National Bank Holdings Corp
Form 10-Q
August 07, 2015
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)
ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2015
OR
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission File Number: 001-35654

NATIONAL BANK HOLDINGS CORPORATION
(Exact name of registrant as specified in its charter)

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

7800 East Orchard, Suite 300, Greenwood Village, Colorado 80111
(Address of principal executive offices) (Zip Code)
Registrant's telephone, including area code: (720) 529-3336

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "accelerated filer." and "large accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer x	Accelerated filer ¨
Non-accelerated filer ¨ (do not check if a smaller reporting company)	Smaller Reporting Company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No ý
APPLICABLE ONLY TO CORPORATE ISSUERS:
Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.
As of August 6, 2015, the registrant had outstanding 35,055,362 shares of Class A voting common stock, each with $0.01 par value per share, excluding 1,037,564 shares of restricted Class A common stock issued but not yet vested. Additionally, the registrant expects to repurchase approximately 4,651,162 shares pursuant to its previously announced self-tender offer that expired on July 31, 2015. Immediately following the repurchase, the registrant

expects to have approximately 30,404,200 shares of Class A common stock outstanding, excluding 1,037,564 shares of restricted Class A common stock issued but not yet vested.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, notwithstanding that such statements are not specifically identified. Any statements about our expectations, beliefs, plans, predictions, forecasts, objectives, assumptions or future events or performance are not historical facts and may be forward-looking. These statements are often, but not always, made through the use of words or phrases such as “anticipate,” “believe,” “can,” “would,” “should,” “could,” “may,” “predict,” “seek,” “potential,” “will,” “estimate,” “t “continuing,” “ongoing,” “expect,” “intend” and similar words or phrases. These statements are only predictions and involve estimates, known and unknown risks, assumptions and uncertainties. We have based these statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, liquidity, results of operations, business strategy and growth prospects.

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

- our ability to execute our business strategy, as well as changes in our business strategy or development plans;
- business and economic conditions generally and in the financial services industry;
- economic, market, operational, liquidity, credit and interest rate risks associated with our business;
- effects of any changes in trade, monetary and fiscal policies and laws, including the interest rate policies of the Federal Reserve Board;
- changes imposed by regulatory agencies to increase our capital to a level greater than the current level required for well-capitalized financial institutions (including the impact of the joint final rules promulgated by the Federal Reserve Board, Office of the Comptroller of the Currency and the FDIC revising certain regulatory capital requirements to align with the Basel III capital standards and meet certain requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act);
- effects of inflation, as well as, interest rate, securities market and monetary supply fluctuations;
- changes in the economy or supply-demand imbalances affecting local real estate values;
- changes in consumer spending, borrowings and savings habits;
- our ability to identify potential candidates for, obtain regulatory approval for, and consummate, acquisitions of financial institutions on attractive terms, or at all;
- our ability to integrate acquisitions and to achieve synergies, operating efficiencies and/or other expected benefits within expected time-frames, or at all, or within expected cost projections, and to preserve the goodwill of acquired financial institutions;
- our ability to successfully convert core operating systems, at the estimated cost, without significant business interruption and to realize the anticipated benefits;
- our ability to achieve organic loan and deposit growth and the composition of such growth;
- changes in sources and uses of funds, including loans, deposits and borrowings;
- increased competition in the financial services industry, nationally, regionally or locally, resulting in, among other things, lower returns;
- the effect of changes in accounting policies and practices, as may be adopted by the regulatory agencies, as well as the Public Company Accounting Oversight Board, the Financial Accounting Standards Board and other accounting standard setters;
- the trading price of shares of the Company's stock;
- our ability to realize deferred tax assets or the need for a valuation allowance;
- continued consolidation in the financial services industry;
- our ability to maintain or increase market share and control expenses;
- costs and effects of changes in laws and regulations and of other legal and regulatory developments, including, but not limited to, changes in regulation that affect the fees that we charge, the resolution of legal proceedings or regulatory or other governmental inquiries, and the results of regulatory examinations, reviews or other inquiries;
- technological changes;
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the timely development and acceptance of new products and services and perceived overall value of these products and services by our clients;

- changes in our management personnel and our continued ability to hire and retain qualified personnel;
- ability to implement and/or improve operational management and other internal risk controls and processes and our reporting system and procedures;
- regulatory limitations on dividends from our bank subsidiary;
- changes in estimates of future loan reserve requirements based upon the periodic review thereof under relevant regulatory and accounting requirements;

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- widespread natural and other disasters, dislocations, political instability, acts of war or terrorist activities, cyberattacks or international hostilities through impacts on the economy and financial markets generally or on us or our counterparties specifically;
- impact of reputational risk on such matters as business generation and retention;
- other risks and uncertainties listed from time to time in the Company's reports and documents filed with the Securities and Exchange Commission; and
- our success at managing the risks involved in the foregoing items.

Any forward-looking statement speaks only as of the date on which it is made, and we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events or circumstances, except as required by applicable law.

PART I: FINANCIAL INFORMATION
Item 1: FINANCIAL STATEMENTS
NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES
Consolidated Statements of Financial Condition (Unaudited)
(In thousands, except share and per share data)

	June 30, 2015	December 31, 2014
ASSETS		
Cash and due from banks	$57,880	$61,461
Due from banks	174,481	185,463
Interest bearing bank deposits	10,080	10,055
Cash and cash equivalents	242,441	256,979
Securities purchased under agreements to resell	50,000	—
Investment securities available-for-sale (at fair value)	1,316,829	1,479,214
Investment securities held-to-maturity (fair value of $476,519 and $534,637 at June 30, 2015 and December 31, 2014, respectively)	472,605	530,590
Non-marketable securities	27,050	27,045
Loans (including covered loans of $167,149 and $193,697 at June 30, 2015 and December 31, 2014, respectively)	2,328,524	2,162,409
Allowance for loan losses	(20,241)	(17,613)
Loans, net	2,308,283	2,144,796
Loans held for sale	10,037	5,146
Federal Deposit Insurance Corporation (“FDIC”) indemnification asset, net	23,215	39,082
Other real estate owned	20,367	29,120
Premises and equipment, net	102,228	106,341
Goodwill	59,630	59,630
Intangible assets, net	14,210	16,883
Other assets	130,955	124,820
Total assets	$4,777,850	$4,819,646
LIABILITIES AND SHAREHOLDERS’ EQUITY		
Liabilities:		
Deposits:		
Non-interest bearing demand deposits	$777,727	$732,580
Interest bearing demand deposits	389,270	386,121
Savings and money market	1,327,953	1,290,436
Time deposits	1,267,539	1,357,051
Total deposits	3,762,489	3,766,188
Securities sold under agreements to repurchase	187,314	133,552
Federal Home Loan Bank advances	40,000	40,000
Due to FDIC	38,195	42,011
Other liabilities	31,586	43,320
Total liabilities	4,059,584	4,025,071
Shareholders’ equity:		
Common stock, par value $0.01 per share: 400,000,000 shares authorized; 52,374,349 and 52,223,460 shares issued; 35,053,339 and 38,884,953 shares outstanding at June 30, 2015 and December 31, 2014, respectively	513	512
Additional paid in capital	994,454	993,212
Retained earnings	36,709	40,528
Treasury stock of 16,277,782 and 12,383,109 shares at June 30, 2015 and December 31, 2014, respectively, at cost	(317,854)	(245,516)

Accumulated other comprehensive income, net of tax	4,444	5,839
Total shareholders’ equity	718,266	794,575
Total liabilities and shareholders’ equity	$4,777,850	$4,819,646

See accompanying notes to the unaudited consolidated interim financial statements.

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

	For the three months ended June 30,		For the six months ended June 30,	
	2015	2014	2015	2014
Interest and dividend income:				
Interest and fees on loans	$32,166	$33,054	$64,147	$66,301
Interest and dividends on investment securities	9,764	12,606	20,336	25,774
Dividends on non-marketable securities	317	270	644	659
Interest on interest-bearing bank deposits	270	75	477	156
Total interest and dividend income	42,517	46,005	85,604	92,890
Interest expense:				
Interest on deposits	3,451	3,556	6,850	7,062
Interest on borrowings	211	26	420	58
Total interest expense	3,662	3,582	7,270	7,120
Net interest income before provision for loan losses	38,855	42,423	78,334	85,770
Provision for loan losses	1,858	1,660	3,311	3,429
Net interest income after provision for loan losses	36,997	40,763	75,023	82,341
Non-interest income:				
FDIC indemnification asset amortization	(7,283)	(5,959)	(14,953)	(13,567)
FDIC loss sharing income (expense)	1,138	(649)	328	(1,606)
Service charges	3,697	3,870	7,024	7,410
Bank card fees	2,699	2,559	5,249	4,933
Gain on sales of mortgages, net	546	202	946	410
Bank-owned life insurance income	402	—	796	—
Other non-interest income	1,321	896	2,093	1,721
Gain on previously charged-off acquired loans	39	232	97	528
OREO related write-ups and other income	188	1,010	688	1,978
Total non-interest income	2,747	2,161	2,268	1,807
Non-interest expense:				
Salaries and benefits	21,156	20,428	41,233	41,202
Occupancy and equipment	6,069	6,209	12,158	12,683
Telecommunications and data processing	2,578	2,982	5,640	6,130
Marketing and business development	1,252	1,762	2,261	2,785
FDIC deposit insurance	1,032	1,035	2,073	2,080
ATM/debit card expenses	789	762	1,546	1,513
Professional fees	962	688	2,082	1,326
Other non-interest expense	2,493	2,749	4,735	5,158
Other real estate owned expense (income)	406	1,402	(12)	3,035
Problem loan expenses	723	1,082	1,522	1,767
Intangible asset amortization	1,336	1,336	2,672	2,672
Loss (gain) from the change in fair value of warrant liability	508	(580)	118	(1,478)
Banking center closure related expenses	1,089	—	1,089	—
Total non-interest expense	40,393	39,855	77,117	78,873
(Loss) income before income taxes	(649)	3,069	174	5,275
Income tax expense	692	940	269	1,715
Net (loss) income	$(1,341)	$2,129	$(95)	$3,560
(Loss) income per share—basic	$(0.04)	$0.05	$0.00	$0.08
(Loss) income per share—diluted	$(0.04)	$0.05	$0.00	$0.08

Weighted average number of common shares outstanding:				
Basic	36,164,617	43,868,164	37,091,412	44,341,276
Diluted	36,164,617	43,880,263	37,091,412	44,364,639

See accompanying notes to the unaudited consolidated interim financial statements.

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

	For the three months ended June 30,		For the six months ended June 30,	
	2015	2014	2015	2014
Net (loss) income	$(1,341)	$2,129	$(95)	$3,560
Other comprehensive (loss) income, net of tax:				
Securities available-for-sale:				
Net unrealized (losses) gains arising during the period, net of tax benefit (expense) of $4,299 and $(3,343) for the three months ended June 30, 2015 and 2014, respectively; and net of tax expense of $0 and $8,305 for the six months ended June 30, 2015 and 2014, respectively.	(6,989)	5,436	—	13,505
Amortization of net unrealized holding gains on securities transferred between available-for-sale to held-to-maturity, net of tax benefit of $401 and $509 for the three months ended June 30, 2015 and 2014, respectively; and net of tax benefit of $857 and $1,029 for the six months ended June 30, 2015 and 2014, respectively.	(652)	(829)	(1,395)	(1,673)
Other comprehensive (loss) income	(7,641)	4,607	(1,395)	11,832
Comprehensive (loss) income	$(8,982)	$6,736	$(1,490)	$15,392

See accompanying notes to the unaudited consolidated interim financial statements.

