value. The Company determined initial fair values in accordance with the guidance provided in ASC Topic 820. Fair value was established by discounting the expected future cash flows with a market discount rate for like maturity and risk instruments. The estimation of expected future cash flows requires significant assumptions about appropriate discount rates, expected future cash flows, market conditions and other future events and actual results could differ materially. The determination of the fair values of loans involves a high degree of judgment and complexity and the Company has made the determinations of fair value using the best information available at the time.

A summary of the assets acquired and liabilities assumed in connection with the Bank of Choice acquisition and information regarding the fair value adjustments recorded by the Company in accordance with ASC Topic 805 *Business Combinations* are shown in the table below (in thousands):

	As acquired from FDIC	Fair Value Adjustments	Settlement amount received from FDIC	As recorded by the Company
Assets acquired:				
Cash and cash equivalents	$ 128,265	$	$ 273,740	$ 402,005
Investment securities, available for sale	134,369			134,369
Non-marketable securities	9,840			9,840
Loans*	447,738	(86,491)		361,247
Other real estate owned	49,833	(15,498)		34,335
Gain on bargain purchase*		(60,520)		(60,520)
Premises and equipment	21			21
Core deposit intangible asset		5,190		5,190
Other assets	2,496			2,496
Total assets	$ 772,562	$ (157,319)	$ 273,740	$ 888,983
Liabilities assumed:				
Deposits	$ 760,227	$	$	$ 760,227
Federal Home Loan Bank advances	106,840	10,308		117,148
Accrued interest payable	751			751
Due to FDIC		2,526		2,526
Other liabilities	4,881	3,450		8,331
Total liabilities	$ 872,699	$ 16,284	$	$ 888,983

* The fair value of loans acquired decreased by $2.7 million during the measurement period from the original estimates. The change resulted in a decrease to the gain on bargain purchase of an identical amount. Both adjustments are reflected in the above table.

At the date of acquisition, the gross contractual amounts receivable for loans not subject to the requirement of ASC Topic 310-30 was $50.2 million, the Company s best estimate of contractual cash flows not expected to be collected was $7.0 million and recorded fair value was $43.5

million.

In connection with the Bank of Choice transaction, the Company recognized a $5.2 million core deposit intangible and a bargain purchase gain of $60.5 million. The bargain purchase gain of $60.5 million recorded at the date of acquisition represents the amount by which the acquisition-date fair value of the identifiable net assets

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011, 2010 and 2009

acquired (inclusive of the $171.6 million purchase discount from the FDIC) exceeds the fair value of the consideration transferred.

Bank Midwest, N.A. In July 2010, the Company agreed to acquire, and on December 10, 2010 completed the acquisition of, certain assets and the assumption of certain liabilities formerly held by Bank Midwest, one of six banking subsidiaries owned by DFC. In this transaction, the Company acquired 40 locations across Missouri and eastern Kansas, $2.4 billion of deposits and approximately $905.4 million of loans. The Company had specific performance criteria for the assets purchased and, as a result, did not acquire any non-accrual loans or OREO in connection with the Bank Midwest transaction.

The Company paid $56.0 million cash for the Bank Midwest net assets. The fair value of consideration paid exceeded the fair value of the Bank Midwest net assets acquired and resulted in the establishment of goodwill in the amount of $52.4 million, which will be tax deductible. In conjunction with the purchase and assumption of the Bank Midwest net assets, the Company infused $390 million of capital into Bank Midwest at the time of closing. Information regarding the assets acquired and liabilities assumed on December 10, 2010 in connection with the Bank Midwest acquisition are shown in the table below (in thousands):

	As Acquired from DFC	Fair Value Adjustments	Settlement amount paid to DFC	As recorded by the Company
Assets acquired:				
Cash and cash equivalents	$ 1,425,737	$	$ (56,000)	$ 1,369,737
Investment securities, available for sale	55,360			55,360
Non-marketable securities	400			400
Loans	905,354	(22,739)		882,615
Premises and equipment	30,662	5,562		36,224
Goodwill		52,442		52,442
Intangible assets		21,650		21,650
Accrued interest receivable	4,458			4,458
Other assets	3,520			3,520
Total assets	$ 2,425,491	$ 56,915	$ (56,000)	$ 2,426,406
Liabilities assumed:				
Deposits	$ 2,384,982	$ 915	$	$ 2,385,897
Accrued interest payable	11,089			11,089
Other liabilities	29,420			29,420
Total liabilities	$ 2,425,491	$ 915	$	$ 2,426,406

Hillcrest Bank, N.A. On October 22, 2010, the Company entered into a purchase and assumption agreement with the FDIC, as receiver, to acquire certain assets and assume substantially all of the liabilities of the former Hillcrest Bank of Overland Park, Kansas.

Prior to the acquisition, Hillcrest Bank was a bank headquartered in Overland Park, Kansas, which operated nine full-service banking branches and 32 retirement center branches in four states. Excluding the effects of acquisition accounting adjustments, the Company purchased assets of $1.6 billion and assumed deposits and liabilities of $1.3 billion in connection with the acquisition of Hillcrest Bank. The net assets were acquired at a discount of $182.7 million, which is reflected as a portion of the cash acquired, and the settlement amount paid to the FDIC at close was $56.3 million. In conjunction with the Hillcrest Bank purchase and assumption agreement,

F-70

Table of Contents

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011, 2010 and 2009

the Company also provided the FDIC with VAR whereby the FDIC is entitled to a cash payment equal to the excess of the Company s common stock price and a strike price of $18.65 per unit at a future time, not to exceed two years. The VAR is applicable to a maximum of 100,000 units and the Company has estimated the fair value of the VAR at the date of acquisition of Hillcrest Bank and at December 31, 2010 to be approximately $0.7 million, which is included in due to FDIC in the Company s December 31, 2010 consolidated statements of financial condition. Any future changes to the value of the VAR will be included in other non-interest expense. The Company infused $170 million of capital into Hillcrest Bank immediately following the closing of the transaction.

A summary of the assets acquired and liabilities assumed in connection with the Hillcrest Bank acquisition are shown in the table below (in thousands):

	As Acquired from FDIC	**Fair Value Adjustments**	**Settlement amount paid to FDIC**	**As recorded by the Company**
Assets acquired:				
Cash and cash equivalents	$ 190,344	$	$ (56,343)	$ 134,001
Investment securities, available for sale	235,255			235,255
Non-marketable securities	4,042			4,042
Loans	1,016,394	(235,052)		781,342
FDIC indemnification asset		159,706		159,706
Other real estate owned, covered by loss share agreement	111,332	(59,732)		51,600
Gain on bargain purchase		(37,778)		(37,778)
Intangible assets		5,760		5,760
Premises and equipment	157			157
Other assets	4,882			4,882
Total assets	$ 1,562,406	$ (167,096)	$ (56,343)	$ 1,338,967
Liabilities assumed:				
Deposits	$ 1,234,013	$	$	$ 1,234,013
Federal Home Loan Bank advances	80,460	3,434		83,894
Accrued interest payable	7,279			7,279
Due to FDIC		11,454		11,454
Other liabilities	1,575	752		2,327
Total liabilities	$ 1,323,327	$ 15,640	$	$ 1,338,967

In connection with the purchase and assumption agreement of Hillcrest Bank with the FDIC, the Company entered into loss sharing agreements with the FDIC whereby the Company will be reimbursed by the FDIC for a portion of the losses incurred as a result of the resolution and disposition of the problem assets of Hillcrest Bank. The loss sharing agreements with the FDIC cover substantially all of Hillcrest Bank s loans including single family residential mortgage loans, commercial real estate, commercial and industrial loans, unfunded commitments, and OREO, which are collectively referred to as the covered assets. However, the Company also acquired other assets of the failed bank that are not covered by the loss sharing agreements including $190.3 million of cash and cash equivalents, $239.3 million of investment securities purchased at fair value, $3.1 million of consumer loans and overdrafts, and other tangible assets. For purposes of the loss sharing agreements, the anticipated losses on the covered assets are grouped into two categories, commercial assets and single family assets, and each category has

F-71

Table of Contents

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011, 2010 and 2009

its own specific loss sharing agreement. The loss sharing agreement categories cover losses on both loans and OREO in their respective categories and have provisions that reimburse the Company for direct expenses related to the resolution of these assets. Within the categories, there are three tranches of losses, each beginning after the loss threshold of the previous tranche has been met, and each with a specified loss-coverage percentage. The categories, and the respective loss thresholds and coverage amounts are as follows (in thousands):

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

The FDIC s obligation to reimburse the Company for losses with respect to covered assets begins with the first dollar of loss incurred. The term for loss sharing on single family residential real estate loans is ten years, while the term for loss sharing on all other covered loans is five years. The reimbursable losses from the FDIC are based on the book value of the relevant covered assets as determined by the FDIC at the date of acquisition. New loans originated after that date are not covered by the provisions of the loss sharing agreements. The Company will refund the FDIC for its share of recoveries with respect to losses for which the FDIC paid the Company under the loss sharing agreement.

The expected reimbursements from the FDIC under the loss sharing agreements were recorded as an indemnification asset at its estimated fair value of $159.7 million on the acquisition date. The indemnification asset reflects the present value of the expected net cash reimbursement related to the loss sharing agreement described above.

Within 45 days of the end of the loss sharing agreements with the FDIC, the Company may be required to pay the FDIC in the event that losses do not reach a specified threshold, based on the initial discount received less cumulative servicing amounts for the covered assets acquired. The Company recorded $11.5 million as the estimated fair value of this clawback liability at the acquisition date, which is included in due to FDIC in the accompanying December 31, 2010 consolidated statements of financial condition.

The Company believes that the FDIC loss sharing agreement mitigates the Company s risk of loss on assets acquired. Nonetheless, to the extent, the actual values realized for the acquired assets are different from the estimates, the FDIC indemnification asset will generally be impacted in an offsetting manner due to the loss sharing support from the FDIC. Additionally, the tax treatment of FDIC assisted acquisitions is complex and subject to interpretations that may result in future adjustments of deferred taxes as of the acquisition date.

In connection with the Hillcrest Bank transaction, the Company recognized approximately $37.8 million of bargain purchase gain and a $5.8 million core deposit intangible. The amount of bargain purchase gain recorded represents the excess of the fair value of the assets acquired (inclusive of the $182.7 million purchase discount from the FDIC) compared to the fair value of liabilities assumed (inclusive of the settlement amount paid to the FDIC of $56.3 million) at the date of acquisition. The Company incurred $6.4 million and $4.3 million of transaction expenses related to the acquisition of Bank Midwest and Hillcrest Bank, respectively, during the year ended December 31, 2010. See Note 18 for additional details regarding acquisition-related costs.

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011, 2010 and 2009

Note 5 Investment Securities

Available-for-sale

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

	December 31, 2011			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury securities	$ 3,300	$	$	$ 3,300
U.S. Government sponsored agency obligations	3,009	1		3,010
Mortgage-backed securities (MBS):				
Residential mortgage pass-through securities issued or guaranteed by U.S. Government agencies or sponsored agencies-available for sale	1,139,058	52,480	(1)	1,191,537
Other residential MBS issued or guaranteed by U.S. Government agencies or sponsored agencies	620,122	23,503		643,625
Other MBS issued or guaranteed by U.S. Government agencies or sponsored agencies	20,123	685		20,808
Other securities	419			419
Total	$ 1,786,031	$ 76,669	$ (1)	$ 1,862,699

	December 31, 2010			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury securities	$ 42,544	$ 4	$	$ 42,548
U.S. Government sponsored agency obligations	500			500
Mortgage-backed securities (MBS):				
Residential mortgage pass-through securities issued or guaranteed by U.S. Government agencies or sponsored agencies-available for sale	1,023,812	12,926	(2,035)	1,034,703
Other MBS issued or guaranteed by U.S. Government agencies or sponsored agencies	178,098	234	(1,907)	176,425
Other securities	419			419
Total	$ 1,245,373	$ 13,164	$ (3,942)	$ 1,254,595

At December 31, 2011 and 2010, mortgage-backed securities represented nearly 100% 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), Government National Mortgage Association (GNMA) and Federal National Mortgage Association (FNMA).

Table of Contents

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011, 2010 and 2009

At December 31, 2011 and 2010, the Company had $20 thousand and $222.4 million of available-for-sale securities that were temporarily impaired by $1 thousand and $3.9 million, respectively. Management evaluated all of the securities in an unrealized loss position and concluded that no other than temporary impairment (OTTI) existed at December 31, 2011 or 2010. The Company purchased all of the securities in the fourth quarter of 2010 and throughout the year of 2011. All of the securities in unrealized loss positions had been in continuous unrealized loss positions for less than twelve months at the respective reporting dates. The Company had no intention to sell these securities and believed it will not be required to sell the securities before the recovery of their amortized cost. The table below summarizes the unrealized losses as of the dates shown (in thousands):

	December 31, 2011		December 31, 2010	
	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 agencies	$ 20	$ (1)	$ 79,914	$ (2,035)
Other residential MBS issued or guaranteed by U.S. Government agencies or sponsored agencies			142,440	(1,907)
Total	$ 20	$ (1)	$ 222,354	$ (3,942)

The Company pledges certain securities as collateral for public deposits, securities sold under agreements to repurchase, treasury tax and loan agreements, and to secure borrowing capacity at the Federal Reserve Bank, if needed. The carrying value of securities pledged as collateral totaled $198.6 million and $119.3 million at December 31, 2011 and 2010, respectively. 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 December 31, 2011 or 2010.

During 2011, the Company sold approximately $229.5 million of investment securities. The sales were comprised of $33.4 million of fixed rate MBS pass-through securities and $153.9 million of fixed-rate residential collateralized mortgage obligations and $42.2 million of U.S. Treasury securities. The Company realized gross losses of $0.8 million offset by realized gross gains of $0.2 million on the sale of these securities during 2011, which is included in gain (loss) on sale of securities in the accompanying consolidated statements of operations.

During 2010, the Company sold $52.0 million of fixed-rate collateralized mortgage obligations and realized an $11 thousand gain on the sale, which is included in gain on sale of securities in the accompanying consolidated statements of operations for the year ended December 31, 2010.

The table below summarizes the contractual maturities of our available-for-sale investment portfolio (in thousands):

	Amortized Cost	Fair Value
Due in one year or less	$ 3,300	$ 3,300
Due after one year through five years	3,014	3,014
Due after five years through ten years	22,818	23,370
Due after ten years	1,756,480	1,832,596
Other securities	419	419

Total	$ 1,786,031	$ 1,862,699

F-74

Table of Contents

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011, 2010 and 2009

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 life of the mortgage-backed securities portfolio as of December 31, 2011 was 3.4 years. This estimate is based on assumptions and actual results may differ.

The Company s U.S. Treasury securities have contractual maturities of less than one year. Other securities of $0.4 million have no stated contractual maturity date.

Held-to-maturity

At December 31, 2011 the Company held $6.8 million of held-to-maturity investment securities, of which $3.2 million were purchased by the Company under the classification of available-for-sale and transferred to the held-to-maturity classification and $3.6 million were purchased under the classification of held-to-maturity. None of the held-to-maturity securities were pledged as of the year ended 2011. The Company did not own held-to-maturity investment securities during 2010. Held-to-maturity investment securities are summarized as follows as of December 31, 2011 (in thousands):

	December 31, 2011			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Residential mortgage pass-through securities issued or guaranteed by U.S. Government agencies or sponsored agencies	$ 6,801	$ 28	$	$ 6,829
Total	$ 6,801	$ 28	$	$ 6,829

The table below summarizes the contractual maturities of our held-to-maturity investment portfolio at December 31, 2011 (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	6,801	6,829
Total	$ 6,801	$ 6,829

Note 6 Non-marketable Securities

Non-marketable securities include Federal Reserve Bank stock and FHLB stock. At December 31, 2011 the Company held $25.0 million of Federal Reserve Bank stock, $3.5 million of FHLB Des Moines stock, and $0.6 million of FHLB San Francisco stock, for regulatory or debt facility purposes. At December 31, 2010, the Company held $16.8 million of Federal Reserve Bank stock and $1.0 million of FHLB Des Moines stock.

This stock is restricted and is carried at cost, less any other than temporary impairment. There have been no identified events or changes in circumstances that may have an adverse effect on the investments carried at cost.

Table of Contents

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011, 2010 and 2009

Note 7 Loans

The loan portfolio is comprised primarily of loans that were acquired in connection with the Company s acquisitions of Bank of Choice and Community Banks of Colorado in 2011, Hillcrest Bank and Bank Midwest in 2010, and new loans originated by the Company. The majority of the loans acquired in the Hillcrest Bank and Community Banks of Colorado transactions are covered by loss sharing agreements with the FDIC, and covered loans are presented separately from non-covered loans due to the FDIC loss sharing agreements associated with these loans.

Covered loans comprised 41.9% of the total loan portfolio at December 31, 2011, compared to 44.8% at December 31, 2010. The table below shows the loan portfolio composition and the amounts of loans that showed signs of deteriorated credit quality at the date of acquisition, and therefore, are accounted for in accordance with ASC Topic 310-30 (dollars in thousands):

	December 31, 2011							
	Covered loans			Non-covered loans				
	ASC 310-30	Non ASC 310-30	Total covered loans	ASC 310-30	Non ASC 310-30	Total non-covered loans	Total loans	% of Total
Commercial	$ 123,108	$ 79,044	$ 202,152	$ 31,482	$ 139,297	$ 170,779	$ 372,931	16.4%
Commercial real estate	626,089	15,939	642,028	243,297	267,153	510,450	1,152,478	50.6%
Agriculture	56,839	28,535	85,374	13,989	52,040	66,029	151,403	6.7%
Residential real estate	21,043	2,111	23,154	147,239	352,492	499,731	522,885	23.0%
Consumer	7		7	44,616	29,731	74,347	74,354	3.3%
Total	$ 827,086	$ 125,629	$ 952,715	$ 480,623	$ 840,713	$ 1,321,336	$ 2,274,051	100.0%

	December 31, 2010							
	Covered loans			Non-covered loans				
	ASC 310-30	Non ASC 310-30	Total covered loans	ASC 310-30	Non ASC 310-30	Total non-covered loans	Total Loans	% of Total
Commercial	$ 74,783	$ 53,650	$ 128,433	$	$ 127,570	$ 127,570	$ 256,003	16.3%
Commercial real estate	548,096	13,515	561,611		365,932	365,932	927,543	59.1%
Agriculture					61,278	61,278	61,278	3.9%
Residential real estate	11,541	1,988	13,529		282,381	282,381	295,910	18.9%
Consumer				2,544	25,592	28,136	28,136	1.8%
Total	$ 634,420	$ 69,153	$ 703,573	$ 2,544	$ 862,753	$ 865,297	$ 1,568,870	100.0%

Table of Contents

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011, 2010 and 2009

Covered Loans

The following tables summarize the carrying value of all acquired covered loans by segment as of December 31, 2011 and 2010, net of deferred discounts on loans excluded from ASC Topic 310-30, fees and costs of $13.1 million and $23.6 million, respectively (in thousands):

	December 31, 2011		
	Loans accounted for under ASC Topic 310-30	Loans excluded from ASC Topic 310-30	Total covered loans
Commercial:			
Commercial and industrial	$ 123,108	$ 73,183	$ 196,291
Leases		5,861	5,861
Total commercial	123,108	79,044	202,152
Commercial real estate:			
Commercial construction	112,331	20	112,351
Commercial real estate	219,176	4,141	223,317
Land and development	246,520	10,226	256,746
Multifamily	48,062	1,552	49,614
Total commercial real estate	626,089	15,939	642,028
Agriculture	56,839	28,535	85,374
Residential real estate			
Single family residential	21,043	2,111	23,154
Total residential real estate	21,043	2,111	23,154
Consumer	7		7
Total covered loans	$ 827,086	$ 125,629	$ 952,715

	December 31, 2010		
	Loans accounted for under ASC Topic 310-30	Loans excluded from ASC Topic 310-30	Total covered loans
Commercial:			
Commercial and industrial	$ 74,783	$ 44,437	$ 119,220
Leases		9,213	9,213
Total commercial	74,783	53,650	128,433
Commercial real estate:			

Commercial construction	120,834	130	120,964
Commercial real estate	179,999	1,363	181,362
Land and development	198,100	12,022	210,122
Multifamily	49,163		49,163
Total commercial real estate	548,096	13,515	561,611
Agriculture			
Residential real estate			
Single family residential	11,541	1,988	13,529
Total residential real estate	11,541	1,988	13,529
Consumer			
Total covered loans	$ 634,420	$ 69,153	$ 703,573

F-77

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011, 2010 and 2009

Loans are considered past due or delinquent when the contractual principal or interest due in accordance with the terms of the loan agreement remains unpaid after the due date of the scheduled payment. Loans accounted for under ASC Topic 310-30 were not classified as non-performing assets at December 31, 2011 or 2010 as the carrying value of the respective loan or pool of loans cash flows were considered estimatable and probable of collection. Therefore, interest income, through accretion of the difference between the carrying value of the loans and the expected cash flows, was being recognized on all acquired loans accounted for under ASC Topic 310-30.

TDRs at December 31, 2011 and 2010 were $1.4 million and $0.0 million, respectively. At December 31, 2011, $13.1 million of covered loans accounted for outside the scope of ASC Topic 310-30 were on non-accrual. The Company had no non-accrual loans as of December 31, 2010.