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES
Consolidated Statements of Changes in Shareholders' Equity (Unaudited)
Six Months Ended June 30, 2015 and 2014
(In thousands, except share and per share data)

	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Accumulated other comprehensive income (loss), net	Total
Balance, December 31, 2013	$512	$990,216	$39,966	$(126,146)	$ (6,756)	$897,792
Net income	—	—	3,560	—	—	3,560
Stock-based compensation	—	1,603	—	—	—	1,603
Issuance under equity compensation plan, including tax benefit of $4	—	(379)	—	—	—	(379)
Repurchase of 2,310,595 shares	—	—	—	(45,968)	—	(45,968)
Dividends paid ($0.10 per share)	—	—	(4,507)	—	—	(4,507)
Other comprehensive income	—	—	—	—	11,832	11,832
Balance, June 30, 2014	$512	$991,440	$39,019	$(172,114)	$ 5,076	$863,933
Balance, December 31, 2014	$512	$993,212	$40,528	$(245,516)	$ 5,839	$794,575
Net loss	—	—	(95)	—	—	(95)
Stock-based compensation	—	1,510	—	—	—	1,510
Issuance under equity compensation plan, including tax benefit of $8	1	(268)	—	—	—	(267)
Repurchase of 3,894,673 shares	—	—	—	(72,338)	—	(72,338)
Dividends paid ($0.10 per share)	—	—	(3,724)	—	—	(3,724)
Other comprehensive loss	—	—	—	—	(1,395)	(1,395)
Balance, June 30, 2015	$513	$994,454	$36,709	$(317,854)	$ 4,444	$718,266

See accompanying notes to the unaudited consolidated interim financial statements.

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES
Consolidated Statements of Cash Flows (Unaudited)
(In thousands)

	For the six months ended June 30, 2015	2014
Cash flows from operating activities:		
Net (loss) income	$(95)	$3,560
Adjustments to reconcile net (loss) income to net cash used in operating activities:		
Provision for loan losses	3,311	3,429
Depreciation and amortization	7,754	8,368
Current income tax receivable	112	13,510
Deferred income tax asset	(3,111)	(11,230)
Discount accretion, net of premium amortization on securities	2,163	2,534
Loan accretion	(26,360)	(34,020)
Net gains on sales of mortgage loans	(946)	(410)
Originations of loans held for sale, net of repayments	(48,137)	(17,179)
Proceeds from sales of loans held for sale	44,192	18,616
Bank-owned life insurance income	(796)	—
Amortization of indemnification asset	14,953	13,567
Gains on the sales of other real estate owned, net	(2,103)	(1,028)
Impairment on other real estate owned	757	880
Losses (gains) on sales of fixed assets	6	(123)
Impairment on fixed assets related to banking center closures	1,089	—
Stock-based compensation expense	1,510	1,603
Decrease in due to FDIC, net	(3,816)	(7,699)
Increase in other assets	(1,504)	(469)
(Decrease) increase in other liabilities	(11,801)	3,636
Net cash used in operating activities	(22,822)	(2,455)
Cash flows from investing activities:		
Proceeds from redemptions of FHLB stock	234	619
(Purchases) proceeds from redemptions of FRB stock	(239)	9,390
Maturities of investment securities held-to-maturity	55,411	50,561
Maturities of investment securities available-for-sale	160,542	157,870
Increase in securities purchased under agreements to resell	(50,000)	—
Net increase in loans	(153,060)	(202,059)
Purchases of premises and equipment, net	(2,063)	(347)
Proceeds from sales of loans	11,702	1,103
Proceeds from sales of other real estate owned	11,019	16,307
Increase (decrease) in FDIC indemnification asset	914	(529)
Net cash provided by investing activities	34,460	32,915
Cash flows from financing activities:		
Net (decrease) increase in deposits	(3,699)	18,024
Increase (decrease) in repurchase agreements	53,762	(14,115)
Issuance of stock under equity compensation plans	(420)	(383)
Proceeds from exercise of stock options	160	—
Excess tax benefit on stock-based compensation	8	4
Payment of dividends	(3,649)	(4,423)
Repurchases of shares	(72,338)	(45,968)
Net cash used in financing activities	(26,176)	(46,861)

Decrease in cash and cash equivalents	(14,538)	(16,401)
Cash and cash equivalents at beginning of the year	256,979	189,460
Cash and cash equivalents at end of period	$242,441	$173,059
Supplemental disclosure of cash flow information during the period:		
Cash paid for interest	$7,228	$6,754
Net tax payments (refunds)	$3,194	$(542)
Supplemental schedule of non-cash investing activities:		
Loans transferred to other real estate owned at fair value	$920	$1,477
FDIC indemnification asset claims transferred to other liabilities	$(2,495)	$(987)
Loans purchased but not settled	$—	$16,019

See accompanying notes to the unaudited consolidated interim financial statements.

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NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
June 30, 2015

Note 1 Basis of Presentation

National Bank Holdings Corporation ("NBHC" or the "Company") is a bank holding company that was incorporated in the State of Delaware in June 2009 with the intent to acquire and operate financial services franchises and other complementary businesses in targeted markets. The Company is headquartered immediately south of Denver, in Greenwood Village, Colorado, and its primary operations are conducted through its wholly owned subsidiary, NBH Bank, N.A. (the "Bank"). The Company provides a variety of banking products to both commercial and consumer clients through a network of 97 banking centers located in Colorado, the greater Kansas City area and Texas, and through on-line and mobile banking products.

The accompanying interim unaudited consolidated financial statements serve to update the National Bank Holdings Corporation Annual Report on Form 10-K for the year ended December 31, 2014 and include the accounts of the Company and the Bank. The accompanying unaudited consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) and where applicable, with general practices in the banking industry or guidelines prescribed by bank regulatory agencies. However, they may not include all information and notes necessary to constitute a complete set of financial statements under GAAP applicable to annual periods and accordingly should be read in conjunction with the financial information contained in the Company's most recent Form 10-K. The unaudited consolidated financial statements reflect all adjustments which are, in the opinion of management, necessary for a fair statement of the results presented. All such adjustments are of a normal recurring nature. All significant intercompany balances and transactions have been eliminated in consolidation. Certain reclassifications of prior years' amounts are made whenever necessary to conform to current period presentation. The results of operations for the interim period is not necessarily indicative of the results that may be expected for the full year or any other interim period. All amounts are in thousands, except share data, or as otherwise noted.

GAAP requires management to make estimates that affect the reported amounts of assets, liabilities, revenues and expenses, and disclosures of contingent assets and liabilities. By their nature, estimates are based on judgment and available information. Management has made significant estimates in certain areas, such as the amount and timing of expected cash flows from assets, the valuation of the FDIC indemnification asset and clawback liability, the valuation of other real estate owned (“OREO”), the fair value adjustments on assets acquired and liabilities assumed, the valuation of core deposit intangible assets, the evaluation of investment securities for other-than-temporary impairment (“OTTI”), the valuation of stock-based compensation, the fair values of financial instruments, the allowance for loan losses (“ALL”), and contingent liabilities. Because of the inherent uncertainties associated with any estimation process and future changes in market and economic conditions, it is possible that actual results could differ significantly from those estimates.

The Company's significant accounting policies followed in the preparation of the unaudited consolidated financial statements are disclosed in note 2 of the audited financial statements and notes for the year ended December 31, 2014 and are contained in the Company's Annual Report on Form 10-K. There have not been any significant changes to the application of significant accounting policies since December 31, 2014, with the exception of the following:

Income taxes - For the three and six months ended June 30, 2015, the Company has utilized the discrete effective tax rate method, as allowed by Accounting Standards Codification (“ASC”) 740-270-30-18, “Income Taxes-Interim Reporting,” to calculate its interim income tax provision. The discrete method is applied when the application of the estimated annual effective tax rate is impractical because it is not possible to reliably estimate the annual effective tax rate. The discrete method treats the year to date period as if it was the annual period and determines the income tax expense or benefit on that basis. The Company believes that, at this time, the use of this discrete method is more appropriate than the annual effective tax rate method as the estimated annual effective tax rate method is not reliable due to (1) the levels of tax-exempt income in relation to pre-tax income, (2) the impact of the warrant liability which is non-taxable and (3) the impact and variability of FDIC Indemnification amortization on our pre-tax income.

The income tax rate for the three and six months ended June 30, 2015 was 106.6% and 154.6%, respectively, based on application of the discrete approach. The quarterly tax rate differs from the federal statutory rate primarily due to interest income from tax-exempt lending, tax-exempt bank-owned life insurance income, non-taxable warrant liability fair value adjustment and the relationship of each of these items to our pre-tax income (loss). Furthermore, we recorded $1.7 million tax expense related to the write-off of deferred tax assets on certain stock-based compensation awards granted to former executives which expired in the quarter.

We are currently in an open IRS examination for the tax year 2012.

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NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
June 30, 2015

Note 2 Recent Accounting Pronouncements

Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure - In January 2014, the FASB issued Accounting Standards Update ("ASU") 2014-04, Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure. This update amends ASC Topic 310-40 and clarifies that an “in substance repossession or foreclosure” has occurred upon the creditor obtaining either legal title to the property upon completion of foreclosure, or the borrower conveying all interest in the property through completion of a deed in lieu of foreclosure. Upon occurrence, the creditor derecognizes the loan receivable and recognizes the collateralized real estate property. The amendments in the ASU became effective for the Company for interim and annual periods beginning after December 15, 2014. Early adoption was permitted. The adoption of this standard did not have a material impact on the Company’s consolidated financial statements, results of operations or liquidity.

Revenue from Contracts with Customers - In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers." This update supersedes revenue recognition requirements in Topic 605, Revenue Recognition, including most industry-specific revenue recognition guidance in the FASB Accounting Standards Codification. The new guidance stipulates that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance provides specific steps that entities should apply in order to achieve this principle. In July 2015, the FASB voted to approve deferring the effective date by one year (i.e., interim and annual reporting periods beginning after December 15, 2017). Early adoption is permitted, but not before the original effective date (i.e., interim and annual reporting periods beginning after December 15, 2016). The Company is in the process of evaluating the impact of the ASU's adoption on the Company's consolidated financial statements.

Note 3 Investment Securities

The Company’s investment securities portfolio is comprised of available-for-sale and held-to-maturity investment securities. These investment securities totaled $1.8 billion at June 30, 2015 and were comprised of $1.3 billion of available-for-sale securities and $0.5 billion of held-to-maturity securities. At December 31, 2014, investment securities totaled $2.0 billion and were comprised of $1.5 billion of available-for-sale securities and $0.5 billion of held-to-maturity securities.

Available-for-sale

Available-for-sale investment securities are summarized as follows as of the dates indicated:

	June 30, 2015			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Mortgage-backed securities (“MBS”):				
Residential mortgage pass-through securities issued or guaranteed by U.S. Government agencies or sponsored enterprises	$349,760	$8,279	$(206)	$357,833
Other residential MBS issued or guaranteed by U.S. Government agencies or sponsored enterprises	971,933	6,471	(19,827)	958,577
Other securities	419	—	—	419
Total	$1,322,112	$14,750	$(20,033)	$1,316,829

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NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
June 30, 2015

	December 31, 2014			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Mortgage-backed securities ("MBS"):				
Residential mortgage pass-through securities issued or guaranteed by U.S. Government agencies or sponsored enterprises	$395,244	$9,014	$(43)	$404,215
Other residential MBS issued or guaranteed by U.S. Government agencies or sponsored enterprises	1,088,834	7,464	(21,718)	1,074,580
Other securities	419	—	—	419
Total	$1,484,497	$16,478	$(21,761)	$1,479,214

At June 30, 2015 and December 31, 2014, mortgage-backed securities represented primarily all of the Company's available-for-sale investment portfolio and all mortgage-backed securities were backed by government sponsored enterprises ("GSE") collateral such as Federal Home Loan Mortgage Corporation ("FHLMC") and Federal National Mortgage Association ("FNMA"), and the government sponsored agency Government National Mortgage Association ("GNMA").

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

	June 30, 2015					
	Less than 12 months		12 months or more		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
Mortgage-backed securities ("MBS"):						
Residential mortgage pass-through securities issued or guaranteed by U.S. Government agencies or sponsored enterprises	$90,176	$(206)	$—	$—	$90,176	$(206)
Other residential MBS issued or guaranteed by U.S. Government agencies or sponsored enterprises	86,125	(1,912)	577,337	(17,915)	663,462	(19,827)
Total	$176,301	$(2,118)	$577,337	$(17,915)	$753,638	$(20,033)

	December 31, 2014					
	Less than 12 months		12 months or more		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
Mortgage-backed securities ("MBS"):						
Residential mortgage pass-through securities issued or guaranteed by U.S. Government agencies or sponsored enterprises	$17	$—	$89,749	$(43)	$89,766	$(43)
Other residential MBS issued or guaranteed by U.S. Government agencies or sponsored enterprises	88,854	(2,053)	667,368	(19,665)	756,222	(21,718)

Total	$88,871	$(2,053)	$757,117	$(19,708)	$845,988	$(21,761)

Management evaluated all of the available-for-sale securities in an unrealized loss position and concluded that no other-than-temporary impairment existed at June 30, 2015 or December 31, 2014. The unrealized losses in the Company's investments issued or guaranteed by U.S. government agencies or sponsored enterprises at June 30, 2015 were caused by changes in interest rates. The portfolio included 57 securities, having an aggregate fair value of $0.8 billion, which were in an unrealized loss position at June 30, 2015, compared to 62 securities, with a fair value of $0.8 billion, at December 31, 2014.

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The Company had no intention to sell these securities before recovery of their amortized cost and believes it will not be required to sell the securities before the recovery of their amortized cost.

Certain securities are pledged as collateral for public deposits, securities sold under agreements to repurchase and to secure borrowing capacity at the Federal Reserve Bank, if needed. The fair value of available-for-sale investment securities pledged as collateral totaled $344.8 million at June 30, 2015 and $274.4 million December 31, 2014. The increase in pledged available-for-sale investment securities was primarily attributable to an increase in average deposit account balances and client repurchase account balances during the six months ended June 30, 2015. Certain investment securities may also be pledged as collateral for the line of credit at the Federal Home Loan Bank ("FHLB") of Des Moines; however, no investment securities were pledged for this purpose at June 30, 2015 or December 31, 2014.

Mortgage-backed securities do not have a single maturity date and actual maturities may differ from contractual maturities depending on the repayment characteristics and experience of the underlying financial instruments. The estimated weighted average life of the available-for-sale mortgage-backed securities portfolio was 3.7 years as of June 30, 2015 and 3.5 years as of December 31, 2014. This estimate is based on assumptions and actual results may differ. Other securities of $0.4 million have no stated contractual maturity date as of June 30, 2015.

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Held-to-maturity
At June 30, 2015 and December 31, 2014, the Company held $472.6 million and $530.6 million of held-to-maturity investment securities, respectively. Held-to-maturity investment securities are summarized as follows as of the dates indicated:

	June 30, 2015			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Mortgage-backed securities ("MBS"):				
Residential mortgage pass-through securities issued or guaranteed by U.S. Government agencies or sponsored enterprises	$374,915	$5,287	$(148)	$380,054
Other residential MBS issued or guaranteed by U.S. Government agencies or sponsored enterprises	97,690	346	(1,571)	96,465
Total investment securities held-to-maturity	$472,605	$5,633	$(1,719)	$476,519

	December 31, 2014			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Mortgage-backed securities ("MBS"):				
Residential mortgage pass-through securities issued or guaranteed by U.S. Government agencies or sponsored enterprises	$422,622	$5,773	$(72)	$428,323
Other residential MBS issued or guaranteed by U.S. Government agencies or sponsored enterprises	107,968	217	(1,871)	106,314
Total investment securities held-to-maturity	$530,590	$5,990	$(1,943)	$534,637

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

	June 30, 2015					
	Less than 12 months		12 months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Mortgage-backed securities ("MBS"):						
Residential mortgage pass-through securities issued or guaranteed by U.S. Government agencies or sponsored enterprises	$30,744	$(112)	$1,902	$(36)	$32,646	$(148)
Other residential MBS issued or guaranteed by U.S. Government agencies or sponsored enterprises	18,762	(55)	50,233	(1,516)	68,995	(1,571)
Total	$49,506	$(167)	$52,135	$(1,552)	$101,641	$(1,719)

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	December 31, 2014					
	Less than 12 months		12 months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Mortgage-backed securities (“MBS”):						
Residential mortgage pass-through securities issued or guaranteed by U.S. Government agencies or sponsored enterprises	$—	$—	$35,139	$(72)	$35,139	$(72)
Other residential MBS issued or guaranteed by U.S. Government agencies or sponsored enterprises	—	—	75,139	(1,871)	75,139	(1,871)
Total	$—	$—	$110,278	$(1,943)	$110,278	$(1,943)

The portfolio included 13 securities, having an aggregate fair value of $0.1 billion, which were in an unrealized loss position at June 30, 2015, compared to 12 securities, with a fair value of $0.1 billion, at December 31, 2014. Management evaluated all of the held-to-maturity securities in an unrealized loss position and concluded that no other-than-temporary impairment existed at June 30, 2015 or December 31, 2014. The unrealized losses in the Company's investments issued or guaranteed by U.S. government agencies or sponsored enterprises at June 30, 2015 were caused by changes in interest rates. The Company had no intention to sell these securities before recovery of their amortized cost and believes it will not be required to sell the securities before the recovery of their amortized cost.

The carrying value of held-to-maturity investment securities pledged as collateral totaled $92.2 million and $88.3 million at June 30, 2015 and December 31, 2014, respectively.

Actual maturities of mortgage-backed securities may differ from scheduled maturities depending on the repayment characteristics and experience of the underlying financial instruments. The estimated weighted average expected life of the held-to-maturity mortgage-backed securities portfolio as of June 30, 2015 and December 31, 2014 was 3.7 years and 3.4 years, respectively. This estimate is based on assumptions and actual results may differ.

Note 4 Loans

The loan portfolio is comprised of loans originated by the Company and loans that were acquired in connection with the Company’s acquisitions of Bank of Choice and Community Banks of Colorado in 2011, and Hillcrest Bank and Bank Midwest in 2010. The majority of the loans acquired in the Hillcrest Bank and Community Banks of Colorado transactions are covered by loss sharing agreements with the FDIC, and covered loans are presented separately from non-covered loans due to the FDIC loss sharing agreements associated with these loans. Covered loans comprised 7.2% of the total loan portfolio at June 30, 2015, compared to 9.0% of the total loan portfolio at December 31, 2014.

The table below shows the loan portfolio composition including carrying value by segment of loans accounted for under ASC Topic 310-30 Receivables—Loans and Debt Securities Acquired with Deteriorated Credit Quality and loans not accounted for under this guidance, which includes our originated loans. The table also shows the amounts covered by the FDIC loss sharing agreements as of June 30, 2015 and December 31, 2014. The carrying value of loans are net of discounts, fees and costs on loans excluded from ASC 310-30 of $8.3 million and $10.5 million as of June 30, 2015 and December 31, 2014, respectively:

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	June 30, 2015				
	ASC 310-30 loans	Non 310-30 loans	Total loans	% of total	
Commercial	$21,417	$895,309	$916,726	39.4	%
Agriculture	18,486	122,468	140,954	6.1	%
Commercial real estate	166,481	416,885	583,366	25.0	%
Residential real estate	31,162	623,167	654,329	28.1	%
Consumer	3,749	29,400	33,149	1.4	%
Total	$241,295	$2,087,229	$2,328,524	100.0	%
Covered	$139,250	$27,899	$167,149	7.2	%
Non-covered	102,045	2,059,330	2,161,375	92.8	%
Total	$241,295	$2,087,229	$2,328,524	100.0	%

	December 31, 2014				
	ASC 310-30 loans	Non 310-30 loans	Total loans	% of total	
Commercial	$22,956	$772,440	$795,396	36.8	%
Agriculture	19,063	118,468	137,531	6.4	%
Commercial real estate	192,330	369,264	561,594	26.0	%
Residential real estate	40,761	591,939	632,700	29.2	%
Consumer	4,535	30,653	35,188	1.6	%
Total	$279,645	$1,882,764	$2,162,409	100.0	%
Covered	$160,876	$32,821	$193,697	9.0	%
Non-covered	118,769	1,849,943	1,968,712	91.0	%
Total	$279,645	$1,882,764	$2,162,409	100.0	%

Included in commercial loans are $144.2 million and $161.8 million of energy-related loans at June 30, 2015 and December 31, 2014, respectively. Energy prices declined significantly during 2014 and prolonged or further pricing pressure could increase stress on energy clients and ultimately the credit quality of this portfolio. However, loans have been structured to mitigate credit loss under a variety of circumstances, including the impact on energy loans as a result of depressed oil prices for a sustained period. Also included in the commercial segment are tax exempt loans totaling $256.4 million and $112.6 million at June 30, 2015 and December 31, 2014, respectively.

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. Pooled loans accounted for under ASC 310-30 that are 90 days or more past due and still accreting are generally considered to be performing and are included in loans 90 days or more past due and still accruing. Non-accrual loans include troubled debt restructurings on non-accrual status. Total non-accrual loans excluded from the scope of ASC 310-30 totaled $15.1 million and $10.8 million at June 30, 2015 and December 31, 2014, respectively. Loan delinquency for all loans is shown in the following tables at June 30, 2015 and December 31, 2014, respectively:

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	Total Loans June 30, 2015							
	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	$5,998	$134	$1,089	$7,221	$888,088	$895,309	$22	$10,311
Agriculture	135	—	—	135	122,333	122,468	—	265
Commercial real estate								
Construction	—	—	—	—	10,772	10,772	—	—
Acquisition/development	—	—	—	—	4,001	4,001	—	—
Multifamily	—	—	—	—	17,120	17,120	—	—
Owner-occupied	—	—	113	113	146,396	146,509	—	726
Non owner-occupied	1,383	208	—	1,591	236,892	238,483	—	49
Total commercial real estate	1,383	208	113	1,704	415,181	416,885	—	775
Residential real estate								
Senior lien	653	—	1,250	1,903	568,038	569,941	—	3,313
Junior lien	160	8	—	168	53,058	53,226	—	382
Total residential real estate	813	8	1,250	2,071	621,096	623,167	—	3,695
Consumer	240	4	—	244	29,156	29,400	—	31
Total loans excluded from ASC 310-30	$8,569	$354	$2,452	$11,375	$2,075,854	$2,087,229	$22	$15,077
Covered loans excluded from ASC 310-30	$3	$—	$1,052	$1,055	$26,844	$27,899	$—	$1,140
Non-covered loans excluded from ASC 310-30	8,566	354	1,400	10,320	2,049,010	2,059,330	22	13,937
Total loans excluded from ASC 310-30	$8,569	$354	$2,452	$11,375	$2,075,854	$2,087,229	$22	$15,077
Loans accounted for under ASC 310-30								
Commercial	$418	$70	$742	$1,230	$20,187	$21,417	$742	$—
Agriculture	374	—	65	439	18,047	18,486	65	—
Commercial real estate	884	145	21,736	22,765	143,716	166,481	21,736	—
Residential real estate	147	—	2,290	2,437	28,725	31,162	2,290	—
Consumer	165	—	21	186	3,563	3,749	21	—
Total loans accounted for under ASC 310-30	$1,988	$215	$24,854	$27,057	$214,238	$241,295	$24,854	$—
Covered loans accounted for under ASC 310-30	$1,197	$—	$23,078	$24,275	$114,975	$139,250	$23,080	$—
Non-covered loans accounted for under ASC 310-30	791	215	1,776	2,782	99,263	102,045	1,774	—
Total loans accounted for under ASC 310-30	$1,988	$215	$24,854	$27,057	$214,238	$241,295	$24,854	$—