Table of Contents

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011, 2010 and 2009

Loan delinquency for covered loans is shown in the following table at December 31, 2011 and 2010, respectively. Pooled loans accounted for under ASC Topic 310-30 that are 90 days or more past due and still accreting are included in loans 90 days or more past due and still accruing interest and are considered to be performing (in thousands):

	Covered Loans December 31, 2011							
	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								
Wholesale	$ 319	$	$ 1,069	$ 1,388	$ 4,043	$ 5,431	$	$ 1,069
Manufacturing	50			50	270	320		
Transportation/warehousing					500	500		
Finance and insurance			167	167	2,730	2,897		167
Oil & gas					241	241		
Lease	1,940	108	100	2,148	3,713	5,861	60	40
All other commercial and industrial	674	2,760	2,990	6,424	57,370	63,794	118	3,338
Total commercial	2,983	2,868	4,326	10,177	68,867	79,044	178	4,614
Commercial real estate								
1-4 family construction								
1-4 family acquisition/ development			7,009	7,009	3,217	10,226		7,009
Commercial construction					20	20		
Commercial acquisition/development								
Multifamily					1,552	1,552		
Owner-occupied	789	149	1,099	2,037	496	2,533	149	1,038
Non owner-occupied					1,608	1,608		
Total commercial real estate	789	149	8,108	9,046	6,893	15,939	149	8,047
Agriculture	133			133	28,402	28,535		
Residential real estate								
Sr lien 1-4 family closed end					1,762	1,762		460
Jr lien 1-4 family closed end								
Sr lien 1-4 family open end					87	87		
Jr lien 1-4 family open end					262	262		
Total residential real estate					2,111	2,111		460
Consumer								
Secured								
Unsecured								
Credit card								
Overdrafts								
Total consumer								
	3,905	3,017	12,434	19,356	106,273	125,629	327	13,121

Total covered loans excluded from ASC 310-30								
Loans accounted under ASC 310-30								
Commercial	9,027	1,763	10,183	20,973	102,135	123,108	10,183	
Commercial Real Estate	13,114	19,320	98,746	131,180	494,909	626,089	98,746	
Agriculture	157	4,967	439	5,563	51,276	56,839	439	
Residential Real Estate			287	287	20,756	21,043	287	
Consumer					7	7		
Total covered loans accounted for under ASC 310-30	22,298	26,050	109,655	158,003	669,083	827,086	109,655	
Total covered loans	$ 26,203	$ 29,067	$ 122,089	$ 177,359	$ 775,356	$ 952,715	$ 109,982	$ 13,121

F-79

Table of Contents

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011, 2010 and 2009

	Covered Loans December 31, 2010							
	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								
Wholesale	$	$	$	$	$ 10	$ 10	$	$
Manufacturing					3,381	3,381		
Transportation/warehousing								
Finance and insurance					1,198	1,198		
Oil & gas					303	303		
Lease					9,212	9,212		
All other commercial and industrial	396	62	4,635	5,093	34,453	39,546	4,635	
Total commercial	396	62	4,635	5,093	48,557	53,650	4,635	
Commercial real estate								
1-4 family construction								
1-4 family acquisition/development		2,091	9,904	11,995	27	12,022	9,904	
Commercial construction					130	130		
Commercial acquisition/development								
Multifamily								
Owner-occupied								
Non owner-occupied					1,363	1,363		
Total commercial real estate		2,091	9,904	11,995	1,520	13,515	9,904	
Agriculture								
Residential real estate								
Sr lien 1-4 family closed end					1,744	1,744		
Jr lien 1-4 family closed end								
Sr lien 1-4 family open end					17	17		
Jr lien 1-4 family open end					227	227		
Total residential real estate					1,988	1,988		
Consumer								
Secured								
Unsecured								
Credit card								
Overdrafts								
Total consumer								
Total covered loans excluded from ASC 310-30	396	2,153	14,539	17,088	52,065	69,153	14,539	
Loans accounted under ASC 310-30								
Commercial	878	2,440	7,359	10,677	64,106	74,783	7,359	
Commercial Real Estate		18,931	103,472	122,403	425,693	548,096	103,472	
Agriculture								
Residential Real Estate	6			6	11,535	11,541		
Consumer								
	884	21,371	110,831	133,086	501,334	634,420	110,831	

Total covered loans accounted for under ASC 310-30								
Total covered loans	$ 1,280	$ 23,524	$ 125,370	$ 150,174	$ 553,399	$ 703,573	$ 125,370	$

Table of Contents

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011, 2010 and 2009

Credit exposure for all covered loans as determined by the Company s internal risk rating system was as follows as of December 31, 2011 and 2010, respectively (in thousands):

	Covered Loans December 31, 2011				
	Pass	Special Mention	Substandard	Doubtful	Total
Loans excluded from ASC 310-30					
Commercial					
Wholesale	$ 286	$	$ 5,145	$	$ 5,431
Manufacturing	270	50			320
Transportation/warehousing	323	177			500
Finance and insurance	869		2,028		2,897
Oil & gas	112		129		241
Lease	5,821		40		5,861
All other commercial and industrial	18,571	13,160	29,213	2,850	63,794
Total commercial	26,252	13,387	36,555	2,850	79,044
Commercial real estate					
1-4 family construction					
1-4 family acquisition/development	262		4,497	5,467	10,226
Commercial construction	20				20
Commercial acquisition/development					
Multifamily	1,552				1,552
Owner-occupied	740	755	1,038		2,533
Non owner-occupied	728	76	804		1,608
Total commercial real estate	3,302	831	6,339	5,467	15,939
Agriculture	25,393	977	2,165		28,535
Residential real estate					
Sr lien 1-4 family closed end	162		1,600		1,762
Jr lien 1-4 family closed end					
Sr lien 1-4 family open end	87				87
Jr lien 1-4 family open end	252	10			262
Total residential real estate	501	10	1,600		2,111
Consumer					
Secured					
Unsecured					
Credit card					
Overdrafts					
Total consumer					
Total covered loans excluded from ASC 310-30	55,448	15,205	46,659	8,317	125,629

Loans accounted under ASC 310-30					
Commercial	37,886	11,491	62,859	10,872	123,108
Commercial Real Estate	133,513	145,387	276,052	71,137	626,089
Agriculture	43,891	3,090	9,858		56,839
Residential Real Estate	12,116	63	8,864		21,043
Consumer	7				7
Total covered loans accounted for under ASC 310-30	227,413	160,031	357,633	82,009	827,086
Total covered loans	$ 282,861	$ 175,236	$ 404,292	$ 90,326	$ 952,715

F-81

Table of Contents

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011, 2010 and 2009

	Covered Loans December 31, 2010				
	Pass	**Special Mention**	**Substandard**	**Doubtful**	**Total**
Loans excluded from ASC 310-30					
Commercial					
Wholesale	$ 10	$	$	$	$ 10
Manufacturing	3,381				3,381
Transportation/warehousing					
Finance and insurance			1,198		1,198
Oil & gas	303				303
Lease	9,212				9,212
All other commercial and industrial	30,781	129	2,467	6,169	39,546
Total commercial	43,687	129	3,665	6,169	53,650
Commercial real estate					
1-4 family construction					
1-4 family acquisition/development	28		3,922	8,072	12,022
Commercial construction	130				130
Commercial acquisition/development					
Multifamily					
Owner-occupied					
Non owner-occupied	1,121	242			1,363
Total commercial real estate	1,279	242	3,922	8,072	13,515
Residential real estate					
Sr lien 1-4 family closed end	678	1,058	8		1,744
Jr lien 1-4 family closed end					
Sr lien 1-4 family open end	17				17
Jr lien 1-4 family open end	227				227
Total residential real estate	922	1,058	8		1,988
Consumer					
Secured					
Unsecured					
Credit card					
Overdrafts					
Total consumer					
Total covered loans excluded from ASC 310-30	$ 45,888	$ 1,429	$ 7,595	$ 14,241	$ 69,153
Loans accounted under ASC 310-30					
Commercial	54,656		3,685	16,442	74,783
Commercial Real Estate	210,744	55,127	205,215	77,010	548,096
Agriculture					
Residential Real Estate	5,809	5,032	700		11,541
Consumer					

Total covered loans accounted for under ASC 310-30	271,209	60,159	209,600	93,452	634,420
Total covered loans	$ 317,097	$ 61,588	$ 217,195	$ 107,693	$ 703,573

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011, 2010 and 2009

Non-covered loans

The following tables summarize the carrying value of all acquired non-covered loans by segment as of December 31, 2011 and 2010, net of deferred discounts on loans excluded from ASC Topic 310-30, fees and costs of $28.4 million and $24.5 million, respectively (in thousands):

	December 31, 2011		
	Loans accounted for under ASC Topic 310-30	Loans excluded from ASC Topic 310-30	Total non-covered loans
Commercial:			
Commercial and industrial	$ 31,482	$ 136,765	$ 168,247
Leases		2,532	2,532
Total commercial	31,482	139,297	170,779
Commercial real estate:			
Commercial construction	62,749		62,749
Commercial real estate	180,548	216,464	397,012
Land and development		31,568	31,568
Multifamily		19,121	19,121
Total commercial real estate	243,297	267,153	510,450
Agriculture	13,989	52,040	66,029
Residential real estate:			
Single family residential	147,239	352,492	499,731
Total residential real estate	147,239	352,492	499,731
Consumer	44,616	29,731	74,347
Total non-covered loans	$ 480,623	$ 840,713	$ 1,321,336

	December 31, 2010		
	Loans accounted for under ASC Topic 310-30	Loans excluded from ASC Topic 310-30	Total non-covered loans
Commercial:			
Commercial and industrial	$	$ 125,251	$ 125,251
Leases		2,319	2,319
Total commercial		127,570	127,570

Commercial real estate:			
Commercial construction			
Commercial real estate		318,589	318,589
Land and development		30,013	30,013
Multifamily		17,330	17,330
Total commercial real estate		365,932	365,932
Agriculture		61,278	61,278
Residential real estate:			
Single family residential		282,381	282,381
Total residential real estate		282,381	282,381
Consumer	2,544	25,592	28,136
Total non-covered loans	$ 2,544	$ 862,753	$ 865,297

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011, 2010 and 2009

The Company s strategy is primarily to lend to small and mid-sized businesses and consumers in the markets in which the Company operates. Within these areas, the Company diversifies its loan portfolio by loan type, industry, and borrower.

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. At December 31, 2011 and 2010, respectively, the Company had $11.0 million and $0.0 million of troubled debt restructurings (TDR s) that had been restructured from the original terms in order to facilitate repayment.

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 on non-accrual status and TDR s. 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. Inclusive of the TDR s described above, the Company had $35.9 million and $0.0 million of impaired non-covered loans as of December 31, 2011 and 2010. At December 31, 2011, the Company had $24.6 million of non-covered, non-accrual loans. The Company did not have any non-accrual loans as of December 31, 2010.

Table of Contents

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011, 2010 and 2009

The following tables reflect the carrying value and loan delinquency of non-covered loans at December 31, 2011 and 2010 (in thousands). Pooled loans accounted for under ASC Topic 310-30 that are 90 days or more past due and still accreting are included in loans 90 days or more past due and still accruing interest and are considered to be performing.

	Non-Covered Loans December 31, 2011							
	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								
Wholesale	$ 681	$	$	$ 681	$ 24,660	$ 25,341	$	$
Manufacturing		33		33	7,162	7,195		46
Transportation/warehousing					11,501	11,501		
Finance and insurance	238			238	15,888	16,126		512
Oil & gas					20,510	20,510		
Lease					2,532	2,532		
All other commercial and industrial	3,552	434	10	3,996	52,096	56,092		202
Total commercial loans	4,471	467	10	4,948	134,349	139,297		760
Commercial real estate								
1-4 family construction					2,757	2,757		
1-4 family acquisition/development			37	37	13,302	13,339		92
Commercial construction								
Commercial acquisition/development		2,246	4,862	7,108	8,364	15,472		4,862
Multifamily		195		195	18,926	19,121		195
Owner-occupied	2,948			2,948	42,940	45,888		758
Non owner-occupied	2,418	1,234		3,652	166,924	170,576		16,053
Total commercial real estate	5,366	3,675	4,899	13,940	253,213	267,153		21,960
Agriculture	234	31	29	294	51,746	52,040		29
Residential real estate								
Sr lien 1-4 family closed end	791	79	668	1,538	238,035	239,573		1,571
Jr lien 1-4 family closed end	1,364		5	1,369	3,650	5,019		5
Sr lien 1-4 family open end	377	258	339	974	59,640	60,614	290	50
Jr lien 1-4 family open end	193	63	200	456	46,830	47,286		273
Total residential real estate	2,725	400	1,212	4,337	348,155	352,492	290	1,899
Consumer								
Secured	389	4		393	17,935	18,328		
Unsecured	12	1		13	2,701	2,714		1
Credit card	36	21	35	92	6,967	7,059	35	
Overdrafts					1,630	1,630		
Total consumer	437	26	35	498	29,233	29,731	35	1
Total non-covered loans excluded from ASC 310-30	13,233	4,599	6,185	24,017	816,696	840,713	325	24,649

Loans accounted under ASC 310-30								
Commercial	1,176	60	1,334	2,570	28,912	31,482	1,334	
Commercial Real Estate	4,486	630	38,269	43,385	199,912	243,297	38,269	
Agriculture	419		772	1,191	12,798	13,989	772	
Residential Real Estate	4,109	3,727	23,863	31,699	115,540	147,239	23,862	
Consumer	432	249	478	1,159	43,457	44,616	478	
Total non-covered loans accounted for under ASC 310-30	10,622	4,666	64,716	80,004	400,619	480,623	64,715	
Total non-covered loans	$ 23,855	$ 9,265	$ 70,901	$ 104,021	$ 1,217,315	$ 1,321,336	$ 65,040	$ 24,649

Table of Contents

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011, 2010 and 2009

	Non-Covered Loans December 31, 2010							
	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								
Wholesale	$	$	$	$	$ 14,772	$ 14,772	$	$
Manufacturing					9,115	9,115		
Transportation/warehousing					16,201	16,201		
Finance and insurance					6,515	6,515		
Oil & gas								
Lease					2,319	2,319		
All other commercial and industrial	9	9,473		9,482	69,166	78,648		
Total commercial loans	9	9,473		9,482	118,088	127,570		
Commercial real estate								
1-4 family construction					2,531	2,531		
1-4 family acquisition/development	11			11	12,464	12,475		
Commercial construction								
Commercial acquisition/development	730			730	16,808	17,538		
Multifamily					17,330	17,330		
Owner-occupied	784			784	75,507	76,291		
Non owner-occupied	728	252		980	238,787	239,767		
Total commercial real estate	2,253	252		2,505	363,427	365,932		
Agriculture	37	28		65	61,213	61,278		
Residential real estate								
Sr lien 1-4 family closed end	943	22		965	222,001	222,966		
Jr lien 1-4 family closed end		22		22	3,936	3,958		
Sr lien 1-4 family open end	155			155	20,722	20,877		
Jr lien 1-4 family open end	203	56		259	34,321	34,580		
Total residential real estate	1,301	100		1,401	280,980	282,381		
Consumer								
Secured	30	3		33	16,445	16,478		
Unsecured	42	43		85	3,704	3,789		
Credit card	88	9		97	3,979	4,076		
Overdrafts					1,249	1,249		
Total consumer	160	55		215	25,377	25,592		
Total non-covered loans excluded from ASC 310-30	3,760	9,908		13,668	849,085	862,753		
Loans accounted under ASC 310-30								
Commercial								
Commercial Construction								
Commercial Real Estate								
Commercial Real Estate								
Agriculture								
Residential Real Estate								

Consumer					2,544	2,544		
Total non-covered loans accounted for under ASC 310-30					2,544	2,544		
Total non-covered loans	$ 3,760	$ 9,908	$	$ 13,668	$ 851,629	$ 865,297	$	$

F-86

Table of Contents

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011, 2010 and 2009

Credit exposure for all non-covered loans as determined by the Company s internal risk rating system was as follows as of December 31, 2011 and 2010, respectively (in thousands):

	Non-Covered Loans December 31, 2011				
	Pass	Special Mention	Substandard	Doubtful	Total
Loans excluded from ASC 310-30					
Commercial					
Wholesale	$ 24,038	$	$ 622	$ 681	$ 25,341
Manufacturing	7,116		79		7,195
Transportation/warehousing	11,234		267		11,501
Finance and insurance	13,853	4	2,269		16,126
Oil & gas	20,510				20,510
Lease	1,519		1,013		2,532
All other commercial and industrial	36,330	7,360	12,402		56,092
Total commercial	114,600	7,364	16,652	681	139,297
Commercial real estate					
1-4 family construction	2,757				2,757
1-4 family acquisition/development	7,952	389	4,998		13,339
Commercial construction					
Commercial acquisition/development	2,447	7,555	5,470		15,472
Multifamily	16,884	1,046	1,191		19,121
Owner-occupied	34,611	3,438	7,839		45,888
Non owner-occupied	105,744	36,891	27,941		170,576
Total commercial real estate	170,395	49,319	47,439		267,153
Agriculture	48,116	2,421	1,503		52,040
Residential real estate					
Sr lien 1-4 family closed end	234,983	1,477	3,113		239,573
Jr lien 1-4 family closed end	4,840	127	52		5,019
Sr lien 1-4 family open end	57,853	2,153	608		60,614
Jr lien 1-4 family open end	45,000	637	1,649		47,286
Total residential real estate	342,676	4,394	5,422		352,492
Consumer					
Secured	18,146	172	10		18,328
Unsecured	2,713		1		2,714
Credit card	7,059				7,059
Overdrafts	1,630				1,630
Total consumer	29,548	172	11		29,731
Total non-covered loans excluded from ASC 310-30	705,335	63,670	71,027	681	840,713

Loans accounted for under ASC 310-30					
Commercial	19,464	5,491	6,455	72	31,482
Commercial Real Estate	83,447	53,950	103,779	2,121	243,297
Agriculture	4,315	7,311	2,363		13,989
Residential Real Estate	78,795	14,986	53,458		147,239
Consumer	41,705	1,773	1,138		44,616
Total non-covered loans accounted for under ASC 310-30	227,726	83,511	167,193	2,193	480,623
Total non-covered loans	$ 933,061	$ 147,181	$ 238,220	$ 2,874	$ 1,321,336

Table of Contents

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011, 2010 and 2009

	Non-Covered Loans December 31, 2010				
	Pass	**Special Mention**	**Substandard**	**Doubtful**	**Total**
Loans excluded from ASC 310-30					
Commercial					
Wholesale	$ 14,772	$	$	$	$ 14,772
Manufacturing	9,115				9,115
Transportation/warehousing	11,070	5,131			16,201
Finance and insurance	6,515				6,515
Oil & gas					
Lease	2,319				2,319
All other commercial and industrial	66,555	4,198	7,895		78,648
Total commercial	110,346	9,329	7,895		127,570
Commercial real estate					
1-4 family construction	2,531				2,531
1-4 family acquisition/development	12,475				12,475
Commercial construction					
Commercial acquisition/development	3,864	13,674			17,538
Multifamily	17,183		147		17,330
Owner-occupied	69,741	1,345	5,205		76,291
Non owner-occupied	183,467	45,092	11,208		239,767
Total commercial real estate	289,261	60,111	16,560		365,932
Agriculture	60,504	241	533		61,278
Residential real estate					
Sr lien 1-4 family closed end	217,393	777	4,796		222,966
Jr lien 1-4 family closed end	3,913		45		3,958
Sr lien 1-4 family open end	20,877				20,877
Jr lien 1-4 family open end	34,542	8	30		34,580
Total residential real estate	276,725	785	4,871		282,381
Consumer					
Secured	16,478				16,478
Unsecured	3,780	9			3,789
Credit card	4,076				4,076
Overdrafts	1,249				1,249
Total consumer	25,583	9			25,592
Total non-covered loans excluded from ASC 310-30	762,419	70,475	29,859		862,753
Loans accounted for under ASC 310-30					
Commercial					
Commercial Construction					
Commercial Real Estate					

Commercial Real Estate					
Agriculture					
Residential Real Estate					
Consumer	2,544				2,544
Total non-covered loans accounted for under ASC 310-30	2,544				2,544
Total non-covered loans	$ 764,963	$ 70,475	$ 29,859	$	$ 865,297

F-88

Table of Contents

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011, 2010 and 2009

Impaired loans

At December 31, 2011, the Company s unpaid principal balance and recorded investment of impaired loans was $74.7 million and $50.1 million, respectively. Of these impaired loans, 26 were within the commercial real estate segment, with an unpaid principal balance of $58.2 million and a recorded investment of $41.1 million. Twenty-one of these commercial real estate loans, with a recorded investment of $32.9 million and an unpaid principal balance of $34.9 million were not covered by the FDIC loss sharing agreement, compared to five loans with a recorded investment of $8.2 million and an unpaid principal balance of $23.3 million that were covered by the FDIC loss sharing agreement. The commercial loan segment had a total of 20 loans, ten of which were not covered by the FDIC loss sharing agreement with an unpaid principal balance and recorded investment of $.8 million and $.8 million, respectively. The 10 commercial loans that were covered by the FDIC loss sharing agreement had an unpaid principal balance and recorded investment of $11.9 million and $4.6 million, respectively. The residential real estate loan segment held 43 impaired loans, with an unpaid principal balance of $3.9 million and a recorded investment of $3.6 million. Of these 43 loans, three were covered by the FDIC loss sharing agreement with an unpaid principal balance and recorded investment of $1.7 million and $1.7 million respectively, leaving 40 loans not covered by the FDIC loss sharing agreement, with an unpaid principal balance of $2.2 million and a recorded investment of $1.9 million.

These loans had a collective related allowance for loan losses allocated to them of $0.8 million at December 31, 2011. The table below shows additional information regarding impaired loans at December 31, 2011 (in thousands):

	Impaired Loans December 31, 2011				
	Unpaid principal balance	Recorded investment	Allowance for loan losses allocated	Average recorded investment	Interest income recognized
With no related allowance recorded:					
Commercial					
Wholesale	$ 3,205	$ 1,069	$	$ 2,137	$
Manufacturing	48	46		46	
Transportation/warehousing					
Finance and insurance	1,412	679		1,044	
All other commercial and industrial	8,008	3,580		5,793	
Total commercial	12,673	5,374		9,020	
Commercial real estate					
1-4 family construction					
1-4 family acquisition/development	27,205	12,007		19,484	24
Commercial construction					
Commercial acquisition/development	5,717	5,470		5,579	3
Multifamily	203	195		199	
Owner-occupied	2,856	2,678		2,746	6
Non-owner occupied	9,963	9,335		9,397	17
Total commercial real estate	45,944	29,685		37,405	50
Agriculture	30	29		30	
Total agriculture	30	29		30	
Residential real estate					
Sr. lien 1-4 Family closed end	2,756	2,712		2,730	5
Jr. lien 1-4 family closed end	5	5		5	
Sr. lien 1-4 family open end	89	50		70	

Jr. lien 1-4 family open end	468	273	371	
Total residential real estate	3,318	3,040	3,176	5
Consumer				
Secured				
Unsecured	1	1	1	
Credit card				
Overdrafts				
Total consumer	1	1	1	

Table of Contents

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011, 2010 and 2009

	Impaired Loans December 31, 2011				
	Unpaid principal balance	Recorded investment	Allowance for loan losses allocated	Average recorded investment	Interest income recognized
With an allowance recorded:					
Commercial					
Wholesale	$	$	$	$	$
Manufacturing					
Transportation/warehousing					
Finance and insurance					
All other commercial and industrial					
Total commercial					
Commercial real estate					
1-4 family construction					
1-4 family acquisition/development					
Commercial construction					
Commercial acquisition/development					
Multifamily					
Owner-occupied					
Non-owner occupied	12,304	11,508	608	11,508	
Total commercial real estate	12,304	11,508	608	11,508	
Agriculture					
Total agriculture					
Residential real estate					
Sr. lien 1-4 Family closed end					
Jr. lien 1-4 family closed end					
Sr. lien 1-4 family open end	460	460	174	460	
Jr. lien 1-4 family open end					
Total residential real estate	460	460	174	460	
Consumer					
Secured					
Unsecured					
Credit card					
Overdrafts					
Total Consumer					
Total impaired loans	$ 74,730	$ 50,097	$ 782	$ 61,600	$ 55

Troubled debt restructurings

At December 31, 2011, the Company had ten accruing loans that it restructured during 2011. Loan modifications to loans accounted for under ASC Topic 310-30 are not considered troubled debt restructurings (TDR s). The table below provides additional information related to troubled debt restructurings made during and as of the year ended December 31, 2011 (in thousands):

	Average year-to-date recorded investment	Unpaid principal balance	Unfunded commitments to fund TDR s
Commercial	$	$	$ 60
Commercial real estate	11,184	11,184	24
Agriculture			
Residential real estate	1,141	1,141	60
Consumer			
Total	$ 12,325	$ 12,325	$ 144

Table of Contents

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011, 2010 and 2009

The following table summarizes the Company s non-accrual TDR s as of December 31, 2011 (in thousands):

	Non-accruing TDR s
Commercial	$ 119
Commercial real estate	16,108
Agriculture	
Residential real estate	61
Consumer	
Total	$ 16,288

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, prepayment assumptions on 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 were 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 Topic 310-30 resulted in the following changes in the carrying amount of accretable yield during the year ended December 31, 2011 (in thousands):

Balance at December 31, 2010	$ 74,329
Additions through acquisitions	130,321
Reclassification from non-accretable difference	45,871
Reclassification to non-accretable difference	(409)
Accretion	(63,618)
Balance at December 31, 2011	$ 186,494

Below is the composition of the net book value for loans accounted for under ASC Topic 310-30 at December 31, 2011 and 2010 (in thousands):

	December 31, 2011	December 31, 2010
Contractual cash flows	$ 2,030,374	$ 957,525
Non-accretable difference	(536,171)	(246,232)
Accretable yield	(186,494)	(74,329)
Loans accounted for under ASC Topic 310-30	$ 1,307,709	$ 636,964

The outstanding balance of loans acquired during 2011 and accounted for under ASC Topic 310-30, including contractual principal, interest, fees, and penalties, as of the dates of acquisition was $537.8 million for covered loans and $764.0 million for non-covered loans.

Table of Contents

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011, 2010 and 2009

Note 8 Allowance for Loan Losses

The table below details the Company s allowance for loan losses (ALL) and recorded investment in loans as of and for the year ended December, 31, 2011 (in thousands):

	Commercial and industrial	Commercial real estate	Agriculture	Residential real estate	Consumer and overdrafts	Total
Beginning balance	$	$	$	$	$ 48	$ 48
Non-310-30 charge-offs	(1,399)	(3,378)		(288)	(1,330)	(6,395)
310-30 charge-offs	(3,111)					(3,111)
Non-310-30 recoveries	4	510			181	695
310-30 recoveries	265			23		288
Non-310-30 provision	2,992	6,257	154	3,711	1,877	14,991
310-30 provision	4,208		128	675		5,011
Ending balance	2,959	3,389	282	4,121	776	11,527
Non-310-30 ending balance	1,597	3,389	154	3,423	776	9,339
310-30 ending balance	1,362		128	698		2,188
Ending balance	2,959	3,389	282	4,121	776	11,527
Ending allowance balance attributable to:						
Non-310-30 loans individually evaluated for impairment		608		174		782
Non-310-30 loans collectively evaluated for allowance	1,597	2,781	154	3,249	776	8,557
310-30 loans acquired with deteriorated credit quality	1,362		128	698		2,188
Total ending allowance balance	$ 2,959	$ 3,389	$ 282	$ 4,121	$ 776	$ 11,527
Loans:						
Non-310-30 individually evaluated for impairment	5,374	41,193	29	3,500	1	$ 50,097
Non-310-30 collectively evaluated for allowance	212,967	241,899	80,546	351,103	29,730	916,245
310-30 loans acquired with deteriorated credit quality	154,590	869,386	70,828	168,282	44,623	1,307,709
Total loans	$ 372,931	$ 1,152,478	$ 151,403	$ 522,885	$ 74,354	$ 2,274,051

During 2011, the Company reestimated the expected cash flows of the 30 loan pools accounted for under ASC Topic 310-30 utilizing the same cash flow methodology used at the time of acquisition. The re-yielding resulted in a $4.2 million impairment of a commercial and industrial loan pool from the Hillcrest Bank acquisition, a $0.1 million impairment of an agricultural loan pool and a $0.7 million impairment in a single family residential loan pool, both of which were from the Bank of Choice acquisition.

In evaluating the loan portfolio for an appropriate ALL level, unimpaired loans 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 recorded $15.0 million of provision for loan losses for loans not accounted for under ASC Topic 310-30 primarily attributable to deterioration in credit quality since the date of acquisition and new loan originations.