Total loans	$10,557	$569	$27,306	$38,432	$2,290,092	$2,328,524	$24,876	$15,077
Covered loans	$1,200	$—	$24,130	$25,330	$141,819	$167,149	$23,080	$1,140
Non-covered loans	9,357	569	3,176	13,102	2,148,273	2,161,375	1,796	13,937
Total loans	$10,557	$569	$27,306	$38,432	$2,290,092	$2,328,524	$24,876	$15,077

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	Total Loans December 31, 2014							
	30-59 days past due	60-89 days past due	Greater than 90 days past due	Total past due	Current	Total loans	Loans > 90 days past due and still accruing	Non-accrual
Loans excluded from ASC 310-30								
Commercial	$83	$97	$318	$498	$771,942	$772,440	$215	$4,215
Agriculture	47	—	10	57	118,411	118,468	10	495
Commercial real estate								
Construction	—	—	—	—	11,748	11,748	—	—
Acquisition/development	41	—	—	41	4,532	4,573	—	—
Multifamily	—	—	—	—	10,856	10,856	(1)	—
Owner-occupied	336	78	101	515	119,710	120,225	—	843
Non owner-occupied	158	—	222	380	221,482	221,862	—	222
Total commercial real estate	535	78	323	936	368,328	369,264	(1)	1,065
Residential real estate								
Senior lien	378	1,403	732	2,513	537,022	539,535	—	4,335
Junior lien	133	1	101	235	52,169	52,404	—	476
Total residential real estate	511	1,404	833	2,748	589,191	591,939	—	4,811
Consumer	266	21	39	326	30,327	30,653	39	227
Total loans excluded from ASC 310-30	$1,442	$1,600	$1,523	$4,565	$1,878,199	$1,882,764	$263	$10,813
Covered loans excluded from ASC 310-30	$17	$1,016	$152	$1,185	$31,636	$32,821	$75	$1,317
Non-covered loans excluded from ASC 310-30	1,425	584	1,371	3,380	1,846,563	1,849,943	188	9,496
Total loans excluded from ASC 310-30	$1,442	$1,600	$1,523	$4,565	$1,878,199	$1,882,764	$263	$10,813
Loans accounted for under ASC 310-30								
Commercial	$152	$—	$1,755	$1,907	$21,049	$22,956	$1,754	$—
Agriculture	—	—	367	367	18,696	19,063	367	—
Commercial real estate	564	92	31,013	31,669	160,661	192,330	31,013	—
Residential real estate	2,014	3,826	646	6,486	34,275	40,761	646	—
Consumer	369	—	54	423	4,112	4,535	54	—
Total loans accounted for under ASC 310-30	$3,099	$3,918	$33,835	$40,852	$238,793	$279,645	$33,834	$—
Covered loans accounted for under ASC 310-30	$576	$3,892	$31,239	$35,707	$125,169	$160,876	$31,238	$—
Non-covered loans accounted for under ASC 310-30	2,523	26	2,596	5,145	113,624	118,769	2,596	—
Total loans accounted for under ASC 310-30	$3,099	$3,918	$33,835	$40,852	$238,793	$279,645	$33,834	$—

Total loans	$4,541	$5,518	$35,358	$45,417	$2,116,992	$2,162,409	$34,097	$10,813
Covered loans	$593	$4,908	$31,391	$36,892	$156,805	$193,697	$31,313	$1,317
Non-covered loans	3,948	610	3,967	8,525	1,960,187	1,968,712	2,784	9,496
Total loans	$4,541	$5,518	$35,358	$45,417	$2,116,992	$2,162,409	$34,097	$10,813

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The Company's commercial substandard loans excluded from ASC 310-30 totaled $45.2 million and $19.3 million at June 30, 2015 and December 31, 2014, respectively. The increase was primarily due to four loan relationships totaling $28.0 million at June 30, 2015. Three of these substandard loans were energy related and totaled $21.3 million at June 30, 2015. Credit exposure for all loans as determined by the Company's internal risk rating system was as follows as of June 30, 2015 and December 31, 2014, respectively:

	Total Loans June 30, 2015				
	Pass	Special mention	Substandard	Doubtful	Total
Loans excluded from ASC 310-30					
Commercial	$819,981	$29,415	$45,234	$679	$895,309
Agriculture	109,723	12,130	615	—	122,468
Commercial real estate					
Construction	10,772	—	—	—	10,772
Acquisition/development	4,001	—	—	—	4,001
Multifamily	17,120	—	—	—	17,120
Owner-occupied	142,378	149	3,982	—	146,509
Non owner-occupied	230,394	4,856	3,228	5	238,483
Total commercial real estate	404,665	5,005	7,210	5	416,885
Residential real estate					
Senior lien	564,946	—	4,826	169	569,941
Junior lien	52,061	—	1,165	—	53,226
Total residential real estate	617,007	—	5,991	169	623,167
Consumer	29,369	—	31	—	29,400
Total loans excluded from ASC 310-30	$1,980,745	$46,550	$59,081	$853	$2,087,229
Covered loans excluded from ASC 310-30	$16,594	$163	$10,994	$148	$27,899
Non-covered loans excluded from ASC 310-30	1,964,151	46,387	48,087	705	2,059,330
Total loans excluded from ASC 310-30	$1,980,745	$46,550	$59,081	$853	$2,087,229
Loans accounted for under ASC 310-30					
Commercial	$9,813	$446	$10,854	$304	$21,417
Agriculture	10,616	6,028	1,842	—	18,486
Commercial real estate	74,320	3,319	85,073	3,769	166,481
Residential real estate	23,198	1,211	6,753	—	31,162
Consumer	3,241	100	408	—	3,749
Total loans accounted for under ASC 310-30	$121,188	$11,104	$104,930	$4,073	$241,295
Covered loans accounted for under ASC 310-30	$39,446	$8,901	$86,830	$4,073	$139,250
Non-covered loans accounted for under ASC 310-30	81,742	2,203	18,100	—	102,045
Total loans accounted for under ASC 310-30	$121,188	$11,104	$104,930	$4,073	$241,295
Total loans	$2,101,933	$57,654	$164,011	$4,926	$2,328,524
Total covered	$56,040	$9,064	$97,824	$4,221	$167,149
Total non-covered	2,045,893	48,590	66,187	705	2,161,375
Total loans	$2,101,933	$57,654	$164,011	$4,926	$2,328,524

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	Total Loans December 31, 2014				
	Pass	Special mention	Substandard	Doubtful	Total
Loans excluded from ASC 310-30					
Commercial	$742,944	$10,166	$19,250	$80	$772,440
Agriculture	114,642	85	3,741	—	118,468
Commercial real estate					
Construction	11,748	—	—	—	11,748
Acquisition/development	4,573	—	—	—	4,573
Multifamily	10,856	—	—	—	10,856
Owner-occupied	115,178	158	4,889	—	120,225
Non owner-occupied	199,817	17,607	4,430	8	221,862
Total commercial real estate	342,172	17,765	9,319	8	369,264
Residential real estate					
Senior lien	533,630	23	5,744	138	539,535
Junior lien	51,059	—	1,345	—	52,404
Total residential real estate	584,689	23	7,089	138	591,939
Consumer	30,426	—	227	—	30,653
Total loans excluded from ASC 310-30	$1,814,873	$28,039	$39,626	$226	$1,882,764
Covered loans excluded from ASC 310-30	$21,240	$171	$11,301	$109	$32,821
Non-covered loans excluded from ASC 310-30	1,793,633	27,868	28,325	117	1,849,943
Total loans excluded from ASC 310-30	$1,814,873	$28,039	$39,626	$226	$1,882,764
Loans accounted for under ASC 310-30					
Commercial	$11,038	$282	$11,092	$544	$22,956
Agriculture	16,854	30	2,179	—	19,063
Commercial real estate	82,603	3,770	101,966	3,991	192,330
Residential real estate	29,069	1,403	10,289	—	40,761
Consumer	3,641	105	789	—	4,535
Total loans accounted for under ASC 310-30	$143,205	$5,590	$126,315	$4,535	$279,645
Covered loans accounted for under ASC 310-30	$49,856	$3,036	$103,451	$4,533	$160,876
Non-covered loans accounted for under ASC 310-30	93,349	2,554	22,864	2	118,769
Total loans accounted for under ASC 310-30	$143,205	$5,590	$126,315	$4,535	$279,645
Total loans	$1,958,078	$33,629	$165,941	$4,761	$2,162,409
Total covered	$71,096	$3,207	$114,752	$4,642	$193,697
Total non-covered	1,886,982	30,422	51,189	119	1,968,712
Total loans	$1,958,078	$33,629	$165,941	$4,761	$2,162,409

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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. Impaired loans are comprised of loans excluded from ASC 310-30 on non-accrual status, accruing troubled debt restructurings ("TDRs"), loans in the process of bankruptcy, and restructured loans that are in compliance with their modified terms for one year or longer and are current as to principal and interest payments. If a specific allowance is warranted based on the borrower's overall financial condition, the specific allowance is calculated based on discounted cash flows using the loan's initial contractual effective interest rate or the fair value of the collateral less selling costs for collateral dependent loans. At June 30, 2015, the Company measured $10.7 million of impaired loans using discounted cash flows, the loan's initial contractual effective interest rate and observable market valuations and $22.3 million of impaired loans based on the fair value of the collateral less selling costs. Impaired loans totaling $8.2 million, that individually were less than $250 thousand each, were measured through our general allowance reserves due to their relatively small size.

At June 30, 2015 and December 31, 2014, the Company's recorded investments in impaired loans were $41.2 million and $32.1 million, respectively, of which $10.9 million and $11.1 million, respectively, were covered by loss sharing agreements, for the aforementioned periods. The increase in impaired loans during the six months ended June 30, 2015, was primarily due to two relationships totaling $12.7 million that were deemed impaired during the period. Both of the relationships were in the commercial and industrial segment and were non-covered, one of which totaled $6.8 million and was current as to principal and interest payments as of June 30, 2015, and the other totaled $5.9 million and was on non-accrual status at June 30, 2015. Impaired loans had a collective related allowance for loan losses allocated to them of $0.9 million and $0.3 million at June 30, 2015 and December 31, 2014, respectively. Additional information regarding impaired loans at June 30, 2015 and December 31, 2014 is set forth in the table below:

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	Impaired Loans June 30, 2015			December 31, 2014		
	Unpaid principal balance	Recorded investment	Allowance for loan losses allocated	Unpaid principal balance	Recorded investment	Allowance for loan losses allocated
With no related allowance recorded:						
Commercial	$28,570	$28,283	$—	$16,953	$16,771	$—
Agriculture	—	—	—	3,065	3,061	—
Commercial real estate						
Construction	—	—	—	—	—	—
Acquisition/development	—	—	—	—	—	—
Multifamily	—	—	—	—	—	—
Owner-occupied	2,145	1,876	—	1,164	970	—
Non-owner occupied	—	—	—	—	—	—
Total commercial real estate	2,145	1,876	—	1,164	970	—
Residential real estate						
Senior lien	349	310	—	694	248	—
Junior lien	—	—	—	—	—	—
Total residential real estate	349	310	—	694	248	—
Consumer	—	—	—	—	—	—
Total impaired loans with no related allowance recorded	$31,064	$30,469	$—	$21,876	$21,050	$—
With a related allowance recorded:						
Commercial	$1,678	$1,502	$681	$894	$693	$82
Agriculture	390	362	2	177	145	—
Commercial real estate						
Construction	—	—	—	—	—	—
Acquisition/development	—	—	—	—	—	—
Multifamily	39	38	—	—	—	—
Owner-occupied	1,238	918	2	1,321	1,024	5
Non-owner occupied	922	846	6	1,140	1,060	9
Total commercial real estate	2,199	1,802	8	2,461	2,084	14
Residential real estate						
Senior lien	6,372	5,760	193	7,360	6,359	172
Junior lien	1,560	1,300	9	1,768	1,515	9
Total residential real estate	7,932	7,060	202	9,128	7,874	181
Consumer	48	46	—	277	245	2
Total impaired loans with a related allowance recorded	$12,247	$10,772	$893	$12,937	$11,041	$279
Total impaired loans	$43,311	$41,241	$893	$34,813	$32,091	$279