Table of Contents

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011, 2010 and 2009

The Company charged off $6.4 million of non-ASC Topic 310-30 loans during 2011, $3.4 million of which was a result of a large anchor tenant vacating several commercial properties and declaring bankruptcy and $1.4 million of commercial and industrial loans primarily as a result of a heavy equipment loan. The Company also charged-off $3.1 million of commercial and industrial loans accounted for under ASC Topic 310-30 as a result of decreased estimated cash flows.

During 2010, the Company did not have any charge-offs or recoveries. As of December 31, 2010, the Company did not have any impaired or non-accrual loans or specific reserves for loan losses; however, the Company did have a $48 thousand ALL for general reserves.

Note 9 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. FDIC indemnification assets of $159.7 million and $151.0 million were established at the respective dates of the Hillcrest Bank and Community Banks of Colorado acquisitions as the estimated fair value of the expected reimbursements from the FDIC for losses on covered loans and OREO. 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 difference between the carrying value of the covered asset and the payments received that is reimbursable by the FDIC is 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 2011 and 2010 (in thousands):

	2011	2010
Balance at December 31, 2010	$ 161,395	$
Additions through acquisitions	150,987	159,706
Accretion	(6,132)	1,689
Reduction for claims filed	(82,848)	
Balance at December 31, 2011	$ 223,402	$ 161,395

During 2011, the Company received $89.1 million from the FDIC for reimbursement of losses that occurred from the date of acquisition of Hillcrest Bank through September 30, 2011, in accordance with the loss sharing agreements. Included in the $89.1 million received from the FDIC were reimbursements of expenses incurred for the resolution of covered assets netted with recoveries received on covered and non-covered assets that were not included in the expected cash flows of the indemnification assets. During March 2012, a claim was submitted to the FDIC for $26.5 million for the reimbursable portion of losses incurred at Community Banks of Colorado since the acquisition on October 21, 2011 through December 31, 2011. During January, 2012, the Company also submitted a claim for $6.6 million for the reimbursable portion of losses related to the Hillcrest Bank covered assets incurred during the fourth quarter of 2011. 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.

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011, 2010 and 2009

Note 10 Premises and Equipment

Premises and equipment consisted of the following at December 31, 2011, 2010 and 2009:

	2011	2010	2009
Land	$ 25,186	$ 14,549	$
Buildings and improvements	48,933	21,598	
Equipment	15,960	1,264	80
Total	90,079	37,411	80
Less accumulated depreciation and amortizations	(2,764)	(91)	
Premises and equipment, net	$ 87,315	$ 37,320	$ 80

Premises and equipment increased $50.0 million during 2011 primarily due to the purchase of bank branches from the FDIC and capitalized costs related to the implementation of a new core banking system. Depreciation expense of $2.8 million and $91 thousand were included in occupancy and equipment expense in 2011 and 2010, respectively.

The Company committed to purchase 15 Bank of Choice branch assets and certain equipment of the failed institution from the FDIC for $30.6 million, which is included in premises and equipment, net, and the payable to the FDIC is included in Due to FDIC in the accompanying statements of financial condition at December 31, 2011. The purchase was settled in March 2012. In addition, two branches of Bank of Choice are currently leased. In connection with the Community Banks of Colorado transaction, the Company had the option to purchase the banking center assets and certain equipment of the failed bank from the FDIC for 90 days after the transaction date. During the first quarter of 2012, the Company notified the FDIC of its intent to purchase 26 of the branch premises for a total purchase price of $24.4 million. The Company also assumed the leases of 14 branch premises.

Note 11 Other Real Estate Owned

At December 31, 2011, the Company had $120.7 million of OREO of which $77.1 million, or 63.9%, was covered by the loss sharing with the FDIC. At December 31, 2010, all of the $54.1 million of OREO 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 2011, the Company sold $51.7 million of OREO and realized net gains on sales of OREO of $3.1 million. Changes in OREO during 2011 were as follows (in thousands):

	2011	2010
Beginning balance	$ 54,078	$
Purchases through acquisition, at fair value	64,084	51,600
Transfers from loan portfolio, at fair value	52,294	11,584
Impairments	(1,138)	
Sales	(48,682)	(9,106)
Ending balance	$ 120,636	$ 54,078

Note 12 Goodwill and Intangible Assets

In connection with the Hillcrest Bank, Bank Midwest, Bank of Choice, and Community Banks of Colorado transactions, the Company recorded core deposit intangible assets of $5.8 million, $21.7 million, $5.2 million, and $4.8 million, respectively. The Company is amortizing the core deposit intangibles on a straight line basis over 7 years from the date of the respective acquisitions, which represents the expected useful life of the assets. This will

Table of Contents

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011, 2010 and 2009

result in approximately $5.3 million of core deposit intangible amortization expense each year through 2017 and $1.0 million in 2018. The Company recognized $4.4 million of core deposit intangible amortization expense during 2011, which also totaled the accumulated core deposit intangible amortization at December 31, 2011.

The Company had goodwill of $59.6 million and $52.4 million at December 31, 2011 and 2010, respectively. During 2011, the Company recorded goodwill of $7.2 million in connection with the Community Banks of Colorado acquisition. The goodwill is measured as the excess of the fair value of consideration paid over the fair value of assets acquired. There was no goodwill impairment recorded during 2011 or 2010.

Note 13 Deposits

In connection with the acquisitions of Bank of Choice and Community Banks of Colorado, the Company assumed $760.2 million and $1.2 billion of deposits, respectively. As of December 31, 2011 and 2010, deposits totaled $5.1 billion and $3.5 billion, respectively. The following table summarizes the Company s time deposits, based upon contractual maturity, at December 31, 2011, and 2010, by remaining maturity (in thousands):

	December 31, 2011	December 31, 2010
Three months or less	$ 746,835	$ 564,525
Over 3 months through 6 months	554,740	475,077
Over 6 months through 12 months	1,014,949	732,069
Over 12 months through 24 months	309,848	362,784
Over 24 months through 36 months	52,879	78,764
Over 36 months through 48 months	54,678	14,801
Over 48 months through 60 months	43,550	30,029
Thereafter	7,117	5,968
Total	$ 2,784,596	$ 2,264,017

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 cash in their time deposits at any time during the life of the time deposit, without penalty, unless the depositor accepts new terms. At December 31, 2011 and 2010, the Company had approximately $1.1 billion and $727.1 million, respectively, of time deposits that were subject to penalty-free withdrawals.

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

	2011	2010
Demand deposits:		
Non-interest bearing	$	$
Interest bearing	1,091	50
Money market accounts	4,540	414
Savings accounts	355	32
Time deposits	35,588	4,987

Total	$ 41,574	$ 5,483

F-95

Table of Contents

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011, 2010 and 2009

Note 14 Securities Sold Under Agreements to Repurchase

The following table sets forth selected information regarding repurchase agreements during the years ended December 31, 2011 and 2010:

	2011	2010
Maximum amount of outstanding agreements at any month end during the period	$ 47,597	$ 23,787
Average amount outstanding during the period	$ 31,727	$ 28,739
Weighted average interest rate for the period	0.31%	0.33%

As of December 31, 2011 and 2010, the Company had pledged mortgage-backed securities and U.S. Treasury securities with a fair value of approximately $71.2 million and $42.7 million, respectively, for securities sold under agreements to repurchase. Additionally, there was $20.3 million and $16.5 million of excess collateral pledged for repurchase agreements at December 31, 2011 and 2010, respectively.

The vast majority of the Company s repurchase agreements are overnight transactions that mature the day after the transaction. At December 31, 2011 and 2010, the overnight agreements had an average interest rate of 0.31% and 0.25%, respectively. At December 31, 2011 and 2010, $0.5 million and $235 thousand of the Company s repurchase agreements were for periods longer than one day.

The Company does not have any borrowings, unused lines of credit, or short-term financing agreements.

Note 15 Regulatory Capital

NBH Bank is subject to the regulatory capital adequacy requirements of the Federal Reserve Board, the FDIC, and the OCC, as applicable. Failure to meet the minimum capital requirements can initiate certain mandatory and possibly further discretionary actions by regulators that could have a material adverse effect on the Company s consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, banks must meet specific capital requirements that involve quantitative measures of assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. Capital amounts and classifications are subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Typically, mature banks are required to maintain a Tier 1 risk-based capital ratio of 4.00%, a total risk-based capital ratio of 8.00% and a Tier 1 leverage ratio of 4.00% in order to meet minimum, adequately capitalized regulatory requirements. To be considered well-capitalized (under prompt corrective action provisions), banks must maintain minimum capital ratios of 6.00% for Tier 1 risk-based capital, 10.00% for total risk-based capital and 5.00% for the Tier 1 leverage ratio. However, in connection with the approval of the de novo charter for Hillcrest Bank and Bank Midwest, the Company has agreed with its regulators to maintain capital levels of at least 10% Tier 1 leverage ratio, 11% Tier 1 risk-based capital ratio and 12% Tier 1 risk-based capital ratio at each of the Banks through the fourth quarter of 2013. In conjunction with the consummation of the Hillcrest Bank and Bank Midwest transactions in 2010, the Company contributed $170 million of capital into Hillcrest Bank and $390 million of capital into Bank Midwest to provide each of the Banks with sufficient capital to meet and exceed the above-mentioned agreed-upon capital ratios. During 2011, the Company contributed $274.0 million of additional capital to Bank Midwest to facilitate the acquisitions of Bank of Choice and Community Banks of Colorado.

In November 2011, the Company merged Hillcrest Bank, N.A. into Bank Midwest N.A. The merger did not impact the loss sharing agreements that the Company has with respect to the Hillcrest Bank acquisition. Upon consummation of the merger, the capital of Bank Midwest and Hillcrest Bank were combined for regulatory

F-96

Table of Contents

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011, 2010 and 2009

capital purposes and Bank Midwest (now NBH Bank, N.A.) remains subject to the capital plans submitted to the OCC at its inception that specifically restrict the ability of NBH Bank to declare dividends until the fourth quarter of 2013.

At December 31, 2011 and 2010, as applicable, our subsidiary banks and our consolidated holding company exceeded all capital ratio requirements under prompt corrective action and other regulatory requirements, as is detailed in the table below (dollars in thousands):

	December 31, 2011					
	Actual		Required to be considered well capitalized		Required to be considered adequately capitalized	
	Ratio	Amount	Ratio	Amount	Ratio	Amount
Tier 1 leverage ratio						
Consolidated	15.1%	$ 949,154	N/A	N/A	4%	$ 251,514
NBH Bank, N.A. (1)(2).	13.4%	828,321	10%	616,919	4%	246,768
Tier 1 risk-based capital ratio (3)						
Consolidated	49.9%	$ 949,154	6%	$ 114,077	4%	$ 76,051
NBH Bank, N.A. (1)(2)	44.2%	828,321	11%	206,258	4%	75,003
Total risk-based capital ratio (3)						
Consolidated	50.5%	$ 960,681	10%	190,129	8%	$ 152,103
NBH Bank, N.A. (1)(2)	44.8%	839,848	12%	225,009	8%	150,006

	December 31, 2010					
	Actual		Required to be considered well capitalized		Required to be considered adequately capitalized	
	Ratio	Amount	Ratio	Amount	Ratio	Amount
Tier 1 leverage ratio						
Consolidated	17.9%	$ 907,958	N/A	N/A	4%	$ 206,270
NBH Bank, N.A. (1)	10.7%	317,144	10%	296,934	4%	118,773
Hillcrest Bank, N.A. (1)	14.2%	193,938	10%	137,304	4%	54,922
Tier 1 risk-based capital ratio (3)						
Consolidated	69.6%	$ 907,958	6%	78,308	4%	$ 52,206
NBH Bank, N.A. (1)	32.7%	317,144	11%	106,718	4%	38,806
Hillcrest Bank, N.A. (1)	76.7%	193,938	11%	27,800	4%	10,109
Total risk-based capital ratio (3)						
Consolidated	69.6%	$ 908,041	10%	130,514	8%	$ 104,411
NBH Bank, N.A. (1)	32.7%	317,220	12%	116,419	8%	77,613
Hillcrest Bank, N.A. (1)	76.7%	193,945	12%	30,328	8%	20,218

(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 charters for Hillcrest Bank and Bank Midwest, as described above.

(2) In November 2011, Hillcrest Bank, N.A. was merged into Bank Midwest, N.A. (now NBH Bank, N.A.). The capital ratios shown are reflective of the merger.

(3) Due to the conditional guarantee represented by the loss sharing agreements, the FDIC indemnification asset, as well as covered assets, are risk-weighted at 20% for purposes of risk-based capital computations.

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011, 2010 and 2009

Note 16 FDIC Loss Sharing Income (Expense)

In connection with the loss sharing agreements that the Company has with the FDIC in regard to the Hillcrest Bank and Community Bank of Colorado transactions, the Company recognizes the changes in the FDIC indemnification asset and the clawback liability, in addition to the actual reimbursement of costs of resolution of covered assets from the FDIC, in FDIC loss sharing income (expense) in the consolidated statements of operations. The table below provides additional details of the Company s FDIC loss sharing income (expense) during the years ended December 31, 2011 and 2010 (in thousands):

	2011	2010
FDIC indemnification asset accretion	$ (6,132)	$ 1,689
Clawback liability amortization	(845)	(117)
Clawback liability remeasurement	(2,778)	
Reimbursement to FDIC for gain on sale of and income from covered OREO	(1,130)	
Reimbursement to FDIC for recoveries on non-covered loans	(1,227)	
FDIC reimbursement of costs of resolution of covered assets	7,390	664
Total	$ (4,722)	$ 2,236

Note 17 Stock-Based Compensation and Employee Benefits

The Company provides stock-based compensation in accordance with the NBH Holdings Corp. 2009 Equity Incentive Plan (the Plan). The Plan provides the compensation committee of the board of directors of the Company the authority to grant, from time to time, awards of options, stock appreciation rights, restricted stock, restricted stock units, stock awards, or stock bonuses to eligible persons. The aggregate number of shares of stock which may be granted under the Plan is 5,750,000 and the maximum number of restricted shares and restricted share units that may be granted is 1,725,000.

To date, the Company has issued stock options and restricted stock under the Plan. The compensation committee sets the option exercise price at the time of grant but in no case is the exercise price less than the fair market value of a share of stock at the date of grant. The Company has used information provided by third parties, including independent valuation specialists, as required by the Plan, to assist in the determination of estimates regarding fair values associated with the Company s stock-based compensation, including contemporaneous valuations of grant date fair values; however, the Company assumes full responsibility for the assumptions used therein and the resulting values.

The Company issued stock options and restricted stock during 2011. The expense associated with the awarded stock options was measured at fair value using a Black-Scholes option-pricing model. The time vesting portion of the restricted stock was valued at the same price as the common shares since they are assumed to be held beyond the vesting period. The remaining portion of the restricted stock (market-vesting) is valued using a Monte Carlo Simulation with 100,000 simulation paths to assess the expected percentage of vested shares. A Geometric Brownian Motion was used for simulating the equity prices for a period of 10 years and if the restricted stock were not vested during the 10-year period it was assumed they were forfeited.

Table of Contents

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011, 2010 and 2009

Below are the weighted average assumptions used in the Black-Scholes option pricing model and the Monte Carlo Simulation to determine fair value of the Company s stock options and the market-vesting portion of the Company s restricted stock granted during 2011:

	Black-Scholes	Monte Carlo
Risk-free interest rate	1.40%	1.52%
Expected volatility	34.53%	34.34%
Expected term (years)	5	10
Dividend yield	0.00%	0.00%

The Company s shares are not yet publicly traded and have limited private trading; therefore, expected volatility was estimated based on the median historical volatility, for a period commensurate with the expected term of the options, of 13 comparable companies with publicly traded shares. 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. The expected term was estimated to be the average of the contractual vesting term and time to expiration. No forfeitures were assumed in the expected term assumption and the dividend yield was assumed to be zero.

The following table summarizes the material vesting terms of the stock options granted in 2011:

	Number of Options Granted in 2011
Options are time-vested, with $^1/_2$ vesting in October 2011 and $^1/_2$ vesting in October 2012	200,000
Options are time-vested with $^1/_2$ vesting on each of the second and third anniversary of the date of grant	141,500
Options are time-vested with $^1/_3$ vesting on each of the first, second and third anniversary of the date of grant, and further subject to the Company s shares becoming publicly listed	945,000
Total options granted in 2011	1,286,500

The following table summarizes option activity for the year ended December 31, 2011:

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term in Years	Aggregate Intrinsic Value
Outstanding at December 31, 2010	2,357,332	$ 20.00		
Granted during the three months ended March 31, 2011	203,500	20.00		
Granted during the three months ended June 30, 2011	63,500	20.00		
Granted during the three months ended September 30, 2011	26,500	20.00		
Granted during the three months ended December 31, 2011	993,000	20.00		

Forfeited	(402,500)		20.00		
Exercised					
Outstanding at December 31, 2011	3,241,332		20.00	9.67	$
Options fully vested and exercisable at December 31, 2011	1,070,418		20.00	8.18	$
Options expected to vest	2,121,264	$	20.00	8.95	$

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011, 2010 and 2009

Options granted during 2011 had weighted average grant date fair values of $5.58.

Stock option expense is included in salaries and employee benefits in the accompanying consolidated statements of operations and totaled $5.9 million and $8.0 million, respectively, for 2011 and 2010. The options to acquire 993,000 shares of common stock granted during the fourth quarter of 2011 are subject to an additional vesting requirement of the Company s shares being publicly listed on a national exchange. In accordance with ASC Topic 718, the Company will start recognizing compensation expense on the grants that have vesting requirements tied to the Company s shares becoming listed on a national exchange subsequent to that vesting requirement being fulfilled, with an expense recognition catch-up for the portion of the expense that has been deferred until that vesting criteria is met. As a result, no expense was recorded on these particular grants during 2011. At December 31, 2011, there was $8.2 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 0.8 years.

Restricted stock may also be issued under the Plan as described above. Compensation expense for the portion of the restricted stock that contain a market vesting condition is recognized over the derived service period based on the fair value of the awards on the grant date. Compensation expense for the portion of the restricted stock that contains performance and service vesting conditions is recognized over the requisite service period based on fair value of the awards on the grant date. The Company did not recognize any expense related to the restricted stock awards that have vesting requirements tied to the Company s shares becoming listed on a national exchange, but will recognize this expense subsequent to that vesting requirement being fulfilled, as described above.

The following table summarizes restricted stock activity for the year ended December 31, 2011:

	Restricted Stock	Weighted Average Grant Date Fair Value
Unvested at December 31, 2010	1,199,168	$ 16.79
Vested	(221,417)	19.32
Granted	295,000	14.19
Forfeited	(134,167)	16.68
Surrendered	(30,250)	17.76
Unvested at December 31, 2011	1,108,334	$ 15.58

As of December 31, 2011, there was $7.1 million of total unrecognized compensation cost related to non-vested restricted shares granted under the Plan. The cost is expected to be recognized over a weighted average period of 1.0 year. Expense related to restricted stock totaled $6.6 million and $8.6 million during 2011 and 2010, respectively, and is included in salaries and employee benefits in the Company s consolidated statements of operations.

During 2011, the Company reversed approximately $4.5 million of previously recorded stock-based compensation expense, of which $2.9 million related to expense recognized during 2010, in connection with the 134,167 restricted shares and 402,500 stock options that were forfeited by the former Chief Financial Officer upon his separation from the Company, which is reflected in salaries and employee benefits in the accompanying consolidated statement of operations for 2011.

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011, 2010 and 2009

Note 18 Acquisition-Related Costs

The Company incurred certain expenses related to the completion of its acquisitions. The Company also incurred certain expenses related to other potential acquisitions that the Company did not consummate. The following table summarizes the Company s acquisition-related costs during 2011 and 2010 (in thousands):

	2011				2010			
	Bank of Choice	Community Banks of Colorado	Other	Total	Bank Midwest	Hillcrest Bank	Other	Total
Legal and advisory	$ 500	$ 584	$	$ 1,084	$ 4,525	$ 3,093	$	$ 7,618
Professional fees	892	1,153		2,045	1,310	973	1,308	3,591
Due diligence	129	1,035	642	1,806	523	258	2,086	2,867
Total	$ 1,521	$ 2,772	$ 642	$ 4,935	$ 6,358	$ 4,324	$ 3,394	$ 14,076

Note 19 Warrants

At December 31, 2011 and 2010, the Company had 830,750 outstanding warrants to purchase Company stock. The warrants were granted to certain lead stockholders of the Company, all with an exercise price of $20.00 per share. The term of the warrants is for ten years and the expiration dates of the warrants range from October 20, 2019 to September 30, 2020. The fair value of the warrants was estimated to be $6.8 million and $6.9 million at December 31, 2011 and 2010, respectively. The fair value of the warrants was estimated using a Black-Scholes option pricing model utilizing the following assumptions at the indicated dates:

	December 31, 2011	December 31, 2010
Risk-free interest rate	1.56%	3.35%
Expected volatility	34.93%	31.32%
Expected term (years)	8-9	9-10
Dividend yield	0.00%	0.00%

The Company s shares are not yet publicly traded and have limited private trading; therefore, expected volatility was estimated based on the median historical volatility, for a period commensurate with the expected term of the warrants, of 16 comparable companies with publicly traded shares. The risk-free rate for the expected term of the warrants was based on the U.S. Treasury yield curve at the date of grant. The expected term was estimated based on the contractual term of the warrants. The dividend yield was assumed to be zero because the Company does not anticipate paying dividends in the foreseeable future.

During 2011, 2010 and 2009, the Company recorded a gain of $56 thousand, a loss of $44 thousand and a gain of $270 thousand, respectively, in the consolidated statements of operations resulting from the change in fair value on the revaluation of the warrant liability.

Note 20 Common Stock

The Company had 44,612,344 Class A common stock and 7,545,353 Class B common stock as of December 31, 2011. Additionally, the Company had 1,108,334 shares 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.

Table of Contents

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011, 2010 and 2009

Note 21 Income (Loss) Per Share

The Company had 52,157,697, 51,936,280 and 58,068,304 shares issued and outstanding as of December 31, 2011, 2010 and 2009, respectively, inclusive of 250,000 shares of founders shares that were issued in 2009 at par value and vested during 2011. Stock options 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 the years ended December 31, 2011, 2010 and 2009. The Company also has VAR s issued to the FDIC in conjunction with the acquisition of Bank of Choice and Community Banks of Colorado that are potentially dilutive should the FDIC choose to settle this right in the Company s stock. The exercisability of the VAR s is contingent upon the Company having a triggering event upon public listing of its stock or a sale event, and as of December 31, 2011, the triggering events had not occurred, and as a result, the VAR s are not included in the calculation of diluted earnings per share.

The following table illustrates the computation of basic and diluted income per share for 2011:

	For the year ended 2011		
	Income (Numerator)	**Shares (Denominator)**	**Per-share amount**
Basic EPS			
Income available to common stockholders	$ 41,963,000	51,978,744	$ 0.81
Effect of dilutive securities			
Restricted stock		125,277	
Diluted EPS			
Income available to common stockholders	$ 41,963,000	52,104,021	$ 0.81

The Company had 2,620,832, 2,343,332 and 1,418,332 stock options to purchase common stock at $20.00 per share outstanding at December 31, 2011, 2010 and 2009, respectively, which were not included in the computation of diluted income per share because the options exercise price was greater than the average market price of the common shares. Additionally, the Company had 830,750 outstanding warrants to purchase the Company s common stock as of December 31, 2011 and 2010 and 237,500 outstanding warrants as of December 31, 2009. The warrants have an exercise price of $20.00, which was out-of-the-money for purposes of dilution calculations. The Company had 1,329,751, 1,199,168 and 709,168 restricted shares outstanding as of December 31, 2011, 2010 and 2009, 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.

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011, 2010 and 2009

Note 22 Income Taxes

(a) Income taxes

Total income taxes for the years ended December 31, 2011, 2010 and 2009 were allocated as follows (in thousands):

	2011	2010	2009
Current expense:			
U.S. federal	$ 33,258	$ 291	$ 162
State and local	4,942	401	6
Total	38,200	692	168
Deferred (benefit) expense:			
U.S. federal	(10,344)	1,600	
State and local	(410)	661	
Total	(10,754)	2,261	
Income tax expense	$ 27,446	$ 2,953	$ 168

(b) Tax Rate Reconciliation

Income tax expense attributable to income (loss) before taxes was $27.4 million, $3.0 million and $0.2 million for 2011, 2010 and 2009, respectively, and differed from the amounts computed by applying the U.S. federal income tax rate to pretax income (loss) as a result of the following (in thousands):

	2011	2010	2009
Income taxes at deferral statutory rate (35% for 2011 and 2010, and 34% for 2009)	$ 24,293	$ 3,150	$ (464)
State income taxes, net of federal benefits	2,946	690	4
Valuation allowance		(720)	720
Restricted stock	230		
Start-up costs		(178)	
Other	(23)	11	(92)
Income tax expense	$ 27,446	$ 2,953	$ 168

Table of Contents

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011, 2010 and 2009

(c) Significant Components of Deferred Taxes

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2011 and 2010 are presented below (in thousands):

	2011	2010
Deferred tax assets:		
Excess tax basis of assets acquired over carrying value:		
Loans	$ 29,982	$ 22,156
Intangible assets	20,705	11,569
Other real estate owned	0	8,663
Accrued stock-based compensation	8,517	6,188
Capitalized start-up and acquisition costs	6,690	4,214
Allowance for loan losses	4,120	29
Accrued expenses	1,917	61
Federal net operating loss	0	1,236
Other	313	99
Total deferred tax assets	72,244	54,215
Deferred tax liabilities:		
Excess carrying value of liabilities assumed over tax basis:		
FDIC indemnification asset net of clawback liability	(55,660)	(55,974)
Other real estate owned	(2,498)	
Unrealized gains	(29,646)	(3,138)
Premises and equipment	(4,264)	
Prepaid expenses	(1,185)	(467)
Other	(144)	(35)
Total deferred tax liabilities	(93,397)	(59,614)
Net deferred tax liability	$ (21,153)	$ (5,399)

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, if any (including the impact of available carryforward periods), projected future taxable income, and tax-planning strategies in making this assessment.

For the year ended December 31, 2011, management believes a valuation allowance on the deferred tax asset is not necessary based on the current and future projected earnings of the Company. Furthermore, the Company is in an overall deferred tax liability position as of December 31, 2011 and 2010. The Company has no unrecognized tax benefits as of December 31, 2011 and 2010. The Company has utilized all remaining net operating loss carryovers as of December 31, 2011.

Note 23 Commitments and Contingencies

Financial instrument commitments and contingencies

In the normal course of business, the Company enters into various off-balance sheet commitments to help meet the financing needs of clients. These financial instruments include commitments to extend credit, commercial and consumer lines of credit and standby letters of credit. The same credit policies are applied to

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011, 2010 and 2009

these commitments as the loans on the consolidated statements of financial condition; however, these commitments involve varying degrees of credit risk in excess of the amount recognized in the consolidated statements of financial condition. At December 31, 2011 and 2010, the Company had loan commitments totaling $341.1 million and $225.8 million respectively, and standby letters of credit that totaled $20.0 million and $29.1 million, respectively. The total amounts of unused commitments do not necessarily represent future credit exposure or cash requirements, as commitments often expire without being drawn upon. However, the contractual amount of these commitments represents the Company s potential credit loss exposure. Amounts funded at Hillcrest Bank and Community Banks of Colorado under non-cancelable commitments in effect at the date of acquisition are covered under the loss sharing agreements if certain conditions are met.

Total unfunded commitments at December 31, 2011 and 2010 were as follows:

	December 31, 2011			December 31, 2010		
	Covered	Not Covered	Total	Covered	Not Covered	Total
Commitments to fund loans:						
Residential	$ 1,517	$ 30,194	$ 31,711	$	$ 1,491	$ 1,491
Commercial and commercial real estate	2,437	38,937	41,374	17,780	55,147	72,927
Construction and land development	3,565	776	4,341	17,568	1,749	19,317
Consumer		39,690	39,690			
Credit card lines of credit		20,738	20,738		22,661	22,661
Unfunded commitments under lines of credit	68,223	135,001	203,224	571	108,879	109,450
Commercial and standby letters of credit	3,051	16,986	20,037	20,382	8,738	29,120
Total	$ 78,793	$ 282,322	$ 361,115	$ 56,301	$ 198,666	$ 254,967

Commitments to fund loans Commitments to fund loans are legally binding agreements to lend to clients in accordance with predetermined contractual provisions providing there have been no violations of any conditions specified in the contract. These commitments are generally at variable interest rates and are for specific periods or contain termination clauses and may require the payment of a fee. The total amounts of unused commitments are not necessarily representative of future credit exposure or cash requirements, as commitments often expire without being drawn upon.

Credit card lines of credit The Company extends lines of credit to clients through the use of credit cards issued by the banks. These lines of credit represent the maximum amounts allowed to be funded, many of which will not exhaust the established limits, and as such, these amounts are not necessarily representations of future cash requirements or credit exposure.

Unfunded commitments under lines of credit In the ordinary course of business, the Company extends revolving credit to its clients through the use of bank-issued credit cards. These arrangements may require the payment of a fee.

Commercial and standby letters of credit As a provider of financial services, the Company routinely issues commercial and standby letters of credit, which may be financial standby letters of credit or performance standby letters of credit. These are various forms of back-up commitments to guarantee the performance of a

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011, 2010 and 2009

customer to a third party. While these arrangements represent a potential cash outlay for the Company, the majority of these letters of credit will expire without being drawn upon. Letters of credit are subject to the same underwriting and credit approval process as traditional loans, and as such, many of them have various forms of collateral securing the commitment, which may include real estate, personal property, receivables or marketable securities.

Contingencies

In the ordinary course of business, the Company and its banks may be subject to litigation. Based upon the available information and advice from the Company s legal counsel, management does not believe that any potential, threatened or pending litigation to which it is a party will have a material adverse effect on the Company s liquidity, financial condition or results of operations.

Note 24 Parent Company Only Financial Statements

Parent company only financial information for National Bank Holdings Corporation is summarized as follows:

Condensed Statements of Financial Condition

(In thousands)

	2011	2010
Assets		
Cash and cash equivalents	$ 113,602	$ 393,283
Investment in subsidiaries	967,895	596,882
Other assets	3,490	14,180
Total assets	$ 1,084,987	$ 1,004,345
Liabilities and stockholders equity		
Other liabilities	(3,741)	10,586
Total liabilities	(3,741)	10,586
Stockholders equity	1,088,728	993,759
Total liabilities and stockholders equity	$ 1,084,987	$ 1,004,345

Condensed Statements of Operations

(In thousands)

	2011	2010	2009
Interest income	$ 649	$ 2,330	$ 481
Undistributed equity from subsidiaries	56,076	30,798	

Other income		8	
Total income	56,725	33,136	481
Expenses			
Salaries and employee benefits	14,675	22,234	1,775
Other expenses	4,898	3,435	72
Transaction/due diligence expense	1,046	13,117	
Total expenses	20,619	38,786	1,847
Operating income (loss)	36,106	(5,650)	(1,366)
Income tax (benefit) expense	(5,857)	(11,701)	168
Net income (loss)	$ 41,963	$ 6,051	$ (1,534)

Table of Contents

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011, 2010 and 2009

Condensed Statements of Cash Flows

(In thousands)

	2011	2010	2009
Cash flows from operating activities:			
Net income (loss)	$ 41,963	$ 6,051	$ (1,534)
Undistributed equity from subsidiaries	(56,076)	(30,798)	
Stock-based compensation expense	12,564	16,612	
Other	(3,127)	(10,080)	(411)
Net cash used in operating activities	(4,676)	(18,215)	(1,945)
Cash flows from investing activities:			
Payments for investments in and advances to subsidiaries	(274,000)	(560,000)	
Purchases of premises and equipment	(511)	(149)	(80)
Net cash used in investing activities	(274,511)	(560,149)	(80)
Cash flows from financing activities:			
Capital contribution			1,101,313
Payment to repurchase stock		(127,641)	
Issuance of vested restricted stock	(494)		
Net cash (used in) provided by financing activities	(494)	(127,641)	1,101,313
Net (decrease) increase in cash and cash equivalents	(279,681)	(706,005)	1,099,288
Cash and cash equivalents at beginning of the year	393,283	1,099,288	
Cash and cash equivalents at end of the year	$ 113,602	$ 393,283	$ 1,099,288

Note 25 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

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011, 2010 and 2009

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.

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. The Company classified its U.S. Treasury securities as Level 1 in the fair value hierarchy as of December 31, 2011 and 2010. 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 December 31, 2011, the Company s level 2 securities included mortgage-backed securities comprised of residential mortgage pass-through securities, other residential mortgage-backed securities, and other mortgage-backed securities, all of which were issued or guaranteed by U.S. Government agencies or sponsored agencies, and at December 31, 2010 also included U.S. Government sponsored agency obligations held by the Company at that time. All other investment securities are classified as level 3. There were no transfers between levels 1 or 2 during 2011 or 2010.

Value appreciation rights issued to the FDIC The Company measures the fair value of the VAR on a recurring basis and is based on the spread between the strike price of the VAR and the average multiple of price to tangible book value indicated by national and regional bank indices, multiplied by the maximum number of applicable units.

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 common stock is not publicly traded in an exchange, and the fair value measurement of the warrant liability requires significant unobservable inputs to the valuation model.

Clawback liability The Company 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 agreements on a recurring basis. 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.

Table of Contents

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011, 2010 and 2009

The tables below present the financial instruments measured at fair value on a recurring basis as of December 31, 2011 and 2010 on the consolidated statement of financial condition utilizing the hierarchy structure described above (in thousands):

	December 31, 2011			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Investment Securities available-for-sale:				
U.S. Treasury securities	$ 3,300	$	$	$ 3,300
U.S. Government sponsored agency obligations	3,010			3,010
Mortgage-backed securities (MBS):				
Residential mortgage pass-through securities issued or guaranteed by U.S. Government agencies or sponsored agencies		1,191,537		1,191,537
Other residential MBS issued or guaranteed by U.S. Government agencies or sponsored agencies		643,625		643,625
Other MBS issued or guaranteed by U.S. Government agencies or sponsored agencies		20,808		20,808
Other securities			419	419
Total assets at fair value	$ 6,310	$ 1,855,970	$ 419	$ 1,862,699
Liabilities:				
Value appreciation rights issued to FDIC	$	$	$ 1,767	$ 1,767
Warrant liability			6,845	6,845
Clawback liability			29,994	29,994
Total liabilities at fair value	$	$	$ 38,606	$ 38,606

	December 31, 2010			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Investment Securities available-for-sale:				
U.S. Treasury securities	$ 42,548	$	$	$ 42,548
U.S. Government sponsored agency obligations		500		500
Mortgage-backed securities (MBS):				
Residential mortgage pass-through securities issued or guaranteed by U.S. Government agencies or sponsored agencies		1,034,703		1,034,703
Other residential MBS issued or guaranteed by U.S. Government agencies or sponsored agencies		176,425		176,425
Other securities			419	419
Total assets at fair value	$ 42,548	$ 1,211,628	$ 419	$ 1,254,595
Liabilities:				

Value appreciation rights issued to FDIC	$	$	$ 746	$ 746
Warrant liability			6,901	6,901
Clawback liability			11,571	11,571
Total liabilities at fair value	$	$	$ 19,218	$ 19,218

F-109

Table of Contents

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011, 2010 and 2009

The table below details the changes in Level 3 financial instruments during 2011 (in thousands):

	Value appreciation rights issued to FDIC	Warrant liability	Clawback liability
Balance at December 31, 2010	$ 746	$ 6,901	$ 11,571
Additions through acquisition	1,147		14,800
Change in value	(126)	(56)	
Accretion			845
Clawback revaluation			2,778
Transfers out			
Net change in Level 3	1,021	(56)	18,423
Balance at end of period	$ 1,767	$ 6,845	$ 29,994

Fair Value of Instruments Measured on a Non-recurring Basis

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. At December 31, 2011, the Company had three impaired loans that were measured at fair value on a non-recurring basis. These loans carried specific reserves totaling $0.8 million. Two of the impaired loans were within the commercial real estate segment (non-owned occupied) with specific reserves of $0.6 million and carried balances totaling $11.5 million at December 31, 2011. The other impaired loan was within the residential real estate segment with a specific reserve of $0.2 million and carried a balance of $0.5 million at December 31, 2011. All of these loans were considered level 3 measurements within the fair value hierarchy described above.

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 $1.1 million of OREO impairments during 2011, all of which 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 Company did not record any liabilities for which the fair value was made on a non-recurring basis during 2011 or 2010. The instruments measured on a non-recurring basis discussed above represent the initial measurement of these instruments on a non-recurring basis.

Note 26 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

F-110

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011, 2010 and 2009

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 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. Due to the short timeframe between the acquisitions of Hillcrest Bank and Bank Midwest to December 31, 2010, the Company determined that the carrying amount approximated fair value for the Company s assets and liabilities as of December 31, 2010. The fair value of financial instruments at December 31, 2011 and 2010, including methods and assumptions utilized for determining fair value of financial instruments, are set forth below (in thousands):

	December 31, 2011		December 31, 2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:				
Cash and cash equivalents	$ 1,628,137	$ 1,628,137	$ 1,907,730	$ 1,907,730
Investment securities available-for-sale	1,862,699	1,862,699	1,254,595	1,254,595
Investment securities held-to-maturity	6,801	6,829		
Non-marketable securities	29,117	29,117	17,800	17,800
Loans	2,262,524	2,272,886	1,568,822	1,568,822
Accrued interest receivable	16,022	16,022	10,249	10,249
Financial liabilities:				
Deposits	5,063,053	5,068,771	3,473,339	3,473,339
Securities sold under agreements to repurchase	47,597	47,597	24,164	24,164
Due to FDIC	67,972	67,972	13,564	13,564
Value appreciation rights issued to FDIC	1,767	1,767	746	746
Warrant liability	6,845	6,845	6,901	6,901
Accrued interest payable	11,017	11,017	15,384	15,384
Treasury tax and loan			377	377

Cash and cash equivalents

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

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 and covered loans

The estimated fair value of the loan portfolio is estimated using a discounted cash flow analysis using a discount rate based on interest rates currently being offered 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.

Table of Contents

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011, 2010 and 2009

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 date, for deposits of similar remaining maturities.

Securities sold under agreements to repurchase

The vast majority of the Company s repurchase agreements are overnight transactions that mature the day after the transaction, and as a result of this short-term nature, the estimated fair value is equal to the carrying value.

Due to FDIC

The amount due to FDIC is specified in the purchase agreements and is discounted to reflect the uncertainty in the timing and payment of the amount due by the Company.

Value appreciation rights issued to FDIC (VAR)

The estimated fair value of the VAR is tied to the Company s stock price and is fully described in note 4.

Warrant liability

The warrant liability is estimated using a Black-Scholes model, the assumptions of which are detailed in note 19.

Accrued interest payable

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

Treasury tax and loan

Treasury tax and loan liabilities generally have a short-term nature and the estimated fair value is equal to the carrying value.

Note 27 Subsequent Events

On March 22, 2012, the Company held its annual meeting and approved the change of its name to National Bank Holdings Corporation. Additionally, stockholders re-elected all seven of the existing members of the Board of Directors, approved a senior executive annual bonus plan, approved an amendment to the 2009 Equity Incentive Plan and amended the Company s Certificate of Incorporation to eliminate the restriction on owning more than 4.9% of the outstanding Class A shares and to facilitate the conversion of Class B non-voting shares into Class A shares in connection with registered public offerings.

Table of Contents

KPMG LLP

Suite 1000

1000 Walnut Street

Kansas City, MO 64106-2162

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders

NBH Holdings Corp.:

We have audited the accompanying statement of assets acquired and liabilities assumed of Hillcrest Bank, N.A. (a wholly owned subsidiary of NBH Holdings Corp.) (the Company) as of October 22, 2010. This financial statement is the responsibility of the Company s management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of assets acquired and liabilities assumed is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company s internal control over financial reporting. Accordingly, we express no such opinion. An audit of a statement of assets acquired and liabilities assumed also includes examining, on a test basis, evidence supporting the amounts and disclosures in that financial statement, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit of the statement of assets acquired and liabilities assumed provides a reasonable basis for our opinion.

In our opinion, the statement of assets acquired and liabilities assumed referred to above presents fairly, in all material respects, the financial position of Hillcrest Bank, N.A. (a wholly owned subsidiary of NBH Holdings Corp.) as of October 22, 2010, in conformity with U.S. generally accepted accounting principles.

Kansas City, Missouri

September 28, 2011

KPMG LLP is a Delaware limited liability partnership,

the U.S. member firm of KPMG International Cooperative

(KPMG International), a Swiss entity.

HILLCREST BANK, N.A.

(A Wholly Owned Subsidiary of National Bank Holdings Corporation)

STATEMENT OF ASSETS ACQUIRED AND LIABILITIES ASSUMED OF HILLCREST BANK

As of October 22, 2010

(In thousands)

ASSETS	
Cash and due from banks	$ 5,470
Due from Federal Reserve Bank	128,531
Cash and cash equivalents	134,001
Investment securities available for sale, at fair value	235,255
Non-marketable equity securities	4,042
Total investment securities	239,297
Loans receivable	781,342
FDIC indemnification asset	159,706
Other real estate owned	51,600
Premises and equipment	157
Gain on bargain purchase	(37,778)
Core deposit intangible asset	5,760
Other assets	4,882
Total assets	$ 1,338,967
LIABILITIES	
Demand deposits:	
Noninterest-bearing	$ 87,249
Interest-bearing	78,287
Savings and money market	131,972
Time deposits	936,505
Total deposits	1,234,013
Federal Home Loan Bank advances	83,894
Clawback liability	11,454
Due to FDIC	746
Other liabilities	8,860
Total liabilities	$ 1,338,967

HILLCREST BANK, N.A. (A Wholly Owned Subsidiary of National Bank Holdings Corporation)

Notes to Statement of Assets Acquired and Liabilities Assumed of Hillcrest Bank

As of October 22, 2010

Note 1 Basis of Presentation

The accompanying financial statement includes the assets acquired and the liabilities assumed (net assets acquired) by NBH Holdings Corp. (now National Bank Holdings Corporation, the Company) in the acquisition of the former Hillcrest Bank from the Federal Deposit Insurance Corporation (FDIC) on October 22, 2010. In conjunction with the acquisition of the net assets acquired, the Company obtained a new banking charter from the Office of the Comptroller of the Currency, Hillcrest Bank, N.A. (the Bank), a wholly owned subsidiary of the Company. The assets were acquired and the liabilities were assumed by the Bank on October 22, 2010.

In accordance with the guidance provided by Securities and Exchange Commission (SEC) Staff Accounting Bulletin Topic 1.K, Financial Statements of Acquired Troubled Financial Institutions (SAB 1.K), and pursuant to a request for relief submitted to, and not objected to by the SEC, the Company has omitted certain financial information of Hillcrest Bank that is typically required under Rule 3-05 of Regulation S-X and the related pro forma financial information required by Article 11 of Regulation S-X. SAB 1.K provides relief from certain reporting requirements, including pro forma information in the case of an acquisition of a troubled financial institution for which historical financial information is not reasonably available and in which federal assistance is an essential and significant part of the transaction, or where the nature and magnitude of federal assistance is so pervasive as to substantially reduce the relevance of such information to an assessment of future operations.

Accounting principles generally accepted in the United States of America (GAAP) require management to make estimates that affect the reported amounts of assets acquired and liabilities assumed. 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 purchased assets, the fair value adjustments on assets acquired and liabilities assumed, the valuation of core deposit intangible assets, the valuation of other real estate owned, the valuation of the FDIC indemnification asset and clawback liability, and the value appreciation rights issued to the FDIC, as defined below. Unless stated otherwise, the amounts presented herein include management s estimates, including the fair value adjustments described in note 3. 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 Net Assets Acquired

On October 22, 2010, the Company entered into a purchase and assumption agreement with the FDIC, as receiver, to acquire certain assets and assume substantially all of the liabilities of the former Hillcrest Bank of Overland Park, Kansas. Upon closing the acquisition, the Company reopened the nine full-service banking branches and 32 retirement center branches previously owned by Hillcrest Bank, as branches of Hillcrest Bank N.A.

Excluding the effects of purchase accounting adjustments, the Company acquired assets of $1.6 billion and assumed deposits and other liabilities of $1.3 billion in connection with the acquisition of Hillcrest Bank. The net assets were acquired at a discount of $182.7 million, which is reflected as a portion of the cash acquired, and the settlement amount paid to the FDIC at close was $56.3 million. In conjunction with the Hillcrest Bank purchase and assumption agreement, the Company also provided the FDIC with Value Appreciation Rights (VAR) whereby the FDIC is entitled to a cash payment equal to the excess of the Company s common stock price and a strike price of $18.65 per unit at a future time, not to exceed 10 years. The VAR is applicable to a maximum of 100,000 units and the Company has estimated the fair value of the VAR at the date of acquisition of Hillcrest Bank to be approximately $0.7 million, which is included in Due to FDIC in the accompanying statement of assets acquired and liabilities assumed. Any future changes to the value of the VAR will be included in other noninterest expense.

HILLCREST BANK, N.A. (A Wholly Owned Subsidiary of National Bank Holdings Corporation)

Notes to Statement of Assets Acquired and Liabilities Assumed of Hillcrest Bank

As of October 22, 2010

Information regarding the fair value adjustments recorded by the Company in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 805 is shown in the following table (in thousands):

	As Acquired from FDIC	Fair Value Adjustments	Settlement amount paid to FDIC	As recorded by the Company
Assets acquired:				
Cash and cash equivalents	$ 190,344	$	$ (56,343)	$ 134,001
Investment securities, available for sale	235,255			235,255
Non-marketable investment securities	4,042			4,042
Loans	1,016,394	(235,052)		781,342
FDIC indemnification asset		159,706		159,706
Other real estate owned, covered by loss share agreement	111,332	(59,732)		51,600
Gain on bargain purchase		(37,778)		(37,778)
Intangible assets		5,760		5,760
Premises and equipment	157			157
Other assets	4,882			4,882
Total assets	$ 1,562,406	$ (167,096)	$ (56,343)	$ 1,338,967
Liabilities assumed:				
Deposits	$ 1,234,013	$	$	$ 1,234,013
Federal Home Loan Bank advances	80,460	3,434		83,894
Accrued interest payable	7,279			7,279
Due to FDIC		11,454		11,454
Other liabilities	1,575	752		2,327
Total liabilities	1,323,327	15,640		$ 1,338,967

In connection with the purchase and assumption agreement with the FDIC, the Company entered into loss sharing agreements with the FDIC whereby the Company will be reimbursed by the FDIC for a portion of the losses incurred as a result of the resolution and disposition of the problem assets of Hillcrest Bank. The loss sharing agreements with the FDIC cover substantially all of the failed bank s loans, unfunded commitments, and other real estate owned (OREO), which are collectively referred to as the covered assets. However, the Company also acquired other assets of Hillcrest Bank that are not covered by the loss sharing agreements, including $190.3 million of cash and cash equivalents, $239.3 million of investment securities, $3.1 million of consumer loans and overdrafts, and other tangible assets. For purposes of the loss sharing agreements, the anticipated losses on the covered assets are grouped into commercial assets and single family assets, and each category has its own specific loss sharing agreement. The loss sharing agreement categories cover losses on both loans and OREO in their respective categories and have provisions that reimburse the Company for direct expenses related to the resolution of these assets. Within these categories, there are three tranches of losses, each beginning after the loss threshold of the previous tranche has been met, and each with a specified loss-coverage percentage. The categories, and the respective loss thresholds and coverage amounts are as follows (in thousands):

Tranche	Commercial Loss	Loss-Coverage Percentage	Tranche	Single family Loss	Loss-Coverage Percentage

	Threshold			**Threshold**	
1	$ 295,592	60%	1	$ 4,618	60%
2	405,293	0%	2	8,191	30%
3	>405,293	80%	3	>8,191	80%

Table of Contents

HILLCREST BANK, N.A. (A Wholly Owned Subsidiary of National Bank Holdings Corporation)

Notes to Statement of assets Acquired and Liabilities Assumed of Hillcrest Bank

As of October 22, 2010

The FDIC s obligation to reimburse the Company for losses with respect to covered assets begins with the first dollar of loss incurred. The term for loss sharing on single-family residential real estate loans is 10 years, while the term for loss sharing on all other covered loans is 5 years. The reimbursable losses from the FDIC are based on the book value of the relevant covered assets as determined by the FDIC at the date of acquisition. The Company will refund to the FDIC its share of recoveries with respect to losses for which the FDIC paid the Company under the loss sharing agreements.

The expected reimbursements from the FDIC under the loss sharing agreements are reflected in the accompanying statement of assets acquired and liabilities assumed as an indemnification asset at its estimated fair value of $159.7 million.

Within 45 days of the end of the loss sharing agreements with the FDIC, the Company may be required to pay the FDIC in the event that losses do not reach a specified threshold, based on the initial discount received less cumulative servicing amounts for the covered assets acquired. The Company recorded $11.5 million as the estimated fair value of this clawback liability at the acquisition date.

The Company believes that the FDIC loss sharing agreement will mitigate the Company s risk of loss on assets acquired. Nonetheless, to the extent the actual values realized for the acquired assets are different from the estimated values, the FDIC indemnification asset will generally be impacted in an offsetting manner due to the loss sharing support from the FDIC.

In connection with the Hillcrest Bank transaction, the Company recognized approximately $37.8 million of bargain purchase gain and a $5.8 million core deposit intangible. The bargain purchase gain of $37.8 million recorded at the date of acquisition represents the amount by which the acquisition-date fair value of the identifiable net assets acquired (inclusive of the $182.7 million purchase discount from the FDIC) exceeds the fair value of the consideration paid.