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The table below shows additional information regarding the average recorded investment and interest income recognized on impaired loans for the periods presented:

	For the six months ended			
	June 30, 2015		June 30, 2014	
	Average recorded investment	Interest income recognized	Average recorded investment	Interest income recognized
With no related allowance recorded:				
Commercial	$28,670	$357	$25,329	$150
Agriculture	—	—	9,028	108
Commercial real estate				
Construction	—	—	—	—
Acquisition/development	—	—	—	—
Multifamily	—	—	—	—
Owner-occupied	1,910	35	1,603	47
Non owner-occupied	—	—	473	15
Total commercial real estate	1,910	35	2,076	62
Residential real estate				
Senior lien	315	9	405	5
Junior lien	—	—	—	—
Total residential real estate	315	9	405	5
Consumer	—	—	—	—
Total impaired loans with no related allowance recorded	$30,895	$401	$36,838	$325
With a related allowance recorded:				
Commercial	$1,549	$1	$1,793	$4
Agriculture	407	2	171	—
Commercial real estate				
Construction	—	—	—	—
Acquisition/development	—	—	—	—
Multifamily	39	—	874	—
Owner-occupied	960	13	811	7
Non owner-occupied	863	26	659	13
Total commercial real estate	1,862	39	2,344	20
Residential real estate				
Senior lien	5,880	59	7,344	52
Junior lien	1,326	26	1,540	30
Total residential real estate	7,206	85	8,884	82
Consumer	49	—	240	—
Total impaired loans with a related allowance recorded	$11,073	$127	$13,432	$106
Total impaired loans	$41,968	$528	$50,270	$431

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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 lending laws, the respective loan agreements, and credit monitoring and remediation procedures that may include restructuring a loan to provide a concession by the Company to the borrower from their original terms due to borrower financial difficulties in order to facilitate repayment. Additionally, if a borrower’s repayment obligation has been discharged by a court, and that debt has not been reaffirmed by the borrower, regardless of past due status, the loan is considered to be a TDR. At June 30, 2015 and December 31, 2014, the Company had $15.2 million and $19.3 million, respectively, of accruing TDRs that had been restructured from the original terms in order to facilitate repayment. Of these, $1.7 million and $9.8 million were covered by FDIC loss sharing agreements as of June 30, 2015 and December 31, 2014, respectively. Approximately $8.8 million of loans reported as TDRs at December 31, 2014 were in compliance with their modified terms at June 30, 2015, and therefore, are no longer reportable as TDRs at June 30, 2015.

Non-accruing TDRs at June 30, 2015 and December 31, 2014 totaled $5.4 million and $7.0 million, respectively. Of these, $1.0 million and $1.2 million were covered by the FDIC loss sharing agreements as of June 30, 2015 and December 31, 2014, respectively.

During the six months ended June 30, 2015, the Company restructured twelve loans with a recorded investment of $8.0 million to facilitate repayment. Substantially all of the loan modifications were a reduction of the principal payment, a reduction in interest rate, or an extension of term. Loan modifications to loans accounted for under ASC 310-30 are not considered TDRs. The table below provides additional information related to accruing TDRs at June 30, 2015 and December 31, 2014:

	Accruing TDRs June 30, 2015			
	Recorded investment	Average year-to-date recorded investment	Unpaid principal balance	Unfunded commitments to fund TDRs
Commercial	$12,635	$12,870	$12,765	$1,887
Agriculture	97	99	101	—
Commercial real estate	394	399	399	—
Residential real estate	2,071	2,105	2,119	2
Consumer	15	16	15	—
Total	$15,212	$15,489	$15,399	$1,889

	Accruing TDRs December 31, 2014			
	Recorded investment	Average year-to-date recorded investment	Unpaid principal balance	Unfunded commitments to fund TDRs
Commercial	$13,249	$12,496	$13,249	$375
Agriculture	2,711	3,110	2,715	—
Commercial real estate	610	627	622	—

Residential real estate	2,687	2,767	2,714	2
Consumer	18	20	18	—
Total	$19,275	$19,020	$19,318	$377

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The following table summarizes the Company’s carrying value of non-accrual TDRs as of June 30, 2015 and December 31, 2014:

	Non - Accruing TDRs			
	June 30, 2015		December 31, 2014	
	Covered	Non-covered	Covered	Non-covered
Commercial	$—	$3,332	$1	$3,993
Agriculture	81	154	201	164
Commercial real estate	75	300	94	364
Residential real estate	875	567	910	1,056
Consumer	—	2	—	190
Total	$1,031	$4,355	$1,206	$5,767

Accrual of interest is resumed on loans that were on non-accrual only after the loan has performed sufficiently. The Company had no TDRs that were modified within the past 12 months and had defaulted on their restructured terms during the six months ended June 30, 2015.

During the six months ended June 30, 2014, the Company had four TDRs that had been modified within the past 12 months that defaulted on their restructured terms. The defaulted TDRs consisted of agriculture, residential real estate, and consumer loans totaling $59 thousand. For purposes of this disclosure, the Company considers “default” to mean 90 days or more past due on principal or interest.

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 loans if circumstances specific to that loan warrant a prepayment assumption. The re-measurement of loans accounted for under ASC 310-30 resulted in the following changes in the carrying amount of accretable yield during the six months ended June 30, 2015 and 2014:

	June 30, 2015	June 30, 2014
Accretable yield beginning balance	$113,463	$130,624
Reclassification from non-accretable difference	15,823	18,658
Reclassification to non-accretable difference	(1,390)	(909)
Accretion	(24,466)	(32,278)
Accretable yield ending balance	$103,430	$116,095

Below is the composition of the net book value for loans accounted for under ASC 310-30 at June 30, 2015 and December 31, 2014:

	June 30, 2015	December 31, 2014
Contractual cash flows	$689,116	$751,932
Non-accretable difference	(344,391)	(358,824)
Accretable yield	(103,430)	(113,463)
Loans accounted for under ASC 310-30	$241,295	$279,645

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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, 2015 and 2014:

	Three months ended June 30, 2015					
	Commercial	Agriculture	Commercial real estate	Residential real estate	Consumer	Total
Beginning balance	$9,920	$1,151	$3,665	$3,787	$350	$18,873
Non 310-30 beginning balance	9,900	551	3,528	3,787	336	18,102
Charge-offs	(1)	—	(220)	(95)	(357)	(673)
Recoveries	26	7	109	—	55	197
Provision	99	135	287	955	374	1,850
Non 310-30 ending balance	10,024	693	3,704	4,647	408	19,476
ASC 310-30 beginning balance	20	600	137	—	14	771
Charge-offs	—	—	—	—	(14)	(14)
Recoveries	—	—	—	—	—	—
Provision (recoupment)	—	12	(11)	2	5	8
ASC 310-30 ending balance	20	612	126	2	5	765
Ending balance	$10,044	$1,305	$3,830	$4,649	$413	$20,241

	Three months ended June 30, 2014					
	Commercial	Agriculture	Commercial real estate	Residential real estate	Consumer	Total
Beginning balance	$5,724	$1,213	$2,213	$4,234	$588	$13,972
Non 310-30 beginning balance	5,581	548	1,977	4,169	473	12,748
Charge-offs	(26)	—	—	(49)	(184)	(259)
Recoveries	59	—	17	85	74	235
Provision	806	62	741	39	102	1,750
Non 310-30 ending balance	6,420	610	2,735	4,244	465	14,474
ASC 310-30 beginning balance	143	665	236	65	115	1,224
Charge-offs	—	—	—	—	(36)	(36)
Recoveries	—	—	—	—	—	—
Provision (recoupment)	(142)	132	(2)	1	(79)	(90)
ASC 310-30 ending balance	1	797	234	66	—	1,098
Ending balance	$6,421	$1,407	$2,969	$4,310	$465	$15,572

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	Six months ended June 30, 2015					
	Commercial	Agriculture	Commercial real estate	Residential real estate	Consumer	Total
Beginning balance	$8,598	$1,009	$3,819	$3,771	$416	$17,613
Non 310-30 beginning balance	8,598	541	3,597	3,743	413	16,892
Charge-offs	(4)	(47)	(222)	(177)	(565)	(1,015)
Recoveries	47	7	124	30	138	346
Provision	1,383	192	205	1,051	422	3,253
Non 310-30 ending balance	10,024	693	3,704	4,647	408	19,476
ASC 310-30 beginning balance	—	468	222	28	3	721
Charge-offs	—	—	—	—	(14)	(14)
Recoveries	—	—	—	—	—	—
Provision (recoupment)	20	144	(96)	(26)	16	58
ASC 310-30 ending balance	20	612	126	2	5	765
Ending balance	$10,044	$1,305	$3,830	$4,649	$413	$20,241
Ending allowance balance attributable to:						
Non 310-30 loans individually evaluated for impairment	$681	$2	$8	$202	$—	$893
Non 310-30 loans collectively evaluated for impairment	9,343	691	3,696	4,445	408	18,583
ASC 310-30 loans	20	612	126	2	5	765
Total ending allowance balance	$10,044	$1,305	$3,830	$4,649	$413	$20,241
Loans:						
Non 310-30 individually evaluated for impairment	$29,785	$362	$3,677	$7,371	$46	$41,241
Non 310-30 collectively evaluated for impairment	865,524	122,106	413,208	615,796	29,354	2,045,988
ASC 310-30 loans	21,417	18,486	166,481	31,162	3,749	241,295
Total loans	$916,726	$140,954	$583,366	$654,329	$33,149	$2,328,524

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	Six months ended June 30, 2014					
	Commercial	Agriculture	Commercial real estate	Residential real estate	Consumer	Total
Beginning balance	$4,258	$1,237	$2,276	$4,259	$491	$12,521
Non 310-30 beginning balance	4,029	572	1,984	4,165	491	11,241
Charge-offs	(412)	—	—	(69)	(355)	(836)
Recoveries	117	—	54	175	150	496
Provision (recoupment)	2,686	38	697	(27)	179	3,573
Non 310-30 ending balance	6,420	610	2,735	4,244	465	14,474
ASC 310-30 beginning balance	229	665	292	94	—	1,280
Charge-offs	(2)	—	—	—	(36)	(38)
Recoveries	—	—	—	—	—	—
Provision (recoupment)	(226)	132	(58)	(28)	36	(144)
ASC 310-30 ending balance	1	797	234	66	—	1,098
Ending balance	$6,421	$1,407	$2,969	$4,310	$465	$15,572
Ending allowance balance attributable to:						
Non 310-30 loans individually evaluated for impairment	$147	$—	$76	$504	$3	$730
Non 310-30 loans collectively evaluated for impairment	6,273	610	2,659	3,740	462	13,744
ASC 310-30 loans	1	797	234	66	—	1,098
Total ending allowance balance	$6,421	$1,407	$2,969	$4,310	$465	$15,572
Loans:						
Non 310-30 individually evaluated for impairment	$26,320	$9,121	$3,548	$9,137	$232	$48,358
Non 310-30 collectively evaluated for impairment	614,814	128,367	348,518	562,428	27,069	1,681,196
ASC 310-30 loans	45,844	22,652	238,771	45,472	5,538	358,277
Total loans	$686,978	$160,140	$590,837	$617,037	$32,839	$2,087,831

In evaluating the loan portfolio for an appropriate ALL level, non-impaired loans that were not accounted for under ASC 310-30 were grouped into segments based on broad characteristics such as primary use and underlying collateral. Within the segments, the portfolio was further disaggregated into classes of loans with similar attributes and risk characteristics for purposes of applying loss ratios and determining applicable subjective adjustments to the ALL. The application of subjective adjustments was based upon qualitative risk factors, including economic trends and conditions, industry conditions, asset quality, loss trends, lending management, portfolio growth and loan review/internal audit results.

The Company had $0.5 million net charge-offs of non 310-30 loans during the three months ended June 30, 2015 and $0.7 million net charge-offs of non 310-30 loans during the six months ended June 30, 2015. Credit quality remained at acceptable levels within the non 310-30 loan portfolio during the three and six months ended June 30, 2015, and management's evaluation resulted in a provision for loan losses on the non 310-30 loans of $1.9 million and $3.3 million during the three and six months ended June 30, 2015, respectively.

During the six months ended June 30, 2015, the Company re-estimated the expected cash flows of the loan pools accounted for under ASC 310-30. The re-measurement resulted in net provision of $8 thousand and $58 thousand, respectively, for the three and six months ended June 30, 2015. The net provision was comprised primarily of provision of $12 thousand and $144 thousand in the agriculture segment during the three and six months ended June 30, 2015, respectively, and recoupments of $11 thousand and $96 thousand in the commercial real estate segment during the three and six months ended June 30, 2015, respectively.

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The Company charged off $24 thousand and $0.3 million, net of recoveries, of non ASC 310-30 loans during the three and six months ended June 30, 2014, respectively. With the exception of a large commercial and industrial loan that was added to non-accrual status during the second quarter of 2014, strong credit quality trends of the non 310-30 loan portfolio continued during the three and six months ended June 30, 2014, and through management's evaluation, resulted in a provision for loan losses on the non 310-30 loans of $1.8 million and $3.6 million during the three and six months ended June 30, 2014, respectively.

During the six months ended June 30, 2014, the Company remeasured the expected cash flows of the loan pools accounted for under ASC 310-30 utilizing the same cash flow methodology used at the time of acquisition. The re-measurement resulted in a net recoupment of previous valuations allowances of $90 thousand and $144 thousand for the three and six months ended June 30, 2014, respectively, which was comprised of reversals of previous valuation allowances of $142 thousand and $226 thousand in the commercial segments, during the three and six months ended June 30, 2014, respectively.

Note 6 FDIC Indemnification Asset

Under the terms of the purchase and assumption agreements 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. Covered assets may be resolved 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 gains or losses realized from the resolution of covered assets reduce or increase, respectively, the amount recoverable from the FDIC. Covered gains or losses that are incurred in excess of the expected reimbursements (which are reflected in the FDIC indemnification asset balance), are recognized in the consolidated statements of operations as FDIC loss sharing income (expense) in the period in which they occur.

Below is a summary of the activity related to the FDIC indemnification asset during the six months ended June 30, 2015 and 2014:

	For the six months ended June 30, 2015	June 30, 2014
Balance at beginning of period	$39,082	$64,447
Amortization	(14,953)	(13,567)
FDIC portion of recoveries exceeding fair value marks	(3,409)	(458)
Changes for FDIC loss share submissions	2,495	987
Balance at end of period	$23,215	$51,409

The $15.0 million of amortization of the FDIC indemnification asset recognized during the six months ended June 30, 2015 resulted from an overall increase in actual and expected cash flows of 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 loan pools as an adjustment to yield. The claims filed with the FDIC 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, 2015, the Company paid a net $2.5 million to the FDIC.

During the six months ended June 30, 2014, the Company recognized $13.6 million of amortization on the FDIC indemnification asset. During the six months ended June 30, 2014, the Company paid $987 thousand to the FDIC.

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Note 7 Other Real Estate Owned

A summary of the activity in the OREO balances during the six months ended June 30, 2015 and 2014 is as follows:

	For the six months ended June 30,	
	2015	2014
Beginning balance	$29,120	$70,125
Transfers from loan portfolio, at fair value	920	1,477
Impairments	(757)	(880)
Sales	(11,019)	(16,307)
Gain on sale of OREO, net	2,103	1,028
Ending balance	$20,367	$55,443

Of the $20.4 million of OREO at June 30, 2015, $13.4 million, or 65.8%, was covered by loss sharing agreements with the FDIC. At December 31, 2014, $18.5 million, or 63.4%, of the $29.1 million of OREO was covered by loss sharing agreements. Any losses on these assets are substantially offset by a corresponding change in the FDIC indemnification asset.

At June 30, 2015 and December 31, 2014, OREO balances excluded $6.5 million and $8.1 million, respectively, 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. The Company maintains a receivable in other assets for these minority interests.

Note 8 Borrowings

As a member of the FHLB of Des Moines, the Bank has access to term financing from the FHLB. These borrowings are secured under an advance, pledge and securities agreement, which includes primarily real estate loans. Total advances at both June 30, 2015 and December 31, 2014 were $40.0 million. All of the outstanding advances have fixed interest rates and interest expense related to FHLB advances totaled $166 thousand and $330 thousand for the three and six months ended June 30, 2015, respectively. More information about FHLB advances at June 30, 2015 is detailed in the table below:

Maturity Year	June 30, 2015	Rate
2016	$15,000	0.84%
2018	$10,000	1.81%
2020	$15,000	2.33%

Note 9 Regulatory Capital

As a bank holding company, the Company is subject to regulatory capital adequacy requirements implemented by the Federal Reserve. In addition, the Office of the Comptroller of the Currency ("OCC") imposes capital adequacy requirements on our subsidiary bank. The federal banking agencies have risk-based capital adequacy regulations intended to provide a measure of capital adequacy that reflects the degree of risk associated with a banking organization's operations. Under these regulations, assets are assigned to one of several risk categories, and nominal dollar amounts of assets and credit equivalent amounts of off-balance-sheet items are multiplied by a risk adjustment percentage for the category.

The law requires federal bank regulatory agencies to take "prompt corrective action" with respect to FDIC-insured depository institutions that do not meet minimum capital requirements. A depository institution's treatment for purposes of the prompt corrective action provisions will depend upon how its capital levels compare to various capital measures and certain other factors, as established by regulation. Under this system, the federal banking regulators have established five capital categories, well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized, in which all institutions are placed. The capital adequacy regulations require banks to maintain a common equity tier 1 capital ratio of 6.5%, a total tier 1 capital ratio of 8.0%, a total capital ratio of 10.0%, and a leverage ratio of 5.0% to be deemed “well capitalized.” Federal banking regulators are required to take various mandatory supervisory actions and are authorized to take other discretionary actions with respect to institutions in the three undercapitalized categories. The severity of the action depends upon the capital category in which the institution is placed. Generally, subject to a narrow exception, the banking

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regulator must appoint a receiver or conservator for an institution that is critically undercapitalized. Our regulatory capital ratios and those of the Bank are in excess of the levels established for "well-capitalized" institutions.

In connection with the approval of the de novo charter for the Bank, the Company agreed to maintain capital levels of at least 10.0% tier 1 leverage ratio, 11.0% tier 1 risk-based capital ratio and 12.0% total risk-based capital ratio at our subsidiary bank. In March 2015, the Bank received approval from the OCC under the OCC Operating Agreement to permanently reduce the Bank's capital by $50.0 million. As a result, the Bank distributed $50.0 million cash to the Company during the first quarter of 2015.
At June 30, 2015 and December 31, 2014, the Bank and the consolidated holding company exceeded all capital ratio requirements under prompt corrective action or other regulatory requirements, as is detailed in the table below:

	June 30, 2015							
	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	13.5	%	$648,508	N/A		N/A	4	%	$192,007
NBH Bank, N.A.	11.3	%	538,878	10	%	$478,176	4	%	191,270
Common equity tier 1 risk-based capital									
Consolidated	24.0	%	$648,508	6.5	%	$312,011	4.5	%	$216,008
NBH Bank, N.A.	20.1	%	538,878	6.5	%	310,815	4.5	%	215,179
Tier 1 risk-based capital ratio (2)									
Consolidated	24.0	%	$648,508	8	%	$215,999	6	%	$161,999
NBH Bank, N.A.	20.1	%	538,878	11	%	295,069	6	%	160,947
Total risk-based capital ratio (2)									
Consolidated	24.8	%	$669,000	10	%	$269,998	8	%	$215,999
NBH Bank, N.A.	20.9	%	559,369	12	%	321,894	8	%	214,596

	December 31, 2014								
	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	15.0	%	$712,222	N/A		N/A	4	%	$190,148
NBH Bank, N.A.	12.1	%	573,934	10	%	$473,478	4	%	189,391
Tier 1 risk-based capital ratio (2)									
Consolidated	28.9	%	$712,222	6	%	$147,796	4	%	$98,530
NBH Bank, N.A.	23.5	%	573,934	11	%	268,855	4	%	97,766
Total risk-based capital ratio (2)									
Consolidated	29.6	%	$730,086	10	%	$246,326	8	%	$197,061
NBH Bank, N.A.	24.2	%	591,799	12	%	293,297	8	%	195,531

(1) These ratio requirements for NBH Bank, N.A. are reflective of the agreements NBH Bank, N.A. made with its regulator in connection with the approval of its de novo charter.

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

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Note 10 FDIC Loss Sharing Income (Expense)

In connection with the loss sharing agreements that the Company has with the FDIC with regard to the Hillcrest Bank and Community Banks of Colorado transactions, the Company recognizes the actual reimbursement of costs of resolution of covered assets from the FDIC through the consolidated statements of operations. The table below provides additional details of the Company's FDIC loss sharing income (expense) during the three and six months ended June 30, 2015 and 2014:

	For the three months ended		For the six months ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Clawback liability amortization	$(380)	$(336)	$(748)	$(664)
Clawback liability remeasurement	(2)	(538)	(1,109)	(1,054)
Reimbursement to FDIC for gain on sale of and income from covered OREO	(315)	(782)	(987)	(1,700)
Reimbursement to FDIC for recoveries	(10)	(33)	(18)	(118)
FDIC reimbursement of covered asset resolution costs	1,845	1,040	3,190	1,930
Total	$1,138	$(649)	$328	$(1,606)

Note 11 Stock-based Compensation and Benefits

The Company provides stock-based compensation in accordance with shareholder-approved plans. During the second quarter of 2014, shareholders approved the 2014 Omnibus Incentive Plan (the "2014 Plan"). The 2014 Plan replaces the NBH Holdings Corp. 2009 Equity Incentive Plan (the "Prior Plan"), pursuant to which the Company granted equity awards prior to the approval of the 2014 Plan. Pursuant to the 2014 Plan, the Compensation Committee of the Board of Directors has the authority to grant, from time to time, awards of options, stock appreciation rights, restricted stock, restricted stock units, performance units, other stock-based awards, or any combination thereof to eligible persons.

As of June 30, 2015, the aggregate number of Class A common stock available for issuance under the 2014 Plan is 5,074,473 shares. Any shares that are subject to stock options or stock appreciation rights under the 2014 Plan will be counted against the amount available for issuance as one share for every one share granted, and any shares that are subject to awards under the 2014 Plan other than stock options or stock appreciation rights will be counted against the amount available for issuance as 3.25 shares for every one share granted. The 2014 Plan provides for recycling of shares from both the Prior Plan and the 2014 Plan, the terms of which are further described in the Company's Proxy Statement for its 2014 Annual Meeting of Shareholders.