Note 3 Fair Value Determinations

The Company has determined that the Hillcrest Bank acquisition constitutes a business combination as defined by ASC Topic 805, *Business Combinations*. This guidance requires that all assets acquired and liabilities assumed in a business combination be recorded at their fair values as of the date of acquisition. The fair values have been determined in accordance with the guidance provided in ASC Topic 820, *Fair Value Measurements*.

Fair values of certain assets and liabilities were established by discounting the expected future cash flows at a market discount rate for like maturity and risk instruments. The estimation of expected future cash flows requires significant assumptions and management judgment about appropriate discount rates, the amount and timing of future cash flows, market conditions and other future events, and actual results could differ materially. The determination of the initial fair values of covered loans and the related FDIC indemnification asset and clawback liability involve a high degree of judgment and complexity. The Company has made the determinations of fair value using the best information available. Below is a description of the methods used to determine the fair values of significant assets and liabilities:

(a) Cash and cash equivalents

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

HILLCREST BANK, N.A. (A Wholly Owned Subsidiary of National Bank Holdings Corporation)

Notes to Statement of Assets Acquired and Liabilities Assumed of Hillcrest Bank

As of October 22, 2010

(b) Investment securities

The estimated fair values of investment securities were based on quoted market prices or bid quotations received from third-party securities dealers. The fair value of securities held for regulatory purposes were deemed to be equal to par value.

(c) Loans and covered loans

The fair value of the loan portfolio was estimated using a discounted cash flow approach. The cash flows were projected based on the expected probability of default, default timing and loss given default rates on loans covered by the loss share agreements. The expected cash flows were then discounted utilizing a discount rate based on interest rates being offered for loans with similar terms to borrowers of similar credit quality at the date of acquisition. In accordance with ASC Topic 805, no allowance for loan losses was carried forward with the acquired loans at the date of acquisition, but rather, any estimated credit losses inherent in the portfolio at the time of acquisition were included in the fair value estimates of the loans.

(d) FDIC indemnification asset

The loss sharing agreements with the FDIC resulted in an FDIC indemnification asset that is measured separately from the related covered assets as they are not contractually embedded in those assets and are not transferable should the Company choose to dispose of the covered assets. The fair value of the FDIC indemnification asset was determined based upon projected cash flows from loss sharing agreements and the timing and amount of expected reimbursements for losses on covered assets at the applicable loss sharing percentages in accordance with the terms of the loss share agreements with the FDIC. The projected cash flows were discounted with a market discount rate of similar maturity and risk instruments to reflect the timing and receipt of the loss sharing reimbursements from the FDIC.

(e) Core deposit intangible asset

The core deposit intangible asset is representative of the value associated with the relationships that Hillcrest Bank had with its deposit customers at the date of acquisition. The fair value was determined based on a discounted cash flow methodology that considered primary asset attributes such as expected customer runoff rates, cost of the deposit base, and reserve requirements.

(f) Accrued interest receivable

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

(g) Deposits

The estimated fair value of deposits with no stated maturity, such as noninterest-bearing demand deposits, savings, negotiable order of withdrawal (NOW) accounts, and money market accounts, was equal to the amount payable on demand at the acquisition date. The FDIC provided Hillcrest Bank depositors with the right to cash in their time deposits at any time during the life of the time deposit, without penalty, unless the depositor accepts new terms. Additionally, the Company had the opportunity to change the interest rates on these deposits at the time of acquisition. The interest rates on certain deposits were changed at the date of acquisition to rates that the Company determined to be market rates for comparable deposits of similar remaining maturities. As a result, all time deposits were deemed to be at fair value as of the date of acquisition and no fair value adjustments were made.

F-118

Table of Contents

HILLCREST BANK, N.A. (A Wholly Owned Subsidiary of National Bank Holdings Corporation)

Notes to Statement of Assets Acquired and Liabilities Assumed of Hillcrest Bank

As of October 22, 2010

(h) Federal Home Loan Bank Advances

The fair values of the Federal Home Loan Bank (FHLB) advances were based on discounted values of contractual cash flows of the advances. The discount rate was estimated using market rates at the acquisition date, for advances of similar remaining maturities.

(i) Clawback liability

The clawback liability represents the Company s obligation to refund a portion of the cash received from the FDIC at acquisition in the event that losses do not reach a specified threshold, based on the initial discount received less cumulative servicing amounts for the covered assets acquired. The Company estimated the fair value of the clawback liability based on 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 agreements. The expected cash flows were 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.

(j) Due to FDIC

The amount due to FDIC is specified in the purchase agreements and is discounted to reflect the uncertainty in the timing and payment of the amount due by the Company.

(k) Value appreciation rights issued to FDIC

The estimated fair value of the VAR is tied to the Company s stock price and is fully described in note 2.

(l) Accrued interest payable

Accrued interest payable has a short-term nature and the estimated fair value was deemed to be equal to the carrying value.

(m) Treasury tax and loan

Treasury tax and loan liabilities generally have a short-term nature and the fair value was determined to be equal to the carrying value.

Note 4 Investment Securities

The investment securities portfolio comprised investment securities available for sale and non-marketable investment securities. The fair values of investment securities available for sale at the date of acquisition are summarized as follows (in thousands):

	Fair Value	Yield
U.S. sponsored agency obligations	$ 500	0.23%

Residential collateralized mortgage obligations	234,755	2.45%
Total investment securities available for sale	$ 235,255	2.45%
Non-marketable securities	4,042	2.44%
Total investment securities	$ 239,297	2.45%

Table of Contents

HILLCREST BANK, N.A. (A Wholly Owned Subsidiary of National Bank Holdings Corporation)

Notes to Statement of Assets Acquired and Liabilities Assumed of Hillcrest Bank

As of October 22, 2010

The Company estimates that the weighted average life of the collateralized mortgage obligations portfolio as of the acquisition date was 3.51 years. This estimate is based on assumptions and actual results may differ.

The Company had one FHLB agency debenture for $0.5 million with a remaining contractual maturity of less than one year.

Certain securities were pledged as collateral for public deposits, securities sold under agreements to repurchase, treasury tax and loan agreements, and to secure borrowing capacity at the Federal Reserve Bank, if needed. $61.9 million of investment securities were pledged at the acquisition date for such purposes.

Non-marketable securities consist of $4.0 million of FHLB stock that was required based on the level of borrowings from the FHLB.

Note 5 Loans

The majority of the acquired loans are within the scope of ASC Topic 310-30 except loans with revolving privileges, which are outside the scope of this guidance, and loans for which cash flows could not be estimated, which are accounted for under the cost recovery method.

Substantially all loans are covered by loss sharing agreements with the FDIC. All loans are reflected at their estimated fair value. Generally, the determination of the fair value of the loans resulted in a significant write-down in the value of the loans, which was assigned to an accretable yield or non-accretable difference, with the accretable yield to be recognized as interest income over the expected remaining term of the loan. The following table reflects the composition of all acquired loans as of October 22, 2010 (in thousands):

	Covered loans				
	Loans accounted for under FASB ASC Topic 310-30	**Loans excluded from FASB ASC Topic 310-30**	**Total covered loans**	**Non-covered loans**	**Total loans**
Commercial and industrial	$ 79,232	$ 46,839	$ 126,071		$ 126,071
Commercial construction	132,869	126	132,995		132,995
Commercial real estate	188,321	1,144	189,465		189,465
Multifamily	67,088		67,088		67,088
Land and development	220,866	12,166	233,032		233,032
Single family residential	11,552	7,988	19,540		19,540
Consumer*				3,090	3,090
Leases		10,061	10,061		10,061
Total covered loans	$ 699,928	$ 78,324	$ 778,252	$ 3,090	$ 781,342

* Consumer loans accounted for under ASC Topic 310-30, but not covered.

The outstanding balance of all non-covered loans, including contractual principal, interest, fees, and penalties, was $3.2 million as of the date of acquisition.

F-120

HILLCREST BANK, N.A. (A Wholly Owned Subsidiary of National Bank Holdings Corporation)

Notes to Statement of Assets Acquired and Liabilities Assumed of Hillcrest Bank

As of October 22, 2010

Below is the composition of the net book value for loans accounted for under ASC Topic 310-30 at October 22, 2010 (in thousands):

Contractual cash flows of loans accounted for under ASC Topic 310-30	$ 1,034,373
Nonaccretable discount	(246,682)
Cash flows expected to be collected	787,691
Accretable discount	(84,673)
Covered loans accounted for under ASC Topic 310-30	$ 703,018

Covered loans are considered past due or delinquent when the contractual principal or interest due in accordance with the terms of the loan agreement or any portion thereof remains unpaid after the due date of the scheduled payment. Covered loans accounted for under ASC Topic 310-30 are generally classified as performing, even though they may be contractually past due, as any non-payment of contractual principal or interest was considered in the estimation of expected cash flows and will be included in the resulting recognition of future period covered loan loss provision or future period yield adjustments.

The following table reflects the composition and contractual maturities of loans purchased in the Hillcrest Bank transaction (in thousands):

	Due within 1 year	Due after 1 but within 5 years	Due after 5 years	Total
Commercial and industrial	$ 49,565	$ 76,506	$	$ 126,071
Commercial construction	71,573	61,422		132,995
Commercial real estate	114,034	75,431		189,465
Multifamily	9,024	58,064		67,088
Land and development	159,527	73,505		233,032
Single family residential	17,456	1,813	271	19,540
Consumer	880	2,057	153	3,090
Leases			10,061	10,061
Total loans	$ 422,059	$ 348,798	$ 10,485	$ 781,342

The following table reflects a distribution of acquired loans with a maturity of greater than one year between fixed and adjustable rate loans as of October 22, 2010 (in thousands):

	Fixed	Variable	Total
Commercial and industrial	$ 21,592	$ 54,914	$ 76,506
Commercial construction	10,202	51,220	61,422
Commercial real estate	26,517	48,914	75,431
Multifamily	12,728	45,336	58,064
Land and development	14,678	58,827	73,505

Single family residential	743	1,341	2,084
Consumer	2,210		2,210
Leases	10,061		10,061
Total loans	$ 98,731	$ 260,552	$ 359,283

HILLCREST BANK, N.A. (A Wholly Owned Subsidiary of National Bank Holdings Corporation)

Notes to Statement of Assets Acquired and Liabilities Assumed of Hillcrest Bank

As of October 22, 2010

Note 6 Other Real Estate Owned

The accompanying statement of assets acquired and liabilities assumed includes $51.6 million of other real estate owned. These assets are covered by the loss sharing agreements with the FDIC and are comprised of properties acquired through the foreclosure or repossession process, or any other resolution activity that results in partial or total satisfaction of problem loans. Any losses on these assets or on subsequent foreclosures related to covered loans are substantially offset by a corresponding change in the FDIC indemnification asset. See note 2 for a discussion of the terms of the loss sharing arrangement.

Note 7 Core Deposit Intangible Asset

In connection with the Hillcrest Bank transaction, the Company recorded a core deposit intangible asset of $5.8 million. The Company will amortize the core deposit intangible asset under the straight-line method over 7 years, which represents the expected useful life of the asset. This will result in approximately $0.8 million of core deposit intangible amortization expense each year through 2017.

Note 8 Deposits

The scheduled maturity of certificates of deposits of $100,000 or more, as of October 22, 1010, were as follows (in thousands):

3 months or less	$ 80,696
Over three months through 6 months	64,349
Over 6 months through 12 months	124,739
Over 12 months	216,830
Total	$ 486,614

In connection with the Hillcrest Bank acquisition, the FDIC provided the majority of Hillcrest Bank depositors with the right to cash in their time deposits at any time during the life of the time deposit, without penalty, unless the depositor accepts new terms. As of October 22, 2010 the Company had approximately $922.7 million of time deposits that were subject to penalty-free withdrawals.

Note 9 Federal Home Loan Bank Advances

The Company assumed Federal Home Loan Bank (FHLB) advances with a fair value of $83.9 million in connection with the acquisition of Hillcrest Bank. The advances were secured with $31.5 million of loans and $53.8 million of investment securities. The following table sets forth selected information regarding the FHLB advances assumed:

	Principal amounts due	Range of interest rates
Repayable during the year ended December 31,		
2010	$ 5,000	5.91%
2011	15,000	0.98%-1.27%
2011	50,000	4.21% -5.33%
2012	3,350	6.35%

2017	5,000	3.74%
2023	2,110	6.07%
Total contractual amounts due	80,460	
Fair value adjustment	3,434	
Total as recorded by the Company	$ 83,894	

HILLCREST BANK, N.A. (A Wholly Owned Subsidiary of National Bank Holdings Corporation)

Notes to Statement of Assets Acquired and Liabilities Assumed of Hillcrest Bank

As of October 22, 2010

The Company paid off all amounts due under the FHLB advances by November 1, 2010. In doing so, the Company paid $83.9 million, inclusive of $3.4 million of prepayment penalties.

Note 10 Income Taxes

Due to the nature of the transaction as a taxable asset acquisition, the Company recorded offsetting deferred tax assets and deferred tax liabilities at the time of the acquisition due to the different allocation approaches of GAAP and the requirements of the tax laws. GAAP prescribes a fair value approach for the entire balance sheet (assets and liabilities) based on the purchase price. Tax laws provide a residual approach of asset classes based on the purchase price and the FDIC loss share agreement requires the covered assets to be valued at the greater of their fair market value or their guaranteed value; in addition, tax law does not assign any value to the GAAP loss share indemnification asset or related clawback liability. The two methods provide the same overall net result due to the purchase prices of the assets acquired and liabilities assumed; however, different amounts have been assigned to specific assets and liabilities creating a basis difference for GAAP and tax purposes resulting in offsetting deferred tax asset or liability items. For tax purposes, there was not a bargain purchase gain based on the allocation approach.

Note 11 Commitments

The Company acquired various off-balance sheet commitments that are not required to be recorded on the statement of assets acquired and liabilities assumed. These commitments are financing arrangements that help meet the needs of customers. These financial instruments include commitments to extend credit, commercial and consumer lines of credit, and standby letters of credit and involve varying degrees of credit risk. At the acquisition date, loan commitments totaled $30.8 million and standby letters of credit totaled $23.6 million, substantially all of which are covered under the loss sharing agreements with the FDIC. The total amounts of unused commitments do not necessarily represent future credit exposure or cash requirements, as commitments often expire without being drawn upon. However, the contractual amount of these commitments, offset by applicable loss sharing arrangements with the FDIC, represents the Company s potential credit loss exposure.

Total unfunded commitments at the acquisition date of October 22, 2010 were as follows (in thousands):

Commitments to fund loans	
Residential	$ 670
Commercial and commercial real estate	16,107
Construction and land development	14,109
Commercial and standby letters of credit	23,593
Total	$ 54,479

Commitments to fund loans Commitments to fund loans are legally binding agreements to lend to customers in accordance with predetermined contractual provisions providing there have been no violations of any conditions specified in the contract. These commitments are generally at variable interest rates and are for specific periods or contain termination clauses and may require the payment of a fee. The total amounts of unused commitments are not necessarily representations of future credit exposure or cash requirements, as commitments often expire without being drawn upon.

Commercial and standby letters of credit Commercial and standby letters of credit include financial standby letters of credit or performance standby letters of credit. These are various forms of back-up commitments to guarantee the performance of a customer to a third party. While these arrangements represent a potential cash outlay for the Company, the majority of these letters of credit will expire without being drawn upon. Many of the letters of credit have various forms of collateral securing the commitment, which may include real estate, personal property, receivables, or marketable securities.

Table of Contents

KPMG LLP

Suite 1000

1000 Walnut Street

Kansas City, MO 64106-2162

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders

NBH Holdings Corp.:

We have audited the accompanying statement of assets acquired and liabilities assumed of Bank Midwest, N.A. (a wholly owned subsidiary of NBH Holdings Corp.) (the Company) as of December 10, 2010. This financial statement is the responsibility of the Company s management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of assets acquired and liabilities assumed is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company s internal control over financial reporting. Accordingly, we express no such opinion. An audit of a statement of assets acquired and liabilities assumed also includes examining, on a test basis, evidence supporting the amounts and disclosures in that financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit of the statement of assets acquired and liabilities provides a reasonable basis for our opinion.

In our opinion, the statement of assets acquired and liabilities assumed referred to above presents fairly, in all material respects, the financial position of Bank Midwest, N.A. (a wholly owned subsidiary of NBH Holdings Corp.) as of December 10, 2010, in conformity with U.S. generally accepted accounting principles.

Kansas City, Missouri

September 28, 2011

KPMG LLP is a Delaware limited liability partnership, the U.S.

member firm of KPMG International Cooperative (KPMG International),

a Swiss entity.

Table of Contents

BANK MIDWEST, N.A.

(a Wholly Owned Subsidiary of National Bank Holdings Corporation)

STATEMENT OF ASSETS ACQUIRED AND LIABILITIES ASSUMED OF BANK MIDWEST

As of December 10, 2010

(In thousands)

ASSETS	
Cash and due from banks	$ 38,925
Due from Federal Reserve Bank	1,330,812
Cash and cash equivalents	1,369,737
Investment securities available for sale, at fair value	55,360
Non-marketable investment securities	400
Total investment securities	55,760
Loans receivable	882,615
Premises and equipment	36,224
Goodwill	52,442
Core deposit intangible asset	21,650
Accrued interest receivable	4,458
Other assets	3,520
Total assets acquired	$ 2,426,406
LIABILITIES	
Demand deposits:	
Non-interest bearing	$ 236,640
Interest bearing	141,311
Savings and money market	521,245
Time deposits	1,486,701
Total deposits	2,385,897
Securities sold under agreements to repurchase	29,134
Accrued interest payable	11,089
Other liabilities	286
Total liabilities assumed	$ 2,426,406

See accompanying notes to the statement of assets acquired and liabilities assumed.

F-125

Table of Contents

BANK MIDWEST, N.A. (A Wholly Owned Subsidiary of National Bank Holdings Corporation)

Notes to Statement of Assets Acquired and Liabilities Assumed of Bank Midwest

as of December 10, 2010

Note 1 Basis of Presentation

The accompanying financial statement includes the assets acquired and the liabilities assumed by NBH Holdings Corp. (now National Bank Holdings Corporation, the Company) in the acquisition of certain assets and liabilities of the former Bank Midwest, a banking subsidiary of Dickinson Financial Corporation (DFC). In conjunction with the acquisition of assets and assumption of liabilities, the Company obtained a new banking charter from the Office of the Comptroller of the Currency, Bank Midwest, N.A. (the Bank), which is a wholly owned subsidiary of the Company. The assets were acquired and the liabilities were assumed by the Bank on December 10, 2010.

As discussed in note 2, the Company acquired only select assets and assumed only select liabilities, and in light of the facts and circumstances involved, historical financial information of the former Bank Midwest provides limited understanding of future operations. Furthermore, the assets acquired and liabilities assumed were not operated as a distinct stand-alone entity with separate, audited financial statements. As a result, and pursuant to a request for relief submitted to, and not objected to by, the Securities and Exchange Commission, the information provided herein is in lieu of certain historical financial information of the net assets acquired required by Rule 3-05 and Article 11 of Regulation S-X.

Accounting principles generally accepted in the United States of America (GAAP) require management to make estimates that affect the reported amounts of assets acquired and liabilities assumed. 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 purchased assets, the fair value adjustments on assets acquired and liabilities assumed, and the valuation of core deposit intangible assets. Unless stated otherwise, the amounts presented herein include management s estimates, including the fair value adjustments described in note 3. 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 Assets Acquired and Liabilities Assumed

In July 2010, the Company agreed to acquire, and on December 10, 2010 completed the acquisition of, certain assets and the assumption of certain liabilities formerly held by Bank Midwest, one of six banking subsidiaries owned by DFC. In this transaction, the Company acquired 39 locations across Missouri and eastern Kansas, $2.4 billion of deposits and approximately $905.4 million of loans. The Company had specific performance criteria for the assets purchased and, as a result, did not acquire any non-accrual loans or other real estate owned in connection with the Bank Midwest transaction.

Table of Contents

BANK MIDWEST, N.A. (A Wholly Owned Subsidiary of National Bank Holdings Corporation)

Notes to Statement of Assets Acquired and Liabilities Assumed of Bank Midwest

as of December 10, 2010

The Bank acquired $2.4 billion of assets, assumed $2.4 billion of liabilities, and paid $56.0 million cash for the Bank Midwest net assets. The fair value of consideration paid exceeded the fair value of the assets acquired and liabilities assumed, and resulted in the establishment of goodwill in the amount of $52.4 million, which will be tax deductible. Information regarding the assets acquired and liabilities assumed on December 10, 2010 in connection with the Bank Midwest acquisition and the fair value adjustments recorded by the Company in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 805, *Business Combinations*, are shown in the table below (in thousands):

	As Acquired from DFC	Fair Value Adjustments	Settlement amount paid to DFC	As recorded by the Company
Assets Acquired:				
Cash and cash equivalents	$ 1,425,737	$	$ (56,000)	$ 1,369,737
Investment securities, available for sale	55,360			55,360
Non-marketable investment securities	400			400
Loans	905,354	(22,739)		882,615
Premises and equipment	30,662	5,562		36,224
Goodwill		52,442		52,442
Intangible assets		21,650		21,650
Accrued interest receivable	4,458			4,458
Other assets	3,520			3,520
Total assets	$ 2,425,491	$ 56,915	$ (56,000)	$ 2,426,406
Liabilities assumed:				
Deposits	$ 2,384,982	$ 915	$	$ 2,385,897
Accrued interest payable	11,089			11,089
Other liabilities	29,420			29,420
Total liabilities	$ 2,425,491	$ 915	$	$ 2,426,406

Note 3 Fair Value Determinations

The Company has determined that the acquisition of assets and the assumption of liabilities constitutes a business combination as defined in ASC Topic 805, Business Combinations. This guidance requires that all assets acquired and liabilities assumed in a business combination be recorded at their fair values as of the date of acquisition. The fair values have been determined in accordance with the guidance provided in ASC Topic 820, *Fair Value Measurements*.

Fair values of certain assets and liabilities were established by discounting the expected future cash flows at a market discount rate for like maturity and risk instruments. The estimation of expected future cash flows requires significant assumptions and management judgment about appropriate discount rates, the amount and timing of future cash flows, market conditions, and other future events, and actual results could differ materially. The Company has made the determinations of fair value using the best information available. Below is a description of the methods used to determine the fair values of significant assets and liabilities:

(a) Cash and cash equivalents

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

BANK MIDWEST, N.A. (A Wholly Owned Subsidiary of National Bank Holdings Corporation)

Notes to Statement of Assets Acquired and Liabilities Assumed of Bank Midwest

as of December 10, 2010

(b) Investment securities

The estimated fair value of investment securities was based on quoted market prices or bid quotations received from securities dealers.

(c) Loans

The estimated fair value of the loan portfolio was estimated using a discounted cash flow approach utilizing a discount rate based on interest rates being offered for loans with similar terms to borrowers of similar credit quality at the date of acquisition. In accordance with ASC Topic 805, no allowance for loan losses was carried forward with the acquired loans at the date of acquisition, but rather, any estimated credit losses inherent in the portfolio at the time of acquisition were included in the fair value estimates of the loans.

(d) Core deposit intangible asset

The core deposit intangible asset is representative of the value associated with the relationships that Bank Midwest had with its deposit customers at the date of acquisition. The Company engaged a third party to assist in the valuation of the core deposit intangible asset and the fair value was determined based on a discounted cash flow methodology that considered primary asset attributes such as expected customer run-off rates, cost of the deposit base, and reserve requirements.

(e) Premises and equipment

The estimated fair value of land and buildings was estimated based on third-party appraisals. The carrying value of equipment was deemed to be a reasonable fair value.

(f) Accrued interest receivable

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

(g) 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, was equal to the amount payable on demand at the acquisition date. The fair value adjustment on interest-bearing time deposits is representative of the differences in the contractual interest rates versus market interest rates for time deposits with similar remaining maturities at the date of acquisition. The fair value of these deposits was based on the discounted value of contractual cash flows of such deposits. The discount rate was estimated using market rates at the acquisition date, for deposits of similar remaining maturities.

(h) Securities sold under agreements to repurchase

The vast majority of the assumed repurchase agreements were overnight transactions that mature the day after the transaction and, as a result of this short-term nature, the estimated fair value was deemed to be equal to the carrying value.

(i) Accrued interest payable

Accrued interest payable has a short-term nature and the estimated fair value was deemed to be equal to the carrying value.

BANK MIDWEST, N.A. (A Wholly Owned Subsidiary of National Bank Holdings Corporation)

Notes to Statement of Assets Acquired and Liabilities Assumed of Bank Midwest

as of December 10, 2010

Note 4 Investment Securities

Acquired investment securities included $55.4 million of U.S. Treasury securities with contractual maturities of less than one year and $0.4 million of investments in Community Reinvestment Act ventures with no stated maturity.

Certain securities were pledged as collateral for public deposits and securities sold under agreements to repurchase. The carrying value of securities pledged as collateral totaled $55.4 million at the date of acquisition.

Note 5 Loans

The following table reflects the composition and contractual maturities of loans purchased in the Bank Midwest transaction (in thousands):

	Due within 1 year	Due after 1 but within 5 years	Due after 5 years	Total
Commercial	$ 23,723	$ 74,453	$ 30,629	$ 128,805
Commercial real estate*	134,045	143,722	110,642	388,408
Agriculture	12,670	18,385	31,039	62,094
Residential real estate	12,416	40,711	225,630	278,757
Consumer	9,756	10,134	4,661	24,551
Total	$ 192,609	$ 287,406	$ 402,601	$ 882,615

* Total includes $47.1 million of loans secured by farmland.

The following table shows a distribution of acquired loans with a maturity of greater than one year between fixed and adjustable rate loans as of December 10, 2010 (in thousands):

	Fixed	Variable	Total
Commercial	$ 57,084	$ 47,998	$ 105,082
Commercial real estate*	118,555	135,809	254,364
Agriculture	17,762	31,662	49,424
Residential real estate	90,344	175,997	266,341
Consumer	11,853	2,942	14,795
Total	$ 295,598	$ 394,408	$ 690,006

* Includes $12.6 million and $31.1 million of fixed and variable rate loans secured by farmland, respectively.

The Company purchased only performing loans in the Bank Midwest acquisition and did not acquire any loans that were 90 days or more past due or on non-accrual status. The gross contractual amounts receivable, including interest, were $1.3 billion as of the acquisition date and the

estimated contractual cash flows that were not expected to be collected totaled $13.0 million.

Table of Contents

BANK MIDWEST, N.A. (A Wholly Owned Subsidiary of National Bank Holdings Corporation)

Notes to Statement of Assets Acquired and Liabilities Assumed of Bank Midwest

as of December 10, 2010

Note 6 Premises and Equipment

Premises and equipment consisted of the following at December 10, 2010 (in thousands):

Land	$ 14,549
Buildings and improvements	21,249
Equipment	426
Total	$ 36,224

Note 7 Goodwill and Intangible Assets

In connection with the Bank Midwest transaction, the Company acquired a core deposit intangible of $21.7 million. The core deposit intangible asset will be amortized straight line over seven years, which represents the expected useful life of the assets and will result in approximately $3.1 million of core deposit intangible amortization expense each year through 2017.

The fair value of consideration paid exceeded the fair value of the Bank Midwest net assets acquired and resulted in the establishment of goodwill in the amount of $52.4 million. In accordance with ASC Topic 350, *Intangibles Goodwill and other*, the goodwill will be subject to a fair value-based impairment assessment at least annually. The goodwill will be deductible for income tax purposes.

Note 8 Deposits

The scheduled maturity of certificates of deposits of $100,000 or more, as of acquisition date, were as follows (in thousands):

3 months or less	$ 78,928
Over 3 months through 6 months	94,195
Over 6 months through 12 months	142,958
Over 12 months	31,716
Total	$ 347,797

Note 9 Securities Sold Under Agreements to Repurchase

The Company assumed $29.1 million of repurchase agreements at acquisition, all of which were deemed to be carried at fair value because the vast majority of the repurchase agreements were overnight transactions that matured within one day.

As of the date of acquisition, the securities sold under agreements to repurchase were secured by U.S. Treasury securities with an estimated fair value of $55.4 million. At acquisition date, the overnight repurchase agreements had a weighted average interest rate of 0.25% and $235 thousand were for periods longer than one day.

The Company did not assume any borrowings, unused lines of credit, or short-term financing agreements.

Table of Contents

BANK MIDWEST, N.A. (A Wholly Owned Subsidiary of National Bank Holdings Corporation)

Notes to Statement of Assets Acquired and Liabilities Assumed of Bank Midwest

as of December 10, 2010

Note 10 Income Taxes

Due to the nature of the transaction as a taxable asset acquisition, the Company recorded offsetting deferred tax assets and deferred tax liabilities at the time of the acquisition due to the different allocation approaches of GAAP and the requirements of the tax laws. GAAP prescribes a fair value approach for the entire balance sheet (assets and liabilities) based on the purchase price. Tax laws provide a residual approach of asset classes based on the purchase price, inclusive of liabilities assumed based on their contractual terms. The two methods provide the same overall result due to the purchase prices of the assets acquired and liabilities assumed; however, different amounts have been assigned to specific assets and liabilities creating a basis difference for GAAP and tax purposes resulting in offsetting deferred tax asset or liability items.

Note 11 Commitments

The Company acquired various off-balance sheet commitments that are not required to be recorded on the statement of assets acquired and liabilities assumed. These commitments are financing arrangements that help meet the needs of customers. These financial instruments include commitments to extend credit, commercial and consumer lines of credit, and standby letters of credit and involve varying degrees of credit risk. At the acquisition date, loan commitments totaled $182.9 million and standby letters of credit totaled $8.8 million. The total amounts of unused commitments do not necessarily represent future credit exposure or cash requirements, as commitments often expire without being drawn upon. However, the contractual amount of these commitments represents the Company s potential credit loss exposure.

Total unfunded commitments at the acquisition date of December 10, 2010 were as follows (in thousands):

Commitments to fund loans:	
Residential	$ 89
Commercial and commercial real estate	32,115
Construction and land development	3,675
Consumer	43
Credit card lines of credit	22,661
Unfunded commitments under lines of credit	124,335
Commercial and standby letters of credit	8,828
Total	$ 191,746

Commitments to fund loans Commitments to fund loans are legally binding agreements to lend to customers in accordance with predetermined contractual provisions providing there have been no violations of any conditions specified in the contract. These commitments are generally at variable interest rates and are for specific periods or contain termination clauses and may require the payment of a fee. The total amounts of unused commitments are not necessarily representations of future credit exposure or cash requirements, as commitments often expire without being drawn upon.

Credit card lines of credit Credit card lines of credit have been extended to customers through the use of credit cards issued by the Bank. These lines of credit represent the maximum amounts allowed to be funded, many of which will not exhaust the established limits and, as such, these amounts are not necessarily representations of future cash requirements or credit exposure.

Unfunded commitments under lines of credit Unfunded commitments under lines of credit are revolving credit arrangements extended to customers in the ordinary course of business that may require the payment of a fee.

Table of Contents

BANK MIDWEST, N.A. (A Wholly Owned Subsidiary of National Bank Holdings Corporation)

Notes to Statement of Assets Acquired and Liabilities Assumed of Bank Midwest

as of December 10, 2010

Commercial and standby letters of credit Commercial and standby letters of credit include financial standby letters of credit or performance standby letters of credit. These are various forms of back-up commitments to guarantee the performance of a customer to a third party. While these arrangements represent a potential cash outlay for the Company, the majority of these letters of credit will expire without being drawn upon. Many of the letters of credit have various forms of collateral securing the commitment, which may include real estate, personal property, receivables, or marketable securities.

Table of Contents

KPMG LLP

Suite 1000

1000 Walnut Street

Kansas City, MO 64106-2162

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders

NBH Holdings Corp.:

We have audited the accompanying statement of assets acquired and liabilities assumed of Bank of Choice (acquired by Bank Midwest, N.A, a wholly owned subsidiary of NBH Holdings Corp. (the Company)) as of July 22, 2011. This financial statement is the responsibility of the Company s management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of assets acquired and liabilities assumed is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company s internal control over financial reporting. Accordingly, we express no such opinion. An audit of a statement of assets acquired and liabilities assumed includes examining, on a test basis, evidence supporting the amounts and disclosures in that financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit of the statement of assets acquired and liabilities assumed provides a reasonable basis for our opinion.

In our opinion, the statement of assets acquired and liabilities assumed referred to above presents fairly, in all material respects, the financial position of Bank of Choice as of July 22, 2011, in conformity with U.S. generally accepted accounting principles.

KPMG LLP

Kansas City, Missouri

November 14, 2011

KPMG LLP is a Delaware limited liability partnership,

the U.S. member firm of KPMG International Cooperative

(KPMG International), a Swiss entity.

Table of Contents

BANK MIDWEST, N.A.

(A WHOLLY OWNED SUBSIDIARY OF NATIONAL BANK HOLDINGS CORPORATION)

STATEMENT OF ASSETS ACQUIRED AND LIABILITIES ASSUMED OF BANK OF CHOICE

AS OF JULY 22, 2011

(In thousands)

ASSETS	
Cash and due from banks	$ 26,665
Due from Federal Reserve Bank	375,340
Cash and cash equivalents	402,005
Investment securities available for sale, at fair value	134,369
Non-marketable equity securities	9,840
Total investment securities	144,209
Loans receivable	363,931
Other real estate owned	34,335
Premises and equipment	21
Gain on bargain purchase	(63,204)
Core deposit intangible asset	5,190
Other assets	2,496
Total assets	$ 888,983
LIABILITIES	
Demand deposits:	
Non-interest bearing	$ 97,199
Interest bearing	237,176
Savings and money market	60,688
Time deposits	365,164
Total deposits	760,227
Federal Home Loan Bank advances	117,148
Due to FDIC	2,526
Other liabilities	9,082
Total liabilities	$ 888,983

See accompanying notes to the statement of assets acquired and liabilities assumed.

F-134

BANK MIDWEST, N.A.

(A WHOLLY OWNED SUBSIDIARY OF NATIONAL BANK HOLDINGS CORPORATION)

NOTES TO STATEMENT OF ASSETS ACQUIRED AND LIABILITIES ASSUMED OF BANK OF CHOICE

AS OF JULY 22, 2011

Note 1 Basis of Presentation

The accompanying financial statement includes the assets acquired and the liabilities assumed (net assets acquired) by NBH Holdings Corp. (now National Bank Holdings Corporation, the Company) through its wholly owned subsidiary, Bank Midwest, N.A., in the acquisition of the former Bank of Choice from the Federal Deposit Insurance Corporation (FDIC) on July 22, 2011.

In accordance with the guidance provided by Securities and Exchange Commission (SEC) Staff Accounting Bulletin Topic 1.K, Financial Statements of Acquired Troubled Financial Institutions (SAB 1.K), and pursuant to a request for relief submitted to, and not objected to by the SEC, the Company has omitted certain financial information of the Bank of Choice that is typically required under Rule 3-05 of Regulation S-X and the related pro forma financial information required by Article 11 of Regulation S-X. SAB 1.K provides relief from certain reporting requirements, including pro forma information in the case of an acquisition of a troubled financial institution for which historical financial information is not reasonably available and in which federal assistance is an essential and significant part of the transaction, or where the nature and magnitude of federal assistance is so pervasive as to substantially reduce the relevance of such information to an assessment of future operations.

U.S. generally accepted accounting principles (GAAP) require management to make estimates that affect the reported amounts of assets acquired and liabilities assumed. By their nature, estimates are based on judgment and available information. The initial accounting for the Bank of Choice acquisition has not been completed as it relates to loans and other real estate owned due to the timing of the receipt of current appraisals. Management has made reasonable estimates in these areas and future changes during the measurement period may occur. Management has also made significant estimates in certain other areas, such as the amount and timing of expected cash flows from purchased assets, the fair value adjustments on assets acquired and liabilities assumed, the valuation of core deposit intangible assets, the valuation of other real estate owned, and the value appreciation rights issued to the FDIC, as defined below. Unless stated otherwise, the amounts presented herein include management s estimates, including the fair value adjustments described in note 3. 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 Net Assets Acquired

On July 22, 2011, the Company entered into a purchase and assumption agreement with the FDIC, as receiver, to acquire certain assets and assume substantially all of the liabilities of the former Bank of Choice of Greeley, Colorado. Upon closing the acquisition, the Company reopened the 17 full-service banking branches previously owned by the Bank of Choice, as branches of Bank Midwest, N.A., branded as Bank of Choice.

Excluding the effects of purchase accounting adjustments, the Company acquired assets of $772.6 million and assumed deposits and other liabilities of $872.7 million in connection with the acquisition of Bank of Choice. The net liabilities were acquired at a discount of $171.6 million, which is reflected as a portion of the cash acquired. In conjunction with the Bank of Choice purchase and assumption agreement, the Company also provided the FDIC with Value Appreciation Rights (VAR) whereby the FDIC is entitled to a cash payment equal to the excess of the Company s common stock price and a strike price of $17.95 per unit at a future time, not to exceed two years. The VAR is applicable to a maximum of 100,000 units and the Company has estimated the fair value of the VAR at the date of acquisition of Bank of Choice to be approximately $0.6 million, which is included in Due to FDIC in the accompanying statement of assets acquired and liabilities assumed.

BANK MIDWEST, N.A.

(A WHOLLY OWNED SUBSIDIARY OF NATIONAL BANK HOLDINGS CORPORATION)

NOTES TO STATEMENT OF ASSETS ACQUIRED AND LIABILITIES ASSUMED OF BANK OF CHOICE

AS OF JULY 22, 2011

Information regarding the fair value adjustments recorded by the Company in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 805 *Business Combinations* is shown in the following table (in thousands):

Assets acquired:	As Acquired from FDIC	Fair Value Adjustments	Settlement amount received from FDIC	As recorded by the Company
Cash and cash equivalents	$ 128,265	$	$ 273,740	$ 402,005
Investment securities available for sale	134,369			134,369
Non-marketable equity securities	9,840			9,840
Loans	447,738	(83,807)		363,931
Other real estate owned	49,833	(15,498)		34,335
Gain on bargain purchase		(63,204)		(63,204)
Premises and equipment	21			21
Core deposit intangible asset		5,190		5,190
Other assets	2,496			2,496
Total assets	$ 772,562	$ (157,319)	$ 273,740	$ 888,983
Liabilities assumed:				
Deposits	$ 760,227	$	$	$ 760,227
Federal Home Loan Bank advances	106,840	10,308		117,148
Accrued interest payable	751			751
Due to FDIC		2,526		2,526
Other liabilities	4,881	3,450		8,331
Total liabilities	$ 872,699	$ 16,284	$	$ 888,983

In connection with the Bank of Choice transaction, the Company recognized a $5.2 million core deposit intangible and a bargain purchase gain of $63.2 million. The bargain purchase gain of $63.2 million recorded at the date of acquisition represents the amount by which the acquisition-date fair value of the identifiable net assets acquired (inclusive of the $171.6 million purchase discount from the FDIC) exceeds the fair value of the consideration transferred.

Note 3 Fair Value Determinations

The Company has determined that the Bank of Choice acquisition constitutes a business combination as defined by ASC Topic 805. This guidance requires that all assets acquired and liabilities assumed in a business combination be recorded at their fair values as of the date of acquisition. The fair values have been determined in accordance with the guidance provided in ASC Topic 820, *Fair Value Measurements*.

Fair values of certain assets and liabilities were established by discounting the expected future cash flows at a market discount rate for like maturity and risk instruments. The estimation of expected future cash flows requires significant assumptions and management judgment about appropriate discount rates, the amount and timing of future cash flows, market conditions and other future events, and actual results could differ materially. The determination of the initial fair values of loans and other real estate owned involve a high degree of

BANK MIDWEST, N.A.

(A WHOLLY OWNED SUBSIDIARY OF NATIONAL BANK HOLDINGS CORPORATION)

NOTES TO STATEMENT OF ASSETS ACQUIRED AND LIABILITIES ASSUMED OF BANK OF CHOICE

AS OF JULY 22, 2011

judgment and complexity. The Company has made the determinations of fair value using the best information available. Below is a description of the methods used to determine the fair values of significant assets and liabilities:

(a) Cash and cash equivalents

Cash and cash equivalents includes cash and highly liquid investments with maturities of three months or less at origination. The estimated fair value of cash and cash equivalents was deemed to be equal to the carrying value.

(b) Investment securities

The estimated fair values of investment securities available for sale were based on quoted market prices or bid quotations received from a third-party pricing service. The fair value of the non-marketable equity securities, which consisted of Federal Home Loan Bank of Topeka (FHLB) common stock, was deemed to be equal to par value.

(c) Loans

The fair value of the loan portfolio was estimated using a discounted cash flow approach. The cash flows were projected based on the expected probability of default, default timing and loss given default rates on loans. The expected cash flows were then discounted utilizing a discount rate based on interest rates being offered for loans with similar terms to borrowers of similar credit quality at the date of acquisition. In accordance with ASC Topic 805, no allowance for loan losses was carried forward with the acquired loans at the date of acquisition, but rather, any estimated credit losses inherent in the portfolio at the time of acquisition were included in the fair value estimates of the loans.

(d) Other real estate owned

The fair value of other real estate owned (OREO) was recorded at the fair value, less estimated selling costs. Fair value of the OREO property is generally estimated using both market and income approach valuation techniques incorporating observable market data to formulate an opinion of the estimated fair value. When current appraisals are not available, judgment was used based on managements experience for similar properties.

(e) Core deposit intangible asset

The core deposit intangible asset is representative of the value associated with the relationships that Bank of Choice had with its deposit customers at the date of acquisition. The fair value was determined based on a discounted cash flow methodology that considered primary attributes such as expected customer runoff rates, cost of the deposit base, and reserve requirements.

(f) Other assets

Other assets, which include accrued interest receivable, are short-term in nature and the estimated fair value was deemed to be equal to the carrying value.

Table of Contents

BANK MIDWEST, N.A.

(A WHOLLY OWNED SUBSIDIARY OF NATIONAL BANK HOLDINGS CORPORATION)

NOTES TO STATEMENT OF ASSETS ACQUIRED AND LIABILITIES ASSUMED OF BANK OF CHOICE

AS OF JULY 22, 2011

(g) Deposits

The estimated fair value of deposits with no stated maturity, such as noninterest-bearing demand deposits, savings, negotiable order of withdrawal (NOW) accounts, and money market accounts, was equal to the amount payable on demand at the acquisition date. The FDIC provided Bank of Choice depositors with the right to cash in their time deposits at any time during the life of the time deposit, without penalty, unless the depositor accepts new terms. Additionally, the Company had the opportunity to change the interest rates on these deposits at the time of acquisition. The interest rates on certain deposits were changed at the date of acquisition to rates that the Company believed to be market rates for comparable deposits of similar remaining maturities. As a result, all time deposits were deemed to be at fair value as of the date of acquisition and no fair value adjustments were made.

(h) Securities sold under agreements to repurchase

The vast majority of the assumed repurchase agreements were overnight transactions that mature the day after the transaction and, as a result of this short-term nature, the estimated fair value was deemed to be equal to the carrying value.

(i) Federal Home Loan Bank advances

The fair values of the FHLB advances were based on discounted values of contractual cash flows of the advances. The discount rate was estimated using interest rates at the acquisition date for advances of similar remaining maturities.

(j) Value appreciation rights issued to FDIC

The estimated fair value of the VAR is tied to the Company s stock price and was based on the spread between the strike price of the VAR and the average multiple of price to tangible book value indicated by national and regional bank indices, multiplied by the maximum number of applicable units.

(k) Other liabilities

Other liabilities, which include accrued interest payable, are short-term in nature and the estimated fair value was deemed to be equal to the carrying value.

Note 4 Investment Securities

The investment securities portfolio comprised investment securities available for sale and non-marketable investment securities. The fair values of investment securities at the date of acquisition are summarized as follows (in thousands):

	Fair Value	Average Yield
Residential collateralized mortgage obligations	$ 100,641	2.42%

Residential mortgage pass-through securities	33,728	2.51%
Total investment securities available for sale	$ 134,369	2.44%
Non-marketable securities	9,840	0.59%
Total investment securities	$ 144,209	2.65%

BANK MIDWEST, N.A.

(A WHOLLY OWNED SUBSIDIARY OF NATIONAL BANK HOLDINGS CORPORATION)

NOTES TO STATEMENT OF ASSETS ACQUIRED AND LIABILITIES ASSUMED OF BANK OF CHOICE

AS OF JULY 22, 2011

All investment securities available for sale were backed by Government National Mortgage Association government sponsored enterprises collateral. The estimated weighted average life of the mortgage-backed securities portfolio as of the acquisition date was 5.50 years. This estimate is based on assumptions and actual results may differ.

Certain securities were pledged as collateral for public deposits, securities sold under agreements to repurchase, and to secure borrowing capacity at the FHLB, if needed. $119.0 million of investment securities available for sale were pledged at the acquisition date for such purposes.

Non-marketable securities consist of $9.8 million of FHLB stock, $5.3 million of which was required based on the level of borrowings from the FHLB.

Note 5 Loans

The majority of the acquired loans exhibited credit quality deterioration at the date of acquisition and are within the scope of Accounting Standards Codification (ASC) Topic 310-30 *Receivables Loans and Debt Securities Acquired with Deteriorated Credit Quality*. Loans acquired without deteriorated credit quality and loans with revolving privileges are outside the scope of this guidance and are accounted for under the cost recovery method.

Loans are reflected at their recorded fair value. Generally, the determination of the fair value of the loans resulted in a significant write-down in the value of the loans, which was assigned to an accretable yield or non-accretable difference, with the accretable yield to be recognized as interest income over the expected remaining term of the loan. The following table reflects the composition of all acquired loans as of July 22, 2011 (in thousands):

	Loans accounted for under FASB ASC Topic 310-30	Loans excluded from FASB ASC Topic 310-30	Total loans
Commercial and industrial	$ 45,086	$ 23,934	$ 69,020
Construction	85,892	4,906	90,798
Commercial real estate	85,770	2,107	87,877
Agriculture	15,167	652	15,819
Single family residential investment	43,809	363	44,172
Single family residential owner occupied	40,910	966	41,876
Consumer	2,864	10,754	13,618
Leases		751	751
Total loans	$ 319,498	$ 44,433	$ 363,931

The outstanding balance of all loans, including contractual principal, interest, fees, and penalties, was $463.3 million as of the date of acquisition.

Table of Contents

BANK MIDWEST, N.A.

(A WHOLLY OWNED SUBSIDIARY OF NATIONAL BANK HOLDINGS CORPORATION)

NOTES TO STATEMENT OF ASSETS ACQUIRED AND LIABILITIES ASSUMED OF BANK OF CHOICE

AS OF JULY 22, 2011

Below is the composition of the net book value for loans accounted for under ASC Topic 310-30 at July 22, 2011 (in thousands):

Contractual cash flows of loans accounted for under ASC Topic 310-30	$ 448,389
Nonaccretable discount	(95,187)
Cash flows expected to be collected	353,202
Accretable discount	(33,704)
Loans accounted for under ASC Topic 310-30	$ 319,498

Loans are considered past due or delinquent when the contractual principal or interest due in accordance with the terms of the loan agreement or any portion thereof remains unpaid after the due date of the scheduled payment. Loans accounted for under ASC Topic 310-30 are generally classified as performing, even though they may be contractually past due, as any non-payment of contractual principal or interest was considered in the estimation of expected cash flows and will be included in the resulting recognition of future period loan loss provision or future period yield adjustments.

The following table reflects the composition and contractual maturities of loans purchased in the Bank of Choice acquisition (in thousands):

	Due within 1 year	Due after 1 but within 5 years	Due after 5 years	Total
Commercial and industrial	$ 32,090	$ 32,481	$ 4,449	$ 69,020
Construction	79,106	11,225	467	90,798
Commercial real estate	30,454	26,800	30,623	87,877
Agriculture	5,940	8,352	1,527	15,819
Single family residential investment	24,440	15,533	4,199	44,172
Single family residential owner occupied	21,379	14,437	6,060	41,876
Consumer	3,706	4,645	5,267	13,618
Leases	196	555		751
Total loans	$ 197,311	$ 114,028	$ 52,592	$ 363,931

The following table reflects a distribution of acquired loans with a maturity of greater than one year between fixed and adjustable rate loans as of July 22, 2011 (in thousands):

	Fixed	Variable	Total
Commercial and industrial	$ 18,328	$ 18,603	$ 36,931
Construction	3,543	8,148	11,691

Commercial real estate	24,540	32,883	57,423
Agriculture	7,159	2,720	9,879
Single family residential investment	16,198	3,534	19,732
Single family residential owner occupied	17,860	2,637	20,498
Consumer	2,739	7,174	9,912
Leases	356	199	555
Total	90,723	$ 75,898	$ 166,621

F-140

BANK MIDWEST, N.A.

(A WHOLLY OWNED SUBSIDIARY OF NATIONAL BANK HOLDINGS CORPORATION)

NOTES TO STATEMENT OF ASSETS ACQUIRED AND LIABILITIES ASSUMED OF BANK OF CHOICE

AS OF JULY 22, 2011

Note 6 Other Real Estate Owned

The accompanying statement of assets acquired and liabilities assumed includes $34.3 million of other real estate owned. These assets are comprised of properties acquired through the foreclosure or repossession process, or any other resolution activity that results in partial or total satisfaction of problem loans.

Note 7 Core Deposit Intangible Asset

In connection with the Bank of Choice transaction, the Company recorded a core deposit intangible asset of $5.2 million. The Company will amortize the core deposit intangible asset under the straight-line method over 7 years, which represents the expected useful life of the asset. This will result in approximately $0.7 million of core deposit intangible amortization expense each year through 2018.