To date, the Company has issued stock options and restricted stock under the plans. 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 issued stock options and restricted stock in accordance with the plans during the six months ended June 30, 2015. The following table summarizes stock option activity for the six months ended June 30, 2015:

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term in Years	Aggregate Intrinsic Value
Outstanding at December 31, 2014	3,597,111	$19.90	4.46	$223,211
Granted	136,903	19.09		
Forfeited	(23,493)	18.63		
Surrendered	(130,841)	19.87		

Exercised	(12,359)	19.93		
Expired	(508,500)	20.00		
Outstanding at June 30, 2015	3,058,821	$19.86	5.10	$2,963,912
Options fully vested and exercisable at June 30, 2015	2,715,711	$19.98	4.61	$—
Options expected to vest	330,763	$18.94	8.67	$2,810,087

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Stock option expense is included in salaries and benefits in the consolidated statements of operations and totaled $0.2 million and $0.3 million for the three months ended June 30, 2015 and 2014, respectively, and $0.3 million and $0.6 million for the six months ended June 30, 2015 and 2014, respectively. At June 30, 2015, there was $1.0 million of total unrecognized compensation cost related to non-vested stock options granted under the plans. The cost is expected to be recognized over a weighted average period of 2.3 years.

Expense related to non-vested restricted stock totaled $0.7 million and $0.6 million during the three months ended June 30, 2015 and 2014, respectively, and $1.2 million and $1.0 million during the six months ended June 30, 2015 and 2014, respectively, and is included in salaries and benefits in the consolidated statements of operations. As of June 30, 2015, there was $3.6 million of total unrecognized compensation cost related to non-vested restricted shares granted under the plans, which is expected to be recognized over a weighted average period of 2.4 years. The following table summarizes restricted stock activity for the six months ended June 30, 2015:

	Total Restricted Shares	Weighted Average Grant-Date Fair Value
Unvested at December 31, 2014	955,398	$15.16
Vested	(50,720)	18.80
Granted	165,658	19.13
Forfeited	(8,346)	18.64
Surrendered	(18,762)	18.77
Unvested at June 30, 2015	1,043,228	$15.58

Note 12 Warrants

At June 30, 2015 and December 31, 2014, the Company had 830,750 issued and outstanding warrants to purchase Company stock. The warrants were granted to certain lead shareholders 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 $3.4 million and $3.3 million at June 30, 2015 and December 31, 2014, 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, 2015	December 31, 2014
Risk-free interest rate	1.53%	1.67%
Expected volatility	21.04%	24.18%
Expected term (years)	4-5	5-6
Dividend yield	0.96%	1.03%

The Company’s shares became publicly traded on September 20, 2012, and prior to that had limited private trading. Due to the limited historical volatility of the Company's own stock, expected volatility was calculated using a time-based weighted migration of the Company’s own stock price volatility coupled with the median historical volatility, for a period commensurate with the expected term of the warrants, of those of a peer group. The risk-free rate for the expected term of the warrants was based on the U.S. Treasury yield curve and based on the expected term. The expected term was estimated based on the contractual term of the warrants.

The Company recorded an expense of $0.5 million and $0.1 million for the three and six months ended June 30, 2015, respectively, and a benefit of $0.6 million and $1.5 million for the three and six months ended June 30, 2014, respectively, in the consolidated statements of operations resulting from the change in fair value of the warrant liability.

Note 13 Common Stock

On February 11, 2015, the Board of Directors authorized a new share repurchase program for up to $50.0 million from time to time in either the open market or through privately negotiated transactions. This new program replaced the previous $50.0 million share repurchase program approved during the fourth quarter of 2014. During the three and six months ended June 30, 2015, the Company repurchased 1,807,507 and 3,894,673 shares for $34.7 million and $72.3 million at a weighted average price of $19.16 and $18.55 per share, respectively.

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The Company had 35,053,339 shares of Class A common stock and zero shares of Class B common stock outstanding as of June 30, 2015, and 38,017,179 shares of Class A common stock and 867,774 shares of Class B common stock outstanding as of December 31, 2014. Additionally, as of June 30, 2015 and December 31, 2014, the Company had 1,043,228 and 955,398 shares, respectively, of restricted Class A common stock issued but not yet vested under the 2014 Plan and the Prior Plan that are not included in shares outstanding until such time that they are vested; however, these shares do have voting and certain dividend rights during the vesting period.

Note 14 Income (Loss) Per Share

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

The Company had 35,053,339 and 42,637,687 shares outstanding (inclusive of Class A and B) as of June 30, 2015 and 2014, respectively, exclusive of issued non-vested restricted shares. Certain stock options and non-vested restricted shares are potentially dilutive securities, but are not included in the calculation of diluted earnings per share because to do so would have been anti-dilutive for three and six months ended June 30, 2015.

The following table illustrates the computation of basic and diluted (loss) income per share for the three and six months ended June 30, 2015 and 2014:

	For the three months ended		For the six months ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Net (loss) income	$(1,341)	$2,129	$(95)	$3,560
Less: earnings allocated to participating securities	—	(11)	—	(17)
(Loss) earnings allocated to common shareholders	$(1,341)	$2,118	$(95)	$3,543
Weighted average shares outstanding for basic (loss) earnings per common share	36,164,617	43,868,164	37,091,412	44,341,276
Dilutive effect of equity awards	—	12,099	—	23,363
Weighted average shares outstanding for diluted earnings per common share	36,164,617	43,880,263	37,091,412	44,364,639
Basic (loss) earnings per share	$(0.04)	$0.05	$0.00	$0.08
Diluted (loss) earnings per share	$(0.04)	$0.05	$0.00	$0.08

The Company had 3,058,821 and 3,616,871 outstanding stock options to purchase common stock at weighted average exercise prices of $19.86 and $19.89 per share at June 30, 2015 and 2014, respectively, which have time-vesting criteria, and as such, any dilution is derived only for the time frame in which the vesting criteria had been met and where the inclusion of those stock options is dilutive. Additionally, the Company had 830,750 outstanding warrants to purchase the Company’s common stock as of June 30, 2015 and 2014. The warrants have an exercise price of $20.00, which was out-of-the-money for purposes of dilution calculations during the three and six months ended June 30, 2015. The Company had 1,043,228 and 1,149,014 unvested restricted shares issued as of June 30, 2015 and 2014, respectively, which have performance, market and/or time-vesting criteria, and as such, any dilution is derived only for the time frame in which the vesting criteria had been met and where the inclusion of those restricted shares is dilutive.

In accordance with ASC Topic 260, Earnings Per Share, the dilutive effect of earnings allocated to participating securities, and any potential common shares related to equity awards and warrants are excluded from the calculation of diluted earnings (loss) per share when a loss from continuing operations exists. For the three and six months ended June 30, 2015, the dilutive effect of equity awards totaling 630 shares and 276 shares, respectively, and earnings allocated to participating securities are excluded from diluted loss per share.

Note 15 Derivatives

Risk management objective of using derivatives

The Company is exposed to certain risks arising from both its business operations and economic conditions. The Company has established policies that neither carrying value nor fair value at risk should exceed established guidelines. The Company has designed strategies to confine these risks within the established limits and identify appropriate trade-offs in the financial

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structure of its balance sheet. These strategies include the use of derivative financial instruments to help achieve the desired balance sheet repricing structure while meeting the desired objectives of its clients. Currently the Company employs certain interest rate swaps that are designated as fair value hedges as well as economic hedges. The Company manages a matched book with respect to its derivative instruments in order to minimize its net risk exposure resulting from such transactions.

Fair values of derivative instrument of the balance sheet

The table below presents the fair value of the Company’s derivative financial instruments as well as their classification on the consolidated statements of financial condition as of June 30, 2015 and December 31, 2014.

Information about the valuation methods used to measure fair value is provided in note 17 of the unaudited consolidated financial statements.

		Asset Derivatives			Liability Derivatives	
		Fair Value			Fair Value	
	Balance Sheet Location	June 30, 2015	December 31, 2014	Balance Sheet Location	June 30, 2015	December 31, 2014
Derivatives designated as hedging instruments						
Interest rate products	Other assets	$2,372	$ 10	Other liabilities	$2,464	$ 3,206
Total derivatives designated as hedging instruments		$2,372	$ 10		$2,464	$ 3,206
Derivatives not designated as hedging instruments						
Interest rate products	Other assets	$1,414	$ 1,418	Other liabilities	$1,495	$ 1,522
Total derivatives not designated as hedging instruments		$1,414	$ 1,418		$1,495	$ 1,522

Fair value hedges of interest rate risk

Interest rate swaps designated as fair value hedges involve the receipt of variable-rate amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreements without the exchange of the underlying notional amount. As of June 30, 2015, the Company had 23 interest rate swaps with a notional amount of $199.9 million that were designated as fair value hedges of interest rate risk associated with the Company’s fixed-rate loans. The Company had 11 outstanding interest rate swaps with a notional amount of $68.8 million that were designated as a fair value hedge as of December 31, 2014.

For qualifying derivatives designated as fair value hedges, the gain or loss on the derivative, as well as the offsetting loss or gain on the hedged item attributable to the hedged risk are recognized in earnings. The Company includes the gain or loss on the hedged items in the same line item as the offsetting loss or gain on the related derivatives. During the three and six months ended June 30, 2015, the Company recognized a net gain of $405 thousand and $266 thousand, respectively, in non-interest income related to hedge ineffectiveness. During the three and six months ended June 30, 2014, the Company recognized a net loss of $67 thousand and $140 thousand, respectively, in non-interest income related to hedge ineffectiveness.

Non-designated hedges

Derivatives not designated as hedges are not speculative and consist of interest rate swaps with commercial banking clients that facilitate their respective risk management strategies. Those interest rate swaps are simultaneously hedged by offsetting interest rate swaps that the Company executes with a third party, such that the Company minimizes its net risk exposure resulting from such transactions. As the interest rate swaps associated with this program do not meet the strict hedge accounting requirements, changes in the fair value of both the client swaps and the offsetting swaps are recognized directly in earnings. As of June 30, 2015, the Company had 13 matched interest rate swap transactions with an aggregate notional amount of $51.0 million related to this program. As of December 31, 2014, the Company had 11 matched interest rate swap transactions with an aggregate notional amount of $35.9 million related to this program.

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Effect of Derivative Instruments on the Consolidated Statements of Operations

The tables below present the effect of the Company's derivative financial instruments on the unaudited consolidated statements of operations for the three and six months ended June 30, 2015 and 2014:

Derivatives in fair value hedging relationships	Location of gain (loss) recognized in income on derivatives	Amount of gain or (loss) recognized in income on derivatives			
		Three months ended June 30,		For the six months ended June 30,	
		2015	2014	2015	2014
Interest rate products	Other non-interest income	$5,256	$(721)	$3,104	$(1,335)
Total		$5,256	$(721)	$3,104	$(1,335)

Derivatives in fair value hedging relationships	Location of gain (loss) recognized in income on derivatives	Amount of gain or (loss) recognized in income on hedged items			
		Three months ended June 30,		For the six months ended June 30,	
		2015	2014	2015	2014
Interest rate products	Other non-interest income	$(4,851)	$655	$(2,839)	$1,195
Total		$(4,851)	$655	$(2,839)	$1,195

Derivatives not designated as hedging instruments	Location of gain (loss) recognized in income on derivatives	Amount of gain or (loss) recognized in income on derivatives			
		Three months ended June 30,		For the six months ended June 30,	
		2015	2014	2015	2014
Interest rate products	Other non-interest expense	$65	$(37)	$26	(51)
Total		$65	$(37)	$26	(51)

Credit-risk-related Contingent Features

The Company has agreements with its derivative counterparties that contain a provision where if the Company defaults on any of its indebtedness for reasons other than an error or omission of an administrative or operational nature, including default where repayment of the indebtedness has not been accelerated by the lender, then the Company could also be declared in default on its derivative obligations.