Note 8 Deposits

The scheduled maturity of time deposits of $100,000 or more, as of July 22, 2011, were as follows (in thousands):

3 months or less	$ 91,565
Over three months through 6 months	53,689
Over 6 months through 12 months	45,393
Over 12 months	16,212
Total	$ 206,859

In connection with the Bank of Choice acquisition, the FDIC provided the majority of the Bank of Choice depositors with the right to cash in their time deposits at any time during the life of the time deposit, without penalty, unless the depositor accepts new terms. As of July 22, 2011 all of the Company s $365.2 million of assumed certificates of deposit were subject to penalty-free withdrawals.

Table of Contents

BANK MIDWEST, N.A.

(A WHOLLY OWNED SUBSIDIARY OF NATIONAL BANK HOLDINGS CORPORATION)

NOTES TO STATEMENT OF ASSETS ACQUIRED AND LIABILITIES ASSUMED OF BANK OF CHOICE

AS OF JULY 22, 2011

Note 9 Federal Home Loan Bank Advances

The Company assumed FHLB advances with a fair value of $117.1 million in connection with the acquisition of the Bank of Choice. The advances were secured with loans of $218.5 million and investment securities available for sale of $107.0 million. The following table sets forth selected information regarding the FHLB advances assumed:

	Principal amounts due	Range of interest rates
Repayable during the year ending December 31,		
2011	$ 30	4.88%
2012	12,060	3.53%-4.88%
2013	20,060	2.71%-4.88%
2014	60	4.88%
2015	60	4.88%
Thereafter	74,570	3.25%-5.32%
Total contractual amounts due	106,840	
Fair value adjustment	10,308	
Total as recorded by the Company	$ 117,148	

Bank Midwest, N.A. repaid all amounts due under the FHLB advances on July 25, 2011. In doing so, the Company paid $117.4 million, inclusive of $10.3 million of prepayment penalties and $0.3 million of accrued interest payable.

Note 10 Income Taxes

Due to the nature of the transaction as a taxable asset acquisition, the Company recorded offsetting deferred tax assets and deferred tax liabilities at the time of the acquisition due to the different allocation approaches of GAAP and the requirements of the tax laws. GAAP prescribes a fair value approach for the entire balance sheet (assets and liabilities) based on the purchase price. Tax laws provide a residual approach of asset classes based on the purchase price. The two methods provide the same overall net result due to the purchase prices of the assets acquired and liabilities assumed; however, different amounts have been assigned to specific assets and liabilities creating a basis difference for GAAP and tax purposes resulting in offsetting deferred tax asset or liability items. For tax purposes, there was not a bargain purchase gain based on the allocation approach.

Note 11 Commitments

The Company acquired various off-balance sheet commitments that are not required to be recorded on the statement of assets acquired and liabilities assumed. These commitments are financing arrangements that help meet the needs of customers. These financial instruments include commitments to extend credit, commercial letters of credit, and standby letters of credit and involve varying degrees of credit risk. At the acquisition date, loan commitments totaled $23.3 million and standby letters of credit totaled $0.8 million. The total amounts of unused commitments do not necessarily represent future credit exposure or cash requirements, as commitments often expire without being drawn upon. However, the contractual amount of these commitments, represents the Company s potential credit loss exposure.

F-142

BANK MIDWEST, N.A.

(A WHOLLY OWNED SUBSIDIARY OF NATIONAL BANK HOLDINGS CORPORATION)

NOTES TO STATEMENT OF ASSETS ACQUIRED AND LIABILITIES ASSUMED OF BANK OF CHOICE

AS OF JULY 22, 2011

Total unfunded commitments at the acquisition date of July 22, 2011 were as follows (in thousands):

Commitments to fund loans	
Residential	$ 10,018
Commercial and commercial real estate	11,678
Construction and land development	1,649
Commercial and standby letters of credit	800
Total	$ 24,145

Commitments to fund loans Commitments to fund loans are legally binding agreements to lend to customers in accordance with predetermined contractual provisions providing there have been no violations of any conditions specified in the contract. These commitments are generally at variable interest rates and are for specific periods or contain termination clauses and may require the payment of a fee. The total amounts of unused commitments are not necessarily representations of future credit exposure or cash requirements, as commitments often expire without being drawn upon.

Commercial and standby letters of credit Commercial and standby letters of credit include financial standby letters of credit or performance standby letters of credit. These are various forms of back-up commitments to guarantee the performance of a customer to a third party. While these arrangements represent a potential cash outlay for the Company, the majority of these letters of credit will expire without being drawn upon. Many of the letters of credit have various forms of collateral securing the commitment, which may include real estate, personal property, receivables, or marketable securities.

Note 12 Subsequent Events

In conjunction with our acquisition of the Bank of Choice our agreement with the FDIC provides us at least 90 days after the acquisition date to notify the FDIC of our intent to purchase the branch premises and equipment of these failed banks. The notification period is still open as the deadline was extended pending receipt of current appraisals of the properties.

Table of Contents

KPMG LLP

Suite 1000

1000 Walnut Street

Kansas City, MO 64106-2162

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders

National Bank Holdings Corporation:

We have audited the accompanying statement of assets acquired and liabilities assumed of Community Banks of Colorado (acquired by Bank Midwest, N.A., a wholly owned subsidiary of National Bank Holdings Corporation (fka NBH Holdings Corp.) (the Company)) as of October 21, 2011. This financial statement is the responsibility of the Company s management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of assets acquired and liabilities assumed is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company s internal control over financial reporting. Accordingly, we express no such opinion. An audit of a statement of assets acquired and liabilities assumed includes examining, on a test basis, evidence supporting the amounts and disclosures in that financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit of the statement of assets acquired and liabilities assumed provides a reasonable basis for our opinion.

In our opinion, the statement of assets acquired and liabilities assumed referred to above presents fairly, in all material respects, the financial position of Community Banks of Colorado as of October 21, 2011, in conformity with U.S. generally accepted accounting principles.

Kansas City, Missouri

March 27, 2012

KPMG LLP is a Delaware limited liability partnership,

the U.S. member firm of KPMG International Cooperative

(KPMG International), a Swiss entity.

Table of Contents

BANK MIDWEST, N.A.

(A WHOLLY OWNED SUBSIDIARY OF NATIONAL BANK HOLDINGS CORPORATION)

STATEMENT OF ASSETS ACQUIRED AND LIABILITIES ASSUMED OF

COMMUNITY BANKS OF COLORADO

AS OF OCTOBER 21, 2011

(In thousands)

ASSETS	
Cash and due from Banks	$ 20,234
Due from Federal Reserve Bank	212,565
Interest bearing bank deposits	17,361
Cash and cash equivalents	250,160
Investment securities available-for-sale	11,361
Non-marketable equity securities	2,753
Loans receivable	754,883
FDIC indemnification asset	150,987
Other real estate owned	29,749
Premises and equipment	212
Goodwill	7,188
Core deposit intangible asset	4,810
Due from FDIC	9,936
Accrued interest and other assets	6,245
Total Assets	$ 1,228,284
LIABILITIES	
Demand deposits:	
Noninterest-bearing	$ 210,006
Interest-bearing	70,918
Savings and money market	180,737
Time deposits	733,326
Total deposits	1,194,987
Federal Home Loan Bank advances	16,381
Clawback liability	14,800
Due to FDIC	1,177
Accrued interest and other liabilities	939
Total Liabilities	$ 1,228,284

See accompanying notes to the statement of assets acquired and liabilities assumed.

Table of Contents

BANK MIDWEST, N.A. (A Wholly Owned Subsidiary of National Bank Holdings Corporation)

Notes to Statement of Assets Acquired and Liabilities Assumed of Community Banks of Colorado

as of October 21, 2011

Note 1 Basis of Presentation

The accompanying financial statement includes the assets acquired and the liabilities assumed (net assets acquired) by National Bank Holdings Corporation (the Company) through its wholly owned subsidiary, Bank Midwest, N.A., in the acquisition of the former Community Banks of Colorado from the Federal Deposit Insurance Corporation (FDIC) on October 21, 2011.

In accordance with the guidance provided by Securities and Exchange Commission (SEC) Staff Accounting Bulletin Topic 1.K, Financial Statements of Acquired Troubled Financial Institutions (SAB 1.K), and pursuant to a request for relief submitted to, and not objected to by the SEC, the Company has omitted certain financial information of Community Banks of Colorado that is typically required under Rule 3-05 of Regulation S-X and the related pro forma financial information required by Article 11 of Regulation S-X. SAB 1.K provides relief from certain reporting requirements, including pro forma information in the case of an acquisition of a troubled financial institution for which historical financial information is not reasonably available and in which federal assistance is an essential and significant part of the transaction, or where the nature and magnitude of federal assistance is so pervasive as to substantially reduce the relevance of such information to an assessment of future operations.

Accounting principles generally accepted in the United States of America (GAAP) require management to make estimates that affect the reported amounts of assets acquired and liabilities assumed. 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 acquired and liabilities assumed, the fair value adjustments on assets acquired and liabilities assumed, the valuation of core deposit intangible assets, the valuation of other real estate owned, the valuation of the FDIC indemnification asset and clawback liability, and the value appreciation rights issued to the FDIC, as defined below. Unless stated otherwise, the amounts presented herein include management s estimates, including the fair value adjustments described in notes 2 and 3. The fair values of assets acquired and liabilities assumed are subject to refinement for up to one year after the closing date of the transaction as additional information regarding closing date fair values becomes available.

Note 2 Net Assets Acquired

On October 21, 2011, the Company entered into a purchase and assumption agreement with the FDIC, as receiver, to acquire certain assets and assume substantially all of the liabilities of the former Community Banks of Colorado of Greenwood Village, Colorado. Upon closing the acquisition, the Company reopened the 39 full-service banking centers previously owned by Community Banks of Colorado, as branches of Bank Midwest, N.A., branded as Community Banks of Colorado.

Excluding the effects of acquisition accounting adjustments, the Company acquired assets of $1.3 billion and assumed deposits and other liabilities of $1.2 billion in connection with the acquisition of Community Banks of Colorado. The net assets were acquired at a discount of $98.0 million, which is reflected as a portion of the cash acquired, and the settlement amount received from the FDIC at close was $61.4 million. In conjunction with the Community Banks of Colorado purchase and assumption agreement, the Company also provided the FDIC with Value Appreciation Rights (VAR) whereby the FDIC is entitled to a payment equal to the excess of the Company s common stock price over a strike price of $18.93 per unit at a future time, not later than October 21, 2013. The VAR may be settled in cash or in shares of the Company s common stock at the FDIC s option. The VAR is applicable to a maximum of 100,000 units and the Company has estimated the fair value of the VAR at the date of acquisition of Community Banks of Colorado to be approximately $0.5 million, which is included in Due to FDIC in the accompanying statement of assets acquired and liabilities assumed.

Table of Contents

BANK MIDWEST, N.A. (A Wholly Owned Subsidiary of National Bank Holdings Corporation)

Notes to Statement of Assets Acquired and Liabilities Assumed of Community Banks of Colorado

as of October 21, 2011

The Company has determined that the Community Banks of Colorado acquisition constitutes a business combination as defined by the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 805, *Business Combinations*. This guidance requires that all assets acquired and liabilities assumed in a business combination be recorded at their fair values as of the date of acquisition. Information regarding the fair value adjustments recorded by the Company in accordance with ASC Topic 805, is shown in the following table (in thousands):

Assets acquired:	**As acquired from FDIC**	**Fair value adjustments**	**Settlement amount received from FDIC**	**As recorded by the Company**
Cash and cash equivalents	$ 188,770	$	$ 61,390	$ 250,160
Investment securities, available-for-sale	11,361			11,361
Non-marketable investment securities	2,753			2,753
Loans	966,248	(211,365)		754,883
FDIC indemnification asset		150,987		150,987
Other real estate owned	72,478	(42,729)		29,749
Premises and equipment	212			212
Goodwill		7,188		7,188
Core deposit intangible asset		4,810		4,810
Due from FDIC	9,936			9,936
Other assets	6,245			6,245
Total assets	$ 1,258,003	$ (91,109)	$ 61,390	$ 1,228,284
Liabilities assumed:				
Deposits	$ 1,194,987	$	$	$ 1,194,987
Federal Home Loan Bank advances	15,000	1,381		16,381
Clawback liability		14,800		14,800
Due to FDIC	630	547		1,177
Other liabilities	939			939
Total liabilities	$ 1,211,556	$ 16,728	$	$ 1,228,284

The fair value of loans and OREO acquired in the Community Banks of Colorado acquisition decreased $7.1 and $1.6 million during the measurement period from the original estimates. The change resulted in an increase to the indemnification asset of $5.5 million, an increase in goodwill of $2.7 million and a decrease to the clawback liability of $0.5 million. These adjustments are reflected in the above table.

In connection with the purchase and assumption agreement with the FDIC, the Company entered into a loss sharing agreement with the FDIC whereby the Company will be reimbursed by the FDIC for a portion of the losses incurred on certain loans and other real estate owned (OREO) as a result of the resolution and disposition of the problem assets of Community Banks of Colorado. The loss sharing agreement with the FDIC covers a significant portion of the Community Banks of Colorado commercial loans, certain other loans and unfunded commitments, and certain OREO, which are collectively referred to as the covered assets. However, the Company also acquired other assets of Community Banks of Colorado that are not covered by the loss sharing agreements, including $250.2 million of cash and cash equivalents, $11.4 million of investment securities, $2.8 million of non-marketable investment securities, $288.2 million of non-covered loans and overdrafts, $4.9 million of

non-covered OREO, $4.0 million of accrued interest and $2.2 million of other assets. The loss sharing agreement covers losses on both loans and OREO and has provisions that reimburse the Company for direct expenses related to the resolution of the covered assets. For purposes of the loss sharing

BANK MIDWEST, N.A. (A Wholly Owned Subsidiary of National Bank Holdings Corporation)

Notes to Statement of Assets Acquired and Liabilities Assumed of Community Banks of Colorado

as of October 21, 2011

agreement, there are three tranches of losses, each beginning after the loss threshold of the previous tranche has been met, and each with a specified loss-coverage percentage. The categories, and the respective loss thresholds and coverage amounts are as follows (dollars in thousands):

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

The FDIC s obligation to reimburse the Company for losses with respect to covered assets begins with the first dollar of loss incurred. For purposes of the Community Banks of Colorado loss sharing agreement, the anticipated losses on the covered assets are grouped into one category, commercial assets, and are subject to one loss sharing agreement expiring in eight years. Under the agreement, the Company will share in losses and recoveries with the FDIC for the first five years, and after the first five years the FDIC will not share in losses but only recoveries for the remaining term of the agreement. The reimbursable losses from the FDIC are based on the book value of the relevant covered assets as determined by the FDIC at the date of acquisition and may not directly correspond to the Company s carrying value of the related assets.

The expected reimbursement from the FDIC under the loss sharing agreement is reflected in the accompanying statement of assets acquired and liabilities assumed as an indemnification asset at its estimated fair value of $151.0 million.

Within 45 days of the end of the loss sharing agreement with the FDIC, the Company must pay the FDIC in the event that losses do not reach a specified threshold, based on the initial discount received less cumulative servicing amounts for the covered assets acquired. The Company recorded $14.8 million as the estimated fair value of this clawback liability at the acquisition date.

In connection with the Community Banks of Colorado transaction, the Company recognized a $4.8 million core deposit intangible and approximately $7.2 million of goodwill. The goodwill of $7.2 million recorded at the date of acquisition represents the amount by which the fair value of the consideration paid exceeds the acquisition-date fair value of the identifiable net assets acquired.

Note 3 Fair Value Determinations

In accordance with ASC Topic 805, the Company has recorded the assets acquired and liabilities assumed of the Community Banks of Colorado at fair value as of the date of acquisition. The fair values have been determined in accordance with the guidance provided in ASC Topic 820, *Fair Value Measurements*.

Fair values of certain assets and liabilities were established by discounting the expected future cash flows at a market discount rate for similar maturity and risk instruments. The estimation of expected future cash flows requires significant assumptions and management judgment about appropriate discount rates, the amount and timing of future cash flows, market conditions and other future events, and actual results could differ materially. The determination of the initial fair values of covered and non-covered loans, other real estate owned, the FDIC indemnification asset and the clawback liability involve a high degree of judgment and complexity. The Company has made the determinations of fair value using the best information available. Below is a description of the methods used to determine the fair values of significant assets and liabilities:

Table of Contents

BANK MIDWEST, N.A. (A Wholly Owned Subsidiary of National Bank Holdings Corporation)

Notes to Statement of Assets Acquired and Liabilities Assumed of Community Banks of Colorado

as of October 21, 2011

(a) Cash and cash equivalents

Cash and cash equivalents includes cash and highly liquid investments with maturities of three months or less at origination. The estimated fair value of cash and cash equivalents was deemed to be equal to the carrying value.

(b) Investment securities

The estimated fair values of investment securities available for sale were based on quoted market prices or bid quotations received from a third-party pricing service.

(c) Non-marketable equity securities

The fair value of non-marketable equity securities, which consisted of Federal Home Loan Bank of Topeka (FHLB) common stock and Federal Reserve Bank stock, were deemed to be equal to par value.

(d) Loans receivable

The fair value of the loan portfolio was estimated using a discounted cash flow approach. The cash flows were projected based on the expected probability of default, default timing and loss given default rates on loans. The expected cash flows were then discounted utilizing a discount rate based on interest rates being offered for loans with similar terms to borrowers of similar credit quality at the date of acquisition. In accordance with ASC Topic 805, no allowance for loan losses was carried forward with the acquired loans at the date of acquisition, but rather, any estimated credit losses inherent in the portfolio at the time of acquisition were included in the fair value estimates of the loans.

(e) FDIC indemnification asset

The loss sharing agreement with the FDIC resulted in an FDIC indemnification asset that is measured separately from the related covered assets as the loss sharing agreement is not contractually embedded in the covered assets and is not transferable should the Company choose to dispose of the covered assets. The fair value of the FDIC indemnification asset was determined based upon projected cash flows from the loss sharing agreement and the timing and amount of expected reimbursements for losses on covered assets at the applicable loss sharing percentages in accordance with the terms of the loss sharing agreement with the FDIC. The projected cash flows were discounted at a market discount rate of similar maturity and risk instruments to reflect the timing and receipt of the loss sharing reimbursements from the FDIC.

(f) Other real estate owned

OREO was recorded at fair value, less estimated selling costs. The fair value of OREO is generally based upon current appraisals, using both market and income approach valuation techniques, and incorporating observable market data. When current appraisals are not available, judgment is used based on management s experience with similar properties.

(g) Core deposit intangible asset

The core deposit intangible asset is representative of the value associated with the relationships that Community Banks of Colorado had with its deposit customers at the date of acquisition. The fair value was determined based on a discounted cash flow methodology that considered primary asset attributes such as expected customer runoff rates, cost of the deposit base, and reserve requirements.

Table of Contents

BANK MIDWEST, N.A. (A Wholly Owned Subsidiary of National Bank Holdings Corporation)

Notes to Statement of Assets Acquired and Liabilities Assumed of Community Banks of Colorado

as of October 21, 2011

(h) Other assets

Other assets, which include accrued interest receivable, are short-term in nature and the estimated fair values were deemed to be equal to the carrying value.

(i) Deposits

The estimated fair value of deposits with no stated maturity, such as noninterest-bearing demand deposits, savings, negotiable order of withdrawal (NOW) accounts, and money market accounts, is equal to the amount payable on demand at the acquisition date. The FDIC provided Community Banks of Colorado depositors with the right to withdraw their time deposits at any time, without penalty, unless the depositor accepts new terms. Additionally, the Company had the opportunity to change the interest rates on these deposits at the date of acquisition. As a result, all time deposits were deemed to be at fair value as of the date of acquisition and no fair value adjustments were made.

(j) Federal Home Loan Bank Advances

The fair values of the FHLB advances were based on discounted values of contractual cash flows of the advances. The discount rate was estimated using market rates at the acquisition date, for advances of similar remaining maturities.

(k) Clawback liability

The clawback liability represents the Company s obligation to refund a portion of the cash received from the FDIC at acquisition in the event that losses do not reach a specified loss sharing threshold, based on the initial discount received of $98 million less cumulative servicing amounts for the covered assets acquired. The Company estimated the fair value of the clawback liability based on the net present value of expected future cash payments to be made by the Company to the FDIC. The expected cash flows were calculated in accordance with the loss sharing agreement and are based primarily on the expected losses on the covered assets, which involve significant inputs that are not market observable.

(l) Due to FDIC

The amount due to FDIC is comprised of the value appreciation rights issued to the FDIC, which are tied to the Company s stock price, and short-term settlement items that, due to their short-term nature, were deemed to have fair values equal to the carrying value.

(m) Value appreciation rights issued to FDIC

The estimated fair value of the VAR is tied to the Company s stock price and, in the absence of a publicly traded stock price, was based on the spread between the strike price of the VAR and the average multiple of price to tangible book value indicated by national and regional bank indices, multiplied by the maximum number of applicable units.

(n) Other liabilities

Other liabilities, which include accrued interest payable, are short-term in nature and the estimated fair value was deemed to be equal to the carrying value.

Table of Contents

BANK MIDWEST, N.A. (A Wholly Owned Subsidiary of National Bank Holdings Corporation)

Notes to Statement of Assets Acquired and Liabilities Assumed of Community Banks of Colorado

as of October 21, 2011

Note 4 Investment Securities

The investment securities portfolio comprised investment securities available for sale. The fair values of investment securities available for sale at the date of acquisition are summarized as follows (dollars in thousands):

	Fair Value
U.S. Treasury securities	$ 8,000
U.S. sponsored agency obligations	3,014
Residential collateralized mortgage obligations	87
Other securities	260
Total investment securities available-for-sale	$ 11,361

The Company had one FHLB agency debenture for $3.0 million with a remaining contractual maturity of 2.6 years. The Company estimates that the weighted average life of the collateralized mortgage obligations portfolio as of the acquisition date was 3.34 years. This estimate is based on assumptions and actual results may differ. All other investment securities have a remaining contractual maturity of less than one year.

All securities were pledged as collateral for public deposits, and to secure borrowing capacity at the Federal Home Loan Bank. $11.4 million of investment securities were pledged at the acquisition date for such purposes.

Note 5 Non-marketable Equity Securities

Non-marketable equity securities consist of $2.0 million of FHLB stock that was required based on the level of borrowings from the FHLB and $0.7 Federal Reserve Bank stock that was held for regulatory purposes.

Note 6 Loans Receivable

The majority of the acquired loans are within the scope of ASC Topic 310-30 except loans with revolving privileges, which are outside the scope of this guidance, and loans for which cash flows could not be estimated, which are accounted for under the cost recovery method.

The Company s loss sharing agreement with the FDIC covers commercial loans; however, for purposes of the loss sharing agreement, certain commercial loans, as selected by the FDIC, are excluded from the loss sharing agreement, and certain non-commercial loans are covered. All loans were recorded at their estimated fair value. Generally, the determination of the fair value of the loans resulted in a significant write-down in the value of the loans, which was assigned to an accretable yield or non-accretable difference, with the accretable yield to be recognized as interest income over the expected remaining term of the loan. The following table reflects the composition of all acquired loans at fair value as of October 21, 2011 (in thousands):

	Covered loans		Non-covered loans		
	Loans accounted for under FASB ASC	Loans excluded from FASB ASC 310-30	Loans accounted for under FASB ASC 310-30	Loans excluded from FASB ASC 310-30	Total loans

	310-30				
Commercial	$ 96,193	$ 43,288	$ 812	$ 1,538	$ 141,831
Commercial real estate	219,835	6,744	118,068	1,676	346,323
Agriculture	58,185	30,056	818	137	89,196
Residential real estate	12,378	29	87,234	33,543	133,184
Consumer	8	6	43,149	1,186	44,349
Total	$ 386,599	$ 80,123	$ 250,081	$ 38,080	$ 754,883

BANK MIDWEST, N.A. (A Wholly Owned Subsidiary of National Bank Holdings Corporation)

Notes to Statement of Assets Acquired and Liabilities Assumed of Community Banks of Colorado

as of October 21, 2011

The outstanding balance of loans accounted for under ASC Topic 310-30, including contractual principal, interest, fees, and penalties, was $537.8 million for covered loans and $300.7 million for non-covered loans, as of the date of acquisition. At the date of acquisition, the gross contractual amounts receivable for loans not subject to the requirements of ASC Topic 310-30 was $144.7 million, the Company s best estimate of contractual cash flows not expected to be collected was $27.0 million and recorded fair value was $116.8 million.

Below is the composition of the net book value for loans accounted for under ASC Topic 310-30 at October 21, 2011 (in thousands):

Contractual cash flows of loans accounted for under ASC Topic 310-30	$ 970,376
Non-accretable difference	(237,070)
Cash flows expected to be collected	733,306
Accretable yield	(96,626)
Loans accounted for under ASC Topic 310-30	$ 636,680

All loans are considered past due when the contractual principal or interest payments due in accordance with the terms of the loan agreement remain unpaid after the due date of the scheduled payment. Loans accounted for under ASC Topic 310-30 are generally classified as performing, even though they may be contractually past due, as any non-payment of contractual principal or interest was considered in the estimation of expected cash flows and will be included in the resulting recognition of future period covered loan loss provision or future period yield adjustments.

The following table reflects the composition and contractual maturities of loans purchased in the Community Banks of Colorado transaction (in thousands):

	Due within 1 Year	Due after 1 but within 5 years	Due after 5 years	Total
Covered loans:				
Commercial	$ 55,711	$ 54,000	$ 29,770	$ 139,481
Commercial real estate	81,252	110,350	34,977	226,579
Agriculture	35,596	16,326	36,320	88,242
Residential real estate	665	11,741		12,406
Consumer	6	8		14
Total covered loans	173,230	192,425	101,067	466,722
Non-covered Loans:				
Commercial	1,937	413		2,350
Commercial real estate	14,324	62,410	43,010	119,744
Agriculture	777	18	160	955
Residential real estate	29,449	51,152	40,176	120,777
Consumer	24,694	15,451	4,190	44,335
Total non-covered loans	71,181	129,444	87,536	288,161

Total loans	$ 244,411	$ 321,869	$ 188,603	$ 754,883

Table of Contents

BANK MIDWEST, N.A. (A Wholly Owned Subsidiary of National Bank Holdings Corporation)

Notes to Statement of Assets Acquired and Liabilities Assumed of Community Banks of Colorado

as of October 21, 2011

The following table reflects a distribution of acquired loans with a maturity of greater than one year between fixed and adjustable rate loans as of October 21, 2011 (in thousands):

	Fixed	Variable	Total
Covered loans:			
Commercial	$ 27,162	$ 56,608	$ 83,770
Commercial real estate	33,872	111,455	145,327
Agriculture	5,359	47,287	52,646
Residential real estate	2,418	9,323	11,741
Consumer	8		8
Total covered loans	68,819	224,673	293,492
Non-covered Loans:			
Commercial	90	323	413
Commercial real estate	30,803	74,617	105,420
Agriculture	18	160	178
Residential real estate	25,081	66,247	91,328
Consumer	7,796	11,845	19,641
Total non-covered loans	63,788	153,192	216,980
Total loans	$ 132,607	$ 377,865	$ 510,472

Note 7 Other Real Estate Owned

The accompanying statement of assets acquired and liabilities assumed includes $29.8 million of other real estate owned. These assets are comprised of properties acquired through the foreclosure or repossession process, or any other resolution activity that results in partial or total satisfaction of problem loans. $24.8 million, or 83.5%, of the OREO are covered by the loss sharing agreement with the FDIC and any losses, as measured by the FDIC s book value, on these covered assets or on subsequent foreclosures related to covered loans are shared with the FDIC at the applicable loss-coverage percentage. See note 2 for a discussion of the terms of the loss sharing arrangement.

Note 8 Goodwill and Core Deposit Intangible Asset

In connection with the Community Banks of Colorado transaction, the Company recorded a core deposit intangible asset of $4.8 million. The Company will amortize the core deposit intangible asset under the straight-line method over 7 years, which represents the expected useful life of the asset. This will result in approximately $0.7 million of core deposit intangible amortization expense each year through 2018.

The fair value of consideration paid exceeded the fair value of the net assets acquired and resulted in the establishment of goodwill in the amount of $7.2 million. In accordance with ASC Topic 350, *Intangibles Goodwill and Other*, the goodwill will be subject to a fair value-based impairment assessment at least annually. The goodwill will be deductible for income tax purposes.

Table of Contents

BANK MIDWEST, N.A. (A Wholly Owned Subsidiary of National Bank Holdings Corporation)

Notes to Statement of Assets Acquired and Liabilities Assumed of Community Banks of Colorado

as of October 21, 2011

Note 9 Deposits

The scheduled maturity of certificates of deposits of $100,000 or more, as of October 21, 2011, were as follows (in thousands):

3 months or less	$ 72,707
Over three months through 6 months	78,465
Over 6 months through 12 months	135,424
Over 12 months	89,634
Total	$ 376,230

In connection with the Community Banks of Colorado acquisition, the FDIC provided the majority of Community Banks of Colorado depositors with the right to redeem their time deposits at any time during the life of the deposit, without penalty, unless the depositor accepts new terms. As of October 21, 2011, the Company had approximately $733.3 million of time deposits that were subject to penalty-free withdrawals.

Note 10 Federal Home Loan Bank Advances

The Company assumed Federal Home Loan Bank of Topeka (FHLB) advances with a fair value of $16.4 million in connection with the acquisition of Community Banks of Colorado. The advances were secured with $121.5 million of loans and $5.0 million of investment securities. The following table sets forth selected information regarding the FHLB advances assumed:

	Principal amounts due	Interest rates
Repayable during the year ending December 31,		
2012	$ 5,000	4.93%
2018	10,000	3.34%
Total contractual amounts due	15,000	
Fair value adjustment	1,381	
Total	$ 16,381	

The Company repaid all amounts due under the FHLB advances on October 24, 2011. In doing so, the Company paid $16.4 million, inclusive of $1.4 million of prepayment penalties.

Note 11 Income Taxes

Due to the nature of the transaction as a taxable asset acquisition, the Company recorded offsetting deferred tax assets and deferred tax liabilities at the time of the acquisition due to the different allocation approaches of GAAP and the requirements of the tax laws. GAAP prescribes a fair value approach for the entire balance sheet (assets and liabilities) based on the purchase price. Tax laws provide a residual approach of asset classes based on the purchase price and the FDIC loss sharing agreement requires the covered assets to be valued at the greater of their fair market value or their guaranteed value; in addition, tax law does not assign any value to the GAAP loss sharing indemnification asset or related

clawback liability. The two methods provide the same overall net result due to the purchase prices of the assets acquired and liabilities assumed; however, different amounts have been assigned to specific assets and liabilities creating a basis difference for GAAP and tax purposes resulting in offsetting deferred tax asset or liability items.

BANK MIDWEST, N.A. (A Wholly Owned Subsidiary of National Bank Holdings Corporation)

Notes to Statement of Assets Acquired and Liabilities Assumed of Community Banks of Colorado

as of October 21, 2011

Note 12 Commitments

The Company acquired various off-balance sheet commitments that are not required to be recorded on the statement of assets acquired and liabilities assumed. These commitments are financing arrangements that help meet the needs of customers. These financial instruments include commitments to extend credit, commercial and consumer lines of credit, and standby letters of credit and involve varying degrees of credit risk. At the acquisition date, loan commitments totaled $84.3 million and standby letters of credit totaled $4.6 million. The total amounts of unused commitments do not necessarily represent future credit exposure or cash requirements, as commitments often expire without being drawn upon. However, the contractual amount of these commitments, offset by applicable loss sharing arrangement with the FDIC, represents the Company s potential credit loss exposure.

Total unfunded commitments at the acquisition date of October 21, 2011 were as follows (in thousands):

	Covered	Non-covered	Total
Commitments to fund loans			
Commercial and commercial real estate	$ 51,692	$ 2,272	$ 53,964
Residential	125	16,389	16,514
Agricultural/other	10,949	2,832	13,781
Commercial and standby letters of credit	3,947	619	4,566
Total	$ 66,713	$ 22,112	$ 88,826

Commitments to fund loans Commitments to fund loans are legally binding agreements to lend to customers in accordance with predetermined contractual provisions providing there have been no violations of any conditions specified in the contract. These commitments are generally at variable interest rates and are for specific periods or contain termination clauses and may require the payment of a fee. The total amounts of unused commitments are not necessarily representations of future credit exposure or cash requirements, as commitments often expire without being drawn upon.

Commercial and standby letters of credit Commercial and standby letters of credit include financial standby letters of credit or performance standby letters of credit. These are various forms of back-up commitments to guarantee the performance of a customer to a third party. While these arrangements represent a potential cash outlay for the Company, the majority of these letters of credit will expire without being drawn upon. Many of the letters of credit have various forms of collateral securing the commitment, which may include real estate, personal property, receivables, or marketable securities.

Note 13 Subsequent Events

In connection with the Community Banks of Colorado transaction, the Company had the option to purchase the banking center assets and certain equipment of the failed bank from the FDIC for 90 days after the transaction date. During the first quarter of 2012, the Company notified the FDIC of its intent to purchase 26 of the branch premises for a total purchase price of $24.4 million. The Company also assumed the leases of 14 branch premises.

On March 22, 2012, the Company held its annual meeting and approved the change of its name to National Bank Holdings Corporation.

Table of Contents

We have not authorized any dealer, salesperson or other person to give you written information other than this prospectus or to make representations as to matters not stated in this prospectus. You must not rely on unauthorized information. This prospectus is not an offer to sell these securities or our solicitation of your offer to buy these securities in any jurisdiction where that would not be permitted or legal. Neither the delivery of this prospectus nor any sales made hereunder after the date of this prospectus shall create an implication that the information contained herein or the affairs of the Company have not changed since the date of this prospectus.

PROSPECTUS

43,508,820 Shares

Class A Common Stock

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. Other Expenses of Issuance and Distribution.

The following table sets forth the costs and expenses, other than underwriting discounts and commissions, payable by us in connection with the sale of the Class A common stock being registered. All amounts, except the SEC registration fee, are estimates.

SEC registration fee	$ 97,828
Transfer agent and registrar fees and expenses (1)	6,500
Printing fees and expenses (1)	400,000
Legal fees and expenses (1)	1,700,000
Accounting fees and expenses (1)	500,000
Miscellaneous (1)	100,000
Total	$ 2,804,328

(1) Includes costs and expenses that were incurred in connection with the substantially contemporaneous registration of our Class A common stock in our initial public offering that cannot be reasonably separated from the costs incurred in this offering.

Item 14. Indemnification of Directors and Officers.

Section 102(b)(7) of the DGCL permits a corporation to provide in its certificate of incorporation that a director of the corporation shall not be personally liable to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director s duty of loyalty to the corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the DGCL (regarding, among other things, the payment of unlawful dividends or unlawful stock purchases or redemptions), or (iv) for any transaction from which the director derived an improper personal benefit. Our amended and restated certificate of incorporation to be in effect upon completion of the offering will provide for such limitation of liability.

Section 145(a) of the DGCL empowers a corporation to indemnify any director, officer, employee or agent, or former director, officer, employee or agent, who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation) by reason of such person s service as a director, officer, employee or agent of the corporation, or such person s service, at the corporation s request, as a director, officer, employee or agent of another corporation or enterprise, against expenses (including attorneys fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding; provided that such director or officer acted in good faith and in a manner reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding; provided that such director or officer had no reasonable cause to believe his conduct was unlawful.

Section 145(b) of the DGCL empowers a corporation to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that such person is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another enterprise, against expenses (including attorneys fees) actually and reasonably incurred in connection with the defense or settlement of such action or suit; provided that such director or officer acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the corporation, except that no indemnification may be made in respect of any claim, issue or matter as to which such director or officer shall have been adjudged to be liable to the corporation unless and only to the extent that

the Delaware Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such director or officer is fairly and reasonably entitled to indemnity for such expenses which the court shall deem proper. Notwithstanding the preceding sentence, except as otherwise provided in the by-laws, we shall be required to indemnify any such person in connection with a proceeding (or part thereof) commenced by such person only if the commencement of such proceeding (or part thereof) by any such person was authorized by the board.

In addition, our amended and restated certificate of incorporation will provide that we must indemnify our directors and officers to the fullest extent authorized by law. We are also expressly required to advance certain expenses to our directors and officers and carry directors and officers insurance providing indemnification for our directors and officers for some liabilities. We believe that these indemnification provisions and the directors and officers insurance are useful to attract and retain qualified directors and executive officers.

We have also entered into, or will enter into prior to the completion of this offering, indemnification agreements with each of our directors and officers. The indemnification agreements provide, among other things, for indemnification to the fullest extent permitted by law and our amended and restated certificate of incorporation and by-laws against (i) any and all expenses and liabilities, including judgments, fines, penalties, interest and amounts paid in settlement of any claim with our approval and counsel fees and disbursements, (ii) any liability pursuant to a loan guarantee, or otherwise, for any of our indebtedness, and (iii) any liabilities incurred as a result of acting on behalf of us (as a fiduciary or otherwise) in connection with an employee benefit plan. The indemnification agreements also provide for, or will provide for, the advancement or payment of expenses to the indemnitee and for reimbursement to us if it is found that such indemnitee is not entitled to such indemnification under applicable law and our amended and restated certificate of incorporation and by-laws. Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers or persons controlling us pursuant to the foregoing provisions, in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

The proposed form of Underwriting Agreement filed as Exhibit 1.1 to this Registration Statement provides for indemnification of directors and officers of the Registrant by the underwriters against certain liabilities.

Item 15. Recent Sales of Unregistered Securities.

In the three years preceding the filing of this registration statement, National Bank Holdings Corporation has issued the following securities:

On June 16, 2009 and August 10, 2009 in connection with its incorporation and initial capitalization, National Bank Holdings Corporation issued 250,000 shares of its common stock to members of its board of directors, senior management team and FBR Capital Markets & Co. for $0.012 per share.

On October 20, 2009, National Bank Holdings Corporation issued an aggregate of 57,500,000 shares of its common stock to private investors and to FBR Capital Markets & Co. for resale to private investors for net consideration of approximately $1.1 billion in cash. The net proceeds of the offering were used to fund our four acquisitions to date and for general corporate purposes and the Company continues to hold the remaining proceeds (after deduction for the Company s operating expenses) in cash and cash equivalents.

The issuances of securities described in the preceding paragraphs were made in reliance upon the exemption from registration under Section 4(2) of the Securities Act of 1933, as amended, including the safe harbors established in Rule 144A and Regulation D, for transactions by an issuer not involving a public offering. National Bank Holdings Corporation did not offer or sell the securities by any form of general solicitation or general advertising, informed the purchaser that the securities had not been registered under the Securities Act and were subject to restrictions on transfer, and made offers only to the purchaser, whom National Bank Holdings Corporation believed had the knowledge and experience in financial and business matters to evaluate the merits and risks of an investment in the securities.

Table of Contents

As of June 30, 2012 we had 3,473,332 options to purchase an aggregate of 3,473,332 shares of our common stock under the NBH Holdings Corp. 2009 Equity Incentive Plan, 1,070,418 of which were fully vested. These grants were exempt from the registration requirements of the Securities Act pursuant to Rule 701 promulgated thereunder inasmuch as they were offered and sold under written compensatory benefit plans and otherwise in compliance with the provisions of Rule 701.

On October 20, 2009, we issued a warrant to purchase 237,500 shares of common stock to Ithan Creek Investors USB, LLC (an affiliate of Wellington Management Company, LLP). On March 23, 2010, we issued a warrant to purchase 237,500 shares of common stock to Ithan Creek Investors USB, LLC. On March 15, 2010, we issued a warrant to purchase 250,750 shares of common stock to Paulson Master Recovery Fund LTD. And, on September 30, 2010, we issued a warrant to purchase 42,000 shares of common stock to Elliott Associates, L.P. and a warrant to purchase 63,000 shares of common stock to a wholly owned subsidiary of Elliott International, L.P. Such warrants were issued in connection with the agreement by several of our largest shareholders to be bound by the FDIC Policy Statement. The warrants are exercisable for 10 years from the date of issuance and have an exercise price of $20.00 per share.

Item 16. Exhibits Financial Statements Schedules.

(a) Exhibits: The list of exhibits is set forth under Exhibit Index at the end of this registration statement and is incorporated herein by reference.

(b) Financial Statement Schedules: None.

Item 17. Undertakings.

(a) The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than 20% change in the maximum aggregate offering price set forth in the Calculation of Registration Fee table in the effective registration statement.

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(4) That, for the purpose of determining liability under the Securities Act of 1933 to any purchaser: each prospectus filed pursuant to Rule 424(b) as part of a registration statement relating to an

offering, other than registration statements relying on Rule 430B or other than prospectuses filed in reliance on Rule 430A (§ 230.430A of this chapter), shall be deemed to be part of and included in the registration statement as of the date it is first used after effectiveness. Provided, however, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such first use, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such date of first use.

(b) Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in Greenwood Village, Colorado on September 24, 2012.

National Bank Holdings Corporation

(Registrant)

By: /s/ G. TIMOTHY LANEY
Name: G. Timothy Laney
Title: President and Chief Executive Officer

Each person whose signature appears below hereby constitutes and appoints G. Timothy Laney, Brian F. Lilly and Mark W. Yonkman, and each of them acting individually, as his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, to execute for him and in his name, place and stead, in any and all capacities, any and all amendments (including post-effective amendments) to this registration statement and any registration statement for the same offering covered by this registration statement that is to be effective upon filing pursuant to Rule 462 promulgated under the Securities Act of 1933, as amended, as the attorney-in-fact and to file the same, with all exhibits thereto and any other documents required in connection therewith with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents and their substitutes, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his substitutes may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, as amended, this amendment to its registration statement has been signed below by the following persons in the capacities and on the dates indicated:

Signature	Title	Date
/s/ G. TIMOTHY LANEY G. Timothy Laney	President, Chief Executive Officer and Director (Principal Executive Officer)	September 24, 2012
/s/ BRIAN F. LILLY Brian F. Lilly	Chief Financial Officer (Principal Financial and Accounting Officer)	September 24, 2012
Frank V. Cahouet	Chairman	September 24, 2012
/s/ RALPH W. CLERMONT Ralph W. Clermont	Director	September 24, 2012
/s/ ROBERT E. DEAN Robert E. Dean	Director	September 24, 2012
Lawrence K. Fish	Director	September 24, 2012

Micho F. Spring	Director	September 24, 2012
/s/ Burney S. Warren Burney S. Warren	Director	September 24, 2012

II-5

Exhibit Index

Exhibit Number	Description
2.1	Purchase and Assumption Agreement, dated as of July 6, 2010, among the Federal Deposit Insurance Corporation, Receiver of Hillcrest Bank, Overland Park, Kansas, the Federal Deposit Insurance Corporation and Hillcrest Bank, National Association (Single Family Shared-Loss Agreement and Commercial Shared-Loss Agreement included as Exhibits 4.15A and 4.15B thereto, respectively) (incorporated herein by reference to Exhibit 2.1 to our Form S-1 Registration Statement (Registration No. 333-177971), filed on November 14, 2011)
2.2	Amended and Restated Purchase Agreement by and among Dickinson Financial Corporation, Bank Midwest, N.A. and NBH Holdings Corp. (on behalf of itself and its to-be-formed national banking association subsidiary), dated as of August 31, 2010 (incorporated herein by reference to Exhibit 2.2 to our Form S-1 Registration Statement (Registration No. 333-177971), filed on November 14, 2011)
2.3	Purchase and Assumption Agreement, dated as of July 22, 2011, among the Federal Deposit Insurance Corporation, Receiver of Bank of Choice, Greeley Colorado, the Federal Deposit Insurance Corporation and Bank Midwest, National Association (incorporated herein by reference to Exhibit 2.3 to our Form S-1 Registration Statement (Registration No. 333-177971), filed on November 14, 2011)
2.4	Purchase and Assumption Agreement, dated as of October 21, 2011, among the Federal Deposit Insurance Corporation, Receiver of Community Banks of Colorado, the Federal Deposit Insurance Corporation and Bank Midwest, National Association (incorporated herein by reference to Exhibit 2.4 to our Form S-1 Registration Statement (Registration No. 333-177971), filed on November 14, 2011)
3.1	Second Amended and Restated Certificate of Incorporation (incorporated herein by reference to Exhibit 3.1 to our Form S-1 Registration Statement (Registration No. 333-177971), filed August 22, 2012)
3.2	Amended and Restated By-Laws (incorporated herein by reference to Exhibit 3.2 to our Form S-1 Registration Statement (Registration No. 333-177971), filed August 22, 2012)
4.1	Specimen common stock certificate (incorporated herein by reference to Exhibit 4.1 to our Form S-1 Registration Statement (Registration No. 333-177971), filed August 22, 2012)
4.2	Registration Rights Agreement, dated as of October 20, 2009, by and between NBH Holdings Corp. and FBR Capital Markets, Inc. (incorporated herein by reference to Exhibit 4.2 to our Form S-1 Registration Statement (Registration No. 333-177971), filed on November 14, 2011)
4.3	Amendment No. 1, dated as of July 20, 2011, to the Registration Rights Agreement, dated as of October 20, 2009 by and between NBH Holdings Corp. and FBR Capital Markets, Inc. (incorporated herein by reference to Exhibit 4.3 to our Form S-1 Registration Statement (Registration No. 333-177971), filed on November 14, 2011)
5.1	Opinion of Wachtell, Lipton, Rosen & Katz
10.1	Employment Agreement, dated May 22, 2010, between G. Timothy Laney and NBH Holdings Corp. (incorporated herein by reference to Exhibit 10.1 to our Form S-1 Registration Statement (Registration Statement No. 333-177971), filed on September 10, 2012)
10.2	NBH Holdings Corp. 2009 Equity Incentive Plan (incorporated herein by reference to Exhibit 10.2 to our Form S-1 Registration Statement (Registration No. 333-177971), filed on November 14, 2011)

Table of Contents

Exhibit Number	Description
10.3	Value Appreciation Instrument Agreement, dated as of October 22, 2010 by and between NBH Holdings Corp. and the Federal Deposit Insurance Corporation (incorporated herein by reference to Exhibit 10.3 to our Form S-1 Registration Statement (Registration No. 333-177971), filed on November 14, 2011)
10.4	Value Appreciation Instrument Agreement, dated as of July 22, 2011 by and between NBH Holdings Corp. and the Federal Deposit Insurance Corporation (incorporated herein by reference to Exhibit 10.4 to our Form S-1 Registration Statement (Registration No. 333-177971), filed on November 14, 2011)
10.5	Value Appreciation Instrument Agreement, dated as of October 21, 2011 by and among NBH Holdings Corp., Bank Midwest, National Association and the Federal Deposit Insurance Corporation (incorporated herein by reference to Exhibit 10.5 to our Form S-1 Registration Statement (Registration No. 333-177971), filed on November 14, 2011)
10.6	Form of Indemnification Agreement between NBH Holdings Corp. and each of its directors and executive officers (incorporated herein by reference to Exhibit 10.6 to our Form S-1 Registration Statement (Registration Statement No. 333-177971), filed on September 10, 2012)
10.7	Employment Agreement, dated October 24, 2011, by and between Richard U. Newfield and NBH Holdings Corp. (incorporated herein by reference to Exhibit 10.7 to our Form S-1 Registration Statement (Registration Statement No. 333-177971), filed on September 10, 2012)
10.8	Employment Agreement, dated October 15, 2011, by and between Thomas M. Metzger and NBH Holdings Corp. (incorporated herein by reference to Exhibit 10.8 to our Form S-1 Registration Statement (Registration Statement No. 333-177971), filed on September 10, 2012)
10.9	Letter Agreement dated February 13, 2012, by and between Brian F. Lilly and National Bank Holdings Corporation (incorporated herein by reference to Exhibit 10.9 to our Form S-1 Registration Statement (Registration Statement No. 333-177971), filed on September 10, 2012)
10.10	Employment Agreement dated August 18, 2012, by and between Kathryn M. Hinderhofer and National Bank Holdings Corporation (incorporated herein by reference to Exhibit 10.10 to our Form S-1 Registration Statement (Registration Statement No. 333-177971), filed on September 10, 2012)
10.11	Senior Executive Bonus Plan (incorporated herein by reference to Exhibit 10.11 to our Form S-1 Registration Statement (Registration No. 333-177971), filed August 22, 2012)
10.12	Letter Agreement dated November 7, 2011, by and between James B. Fitzgerald and National Bank Holdings Corporation (incorporated herein by reference to Exhibit 10.12 to our Form S-1 Registration Statement (Registration No. 333-177971), filed August 22, 2012)
10.13	Amendment to NBH Holdings Corp. 2009 Equity Incentive Plan (incorporated herein by reference to Exhibit 10.13 to our Form S-1 Registration Statement (Registration Statement No. 333-177971), filed on September 10, 2012)
10.14	Form of NBH Holdings Corp. 2009 Equity Incentive Plan Restricted Stock Award Agreement (For Non-Employee Directors) (incorporated herein by reference to Exhibit 10.14 to our Form S-1 Registration Statement (Registration Statement No. 333-177971), filed on September 10, 2012)
10.15	Form of NBH Holdings Corp. 2009 Equity Incentive Plan Nonqualified Stock Option Agreemenet (For Management) (incorporated herein by reference to Exhibit 10.15 to our Form S-1 Registration Statement (Registration Statement No. 333-177971), filed on September 10, 2012)
21.1	Subsidiaries of National Bank Holdings Corporation (incorporated herein by reference to Exhibit 21.1 to our Form S-1 Registration Statement (Registration Statement No. 333-177971), filed on September 10, 2012)
23.1	Consent of KPMG LLP
23.2	Consent of Wachtell, Lipton, Rosen & Katz (included in Exhibit 5.1)
24.1	Power of Attorney (included on signature page)

Schedules and similar attachments have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The registrant will furnish supplementally a copy of any omitted schedules or similar attachment to the SEC upon request.