The Company also has agreements with certain of its derivative counterparties that contain a provision where if the Company fails to maintain its status as a well/adequately capitalized institution, then the counterparty has the right to terminate the derivative positions and the Company would be required to settle its obligations under the agreements. As of June 30, 2015 and December 31, 2014, the termination value of derivatives in a net liability position related to these agreements was $2.6 million and $1.9 million, respectively, which includes accrued interest but excludes any adjustment for nonperformance risk. The Company has minimum collateral posting thresholds with certain of its derivative counterparties and as of June 30, 2015 and December 31, 2014, the Company had posted $3.1 million and $5.5 million, respectively, in eligible collateral.

Note 16 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

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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, 2015 and December 31, 2014, the Company had loan commitments totaling $463.2 million and $485.5 million, respectively, and standby letters of credit that totaled $9.4 million and $10.0 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, offset by any additional collateral pledged, represents the Company’s potential credit loss exposure. Amounts funded under non-cancelable commitments in effect at the date of acquisition are covered under the applicable loss sharing agreements if certain conditions are met.

Total unfunded commitments at June 30, 2015 and December 31, 2014 were as follows:

	June 30, 2015			December 31, 2014		
	Covered	Non-covered	Total	Covered	Non-covered	Total
Commitments to fund loans						
Residential	$—	$ 1,748	$1,748	$—	$ 1,683	$1,683
Commercial and commercial real estate	—	184,563	184,563	11	202,593	202,604
Construction and land development	—	42,368	42,368	—	35,814	35,814
Consumer	—	4,310	4,310	—	4,376	4,376
Credit card lines of credit	—	16,712	16,712	—	18,065	18,065
Unfunded commitments under lines of credit	4,248	209,282	213,530	7,645	215,305	222,950
Commercial and standby letters of credit	71	9,330	9,401	234	9,731	9,965
Total	$4,319	$ 468,313	$472,632	$7,890	$ 487,567	$495,457

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 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—In the ordinary course of business, the Company extends revolving credit to its clients. 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 client 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 the Bank 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.

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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.

Changes in the valuation inputs used for measuring the fair value of financial instruments may occur due to changes in current market conditions or other factors. Such changes may necessitate a transfer of the financial instruments to another level in the hierarchy based on the new inputs used. The Company recognizes these transfers at the end of the reporting period that the transfer occurs. During the six months ended June 30, 2015 and 2014, there were no transfers of financial instruments between the hierarchy levels.

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

Fair Value of Financial Instruments Measured on a Recurring Basis

Investment securities available-for-sale—Investment securities available-for-sale are carried at fair value on a recurring basis. To the extent possible, observable quoted prices in an active market are used to determine fair value and, as such, these securities are classified as level 1. At June 30, 2015 and December 31, 2014, the Company did not hold any level 1 securities. When quoted market prices in active markets for identical assets or liabilities are not available, quoted prices of securities with similar characteristics, discounted cash flows or other pricing characteristics are used to estimate fair values and the securities are then classified as level 2. At June 30, 2015 and December 31, 2014, the Company's level 2 securities included mortgage-backed securities comprised of residential mortgage pass-through securities, and other residential mortgage-backed securities. All other investment securities are classified as level 3.

Derivatives—The Company's derivative instruments are limited to interest rate swaps that may be accounted for as fair value hedges or non-designated hedges. The fair values of the swaps incorporate credit valuation adjustments in order to appropriately reflect nonperformance risk in the fair value measurements. The credit valuation adjustment is the dollar amount of the fair value adjustment related to credit risk and utilizes a probability weighted calculation to quantify the potential loss over the life of the trade. The credit valuation adjustments are calculated by determining the total expected exposure of the derivatives (which incorporates both the current and potential future exposure) and then applying the respective counterparties' credit spreads to the exposure offset by marketable collateral posted, if any. Certain derivative transactions are executed with counterparties who are large financial institutions ("dealers"). International Swaps and Derivative Association Master Agreements ("ISDA") and Credit Support Annexes ("CSA") are employed for all contracts with dealers. These contracts contain bilateral collateral arrangements. The fair value inputs of these financial instruments are determined using discounted

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cash flow analysis through the use of third-party models whose significant inputs are readily observable market parameters, primarily yield curves, with appropriate adjustments for liquidity and credit risk, and are classified as level 2.

Warrant liability—The Company measures the fair value of the warrant liability on a recurring basis using a Black-Scholes option pricing model. The Company's shares became publicly traded on September 20, 2012 and prior to that, had limited private trading; therefore, expected volatility was estimated using a time-based weighted migration of the Company's own stock price volatility coupled with the median historical volatility, for a period commensurate with the expected term of the warrants, of those eight comparable companies with publicly traded shares, and is deemed a significant unobservable input to the valuation model, as such these instruments are classified as level 3.

Clawback liability—The Company periodically measures the net present value of expected future cash payments to the FDIC that must be made within 45 days of the conclusion of the loss sharing. The expected cash flows are calculated in accordance with the loss sharing agreements and are based primarily on the expected losses on the covered assets, which involve significant inputs that are not market observable, as such these instruments are classified as level 3.

The tables below present the financial instruments measured at fair value on a recurring basis as of June 30, 2015 and December 31, 2014 on the consolidated statements of financial condition utilizing the hierarchy structure described above:

	June 30, 2015			
	Level 1	Level 2	Level 3	Total
Assets:				
Investment securities available-for-sale:				
Mortgage-backed securities ("MBS"):				
Residential mortgage pass-through securities issued or guaranteed by U.S. Government agencies or sponsored enterprises	$—	$357,833	$—	$357,833
Other residential MBS issued or guaranteed by U.S. Government agencies or sponsored enterprises	—	958,577	—	958,577
Other securities	—	—	419	419
Derivatives	—	3,786	—	3,786
Total assets at fair value	$—	$1,320,196	$419	$1,320,615
Liabilities:				
Warrant liability	$—	$—	$3,446	$3,446
Clawback liability	—	—	38,195	38,195
Derivatives	—	3,959	—	3,959
Total liabilities at fair value	$—	$3,959	$41,641	$45,600

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	December 31, 2014			
	Level 1	Level 2	Level 3	Total
Assets:				
Investment securities available-for-sale:				
Mortgage-backed securities ("MBS"):				
Residential mortgage pass-through securities issued or guaranteed by U.S. Government agencies or sponsored enterprises	$—	$404,215	$—	$404,215
Other residential MBS issued or guaranteed by U.S. Government agencies or sponsored enterprises	—	1,074,580	—	1,074,580
Other securities	—	—	419	419
Derivatives	—	1,428	—	1,428
Total assets at fair value	$—	$1,480,223	$419	$1,480,642
Liabilities:				
Warrant liability	$—	$—	$3,328	$3,328
Clawback liability	—	—	36,338	36,338
Derivatives	—	4,728	—	4,728
Total liabilities at fair value	$—	$4,728	$39,666	$44,394

The table below details the changes in level 3 financial instruments during the six months ended June 30, 2015 and June 30, 2014:

	Warrant liability	Clawback liability
Balance at December 31, 2013	$6,281	$32,465
Change in value	(1,478)	1,054
Amortization	—	664
Net change in level 3	$(1,478)	$1,718
Balance at June 30, 2014	$4,803	$34,183
Balance at December 31, 2014	$3,328	$36,338
Change in value	118	748
Amortization	—	1,109
Net change in level 3	118	1,857
Balance at June 30, 2015	$3,446	$38,195

Fair Value Measured on a Non-recurring Basis

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

The Company records collateral dependent loans that are considered to be impaired at their estimated fair value. A loan is considered impaired when it is probable that the Company will be unable to collect all contractual amounts due in accordance with the terms of the loan agreement. Collateral dependent impaired loans are measured based on the fair value of the collateral. The Company relies on third-party appraisals and internal assessments in determining the estimated fair values of these loans. The inputs used to determine the fair values of loans are considered level 3 inputs in the fair value hierarchy. During the six months ended June 30, 2015, the Company measured six loans not accounted for under ASC 310-30 at fair value on a non-recurring basis. These loans carried specific reserves totaling $0.9 million at June 30, 2015. During the six months ended June 30, 2015, the Company added specific reserves of $0.7 million for three loans with carrying balances of $1.8 million at June 30, 2015. The Company also decreased specific reserves of $0.1 million for three loans during the six months ended June 30, 2015, primarily due to updated appraisals.

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The Company may be required to record fair value adjustments on loans held-for-sale on a non-recurring basis. The non-recurring fair value adjustments could involve lower of cost or fair value accounting and may include write-downs.
OREO is recorded at fair value of the collateral less estimated selling costs. The estimated fair values of OREO are updated periodically and further valuation adjustments may be taken to reflect a new basis. The Company recognized $0.8 million of OREO impairments in its unaudited consolidated statements of operations during the six months ended June 30, 2015, of which $0.5 million, or 65.5%, were on OREO that was covered by loss sharing agreements with the FDIC. During the six months ended June 30, 2014, the Company recognized $0.9 million of OREO impairments in its unaudited consolidated statements of operations, of which $0.6 million, or 65.1%, 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.
Premise and equipment held-for-sale are written down to estimated fair value less costs to sell in the period in which the held-for-sale criteria are met. Fair value is estimated in a process which considers current local commercial real estate market conditions and the judgment of the sales agent and often involves obtaining third party appraisals from certified real estate appraisers. These fair value measurements are classified as Level 3. Unobservable inputs to these measurements, which include estimates and judgments often used in conjunction with appraisals, are not readily quantifiable. The Company recognized $1.1 million of impairments in its unaudited consolidated statements of operations related to banking centers classified as held-for-sale during the six months ended June 30, 2015.
The table below provides information regarding the assets recorded at fair value on a non-recurring basis during the six months ended June 30, 2015 and 2014:

	June 30, 2015	
	Total	Losses from fair value changes
Other real estate owned	$20,367	$757
Impaired loans	41,241	110
Premise and equipment	813	1,089
	June 30, 2014	
	Total	Losses from fair value changes
Other real estate owned	$55,443	$880
Impaired loans	48,352	1,242
Premise and equipment	—	—

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, 2015.
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, 2015. The table below excludes non-recurring fair value measurements of collateral value used for impairment measures for OREO and premise and equipment held-for-sale. These valuations utilize third party appraisal or broker price opinions, and are classified as level 3 due to the significant judgment involved:

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	Fair value at June 30, 2015	Valuation Technique	Unobservable Input	Quantitative Measures
Other securities	$419	Cash investment in private equity fund	Realizable value	
Impaired loans	41,241	Appraised value	Appraised values	
			Discount rate	0-25%
Clawback liability	38,195	Contractually defined discounted cash flows	Intrinsic loss estimates	$323.3 million - $405.0 million
			Expected credit losses	—
			Discount rate	4%
Warrant liability	3,446	Black-Scholes	Volatility	21%-28%

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. 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, 2015 and December 31, 2014, including methods and assumptions utilized for determining fair value of financial instruments, are set forth below:

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		June 30, 2015		December 31, 2014	
	Level in fair value measurement hierarchy	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
ASSETS:					
Cash and cash equivalents	Level 1	$242,441	$242,441	$256,979	$256,979
Securities purchased under agreements to resell	Level 2	50,000	50,011	—	—
Mortgage-backed securities—residential mortgage pass-through securities issued or guaranteed by U.S. Government agencies or sponsored enterprises available-for-sale	Level 2	357,833	357,833	404,215	404,215
Mortgage-backed securities—other residential mortgage-backed securities issued or guaranteed by U.S. Government agencies or sponsored enterprises available-for-sale	Level 2	958,577	958,577	1,074,580	1,074,580
Other securities	Level 3	419	419	419	419
Mortgage-backed securities—residential mortgage pass-through securities issued or guaranteed by U.S. Government agencies or sponsored enterprises held-to-maturity	Level 2	374,915	380,054	422,622	428,323
Mortgage-backed securities—other residential mortgage-backed securities issued or guaranteed by U.S. Government agencies or sponsored enterprises held-to-maturity	Level 2	97,690	96,465	107,968	106,314
Capital stock of FHLB	Level 2	7,361			