

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

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): April 23, 2019

NATIONAL BANK HOLDINGS CORPORATION

(Exact name of registrant as specified in its charter)

| | | |
|---|-----------------------------|--------------------------------------|
| Delaware | 001-35654 | 27-0563799 |
| (State or other jurisdiction of incorporation) | (Commission File Number) | (IRS Employer Identification No.) |

7800 East Orchard, Suite 300, Greenwood Village, Colorado 80111

(Address of principal executive offices) (Zip Code)

720-529-3336

(Registrant's telephone, including area code)

Not Applicable

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written Communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02. Results of Operations and Financial Conditions. *

On April 23, 2019, National Bank Holdings Corporation (“NBHC”) issued a press release announcing its financial results for the quarter ended March 31, 2019, which press release is furnished as Exhibit 99.1 hereto and is incorporated herein by reference.

Item 7.01. Regulation FD Disclosure. *

On April 23, 2019, NBHC issued, distributed, made available to investors, and posted on its website, the press release and accompanying financial tables reflecting its financial results for the quarter ended March 31, 2019, also furnished as Exhibit 99.1 hereto and incorporated herein by reference.

Item 9.01. Financial Statements and Exhibits. *

| <u>Exhibit No.</u> | <u>Description of Exhibit</u> |
|--------------------|------------------------------------|
| 99.1 | Press release dated April 23, 2019 |

*The information contained in Items 2.02, 7.01 and 9.01 of this Current Report on Form 8-K is being “furnished” and shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, nor shall it be deemed incorporated by reference in any registration statement or other filings of the Registrant under the Securities Act of 1933, as amended, except as shall be set forth by specific reference in such filing.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

National Bank Holdings Corporation

By: /s/ Zsolt K. Besskó

Name: Zsolt K. Besskó

Title: Chief Administrative Officer and General Counsel

Date: April 23, 2019



**National Bank Holdings Corporation Announces
Record First Quarter 2019 Financial Results**

Denver, Colorado - (PR Newswire) – National Bank Holdings Corporation (NYSE: NBHC) reported:

| | For the quarter | | | For the quarter - adjusted ⁽¹⁾ | | |
|---|-----------------|-----------|----------|---|-----------|-----------|
| | 1Q19 | 4Q18 | 1Q18 | 1Q19 | 4Q18 | 1Q18 |
| Net income (\$000's) | \$ 18,922 | \$ 17,235 | \$ 8,464 | \$ 18,922 | \$ 17,235 | \$ 14,510 |
| Earnings per share - diluted | \$ 0.60 | \$ 0.55 | \$ 0.27 | \$ 0.60 | \$ 0.55 | \$ 0.47 |
| Return on average tangible assets ⁽²⁾ | 1.39% | 1.26% | 0.66% | 1.39% | 1.26% | 1.11% |
| Return on average tangible common equity ⁽²⁾ | 13.15% | 12.29% | 6.95% | 13.15% | 12.29% | 11.63% |

(1) See non-GAAP reconciliations starting on page 13.

(2) Quarterly ratios are annualized.

In announcing these results, Chief Executive Officer Tim Laney shared, “We are off to a strong start in 2019 with record quarterly earnings of \$0.60 per share. The disciplined execution of our client-centered relationship banking model fueled annualized loan growth of 16.3% and annualized spot transaction deposit growth of 20.9% during the first quarter all while maintaining low annualized net charge-offs of just 0.02%.”

Mr. Laney added, “We are focused on building relationships by creating a win-win scenario for our clients and our company. We believe in providing simple and fair solutions while offering personal service to our clients. Our solid start to the year demonstrates our ability to create attractive returns for our shareholders while supporting the communities we call home.”

First Quarter 2019 Results

(All comparisons refer to the fourth quarter of 2018, except as noted)

Net income totaled a record \$18.9 million during the first quarter 2019, or \$0.60 per diluted share, compared to \$17.2 million during the last quarter, or \$0.55 per diluted share. The return on average tangible assets increased 13 basis points to 1.39% and the return on average tangible common equity increased 86 basis points to 13.15%.

Net Interest Income

Fully taxable equivalent net interest income totaled \$52.4 million and increased \$0.6 million, or 4.4% annualized. Fully taxable equivalent net interest margin widened 6 basis points to 4.05% from the prior quarter, driven by a 15 basis point higher earning asset yield, which was partially offset by a 12 basis point higher cost of funds.

Loans

Originated loans and acquired loans not accounted for under 310-30 (“acquired loans”) ended the quarter at \$4.2 billion, increasing \$162.0 million, or 16.3% annualized, led by originated and acquired commercial loan growth of \$112.8 million, or 17.4% annualized. Total first quarter loan originations were \$311.0 million, led by commercial loan originations of \$201.3 million. The fully taxable

equivalent yield on originated loans outstanding increased 19 basis points during the first quarter 2019 to 4.88% due to higher new loan yields and increases in short-term market rates.

Asset Quality and Provision for Loan Losses

Provision for loan losses of \$1.5 million was recorded during the quarter to support originated loan growth. Annualized net charge-offs on originated and acquired loans totaled 0.02%, compared to 0.06% in the prior quarter. Non-performing originated and acquired loans (comprised of non-accrual loans and non-accrual TDRs) were 0.63% of total originated and acquired loans, compared to 0.61% at December 31, 2018. The originated and acquired allowance for loan losses was 0.88%, consistent with the prior quarter.

Acquired problem loans accounted for under 310-30 totaled \$63.5 million at March 31, 2019 and decreased \$7.4 million from the fourth quarter 2018.

Deposits

Average non-interest bearing demand deposits increased \$3.7 million, or 1.4% annualized. Average transaction deposits (defined as total deposits less time deposits) decreased \$1.9 million, driven by a decrease in interest bearing demand, savings and money market deposits of \$5.6 million. Average total deposits decreased \$22.5 million to \$4.6 billion, or 2.0% annualized, driven by a decrease of \$20.7 million in time deposits. The cost of deposits was 0.58%, an increase of 6 basis points from the prior quarter and just 17 basis points over the first quarter last year.

Spot transaction deposits increased \$178.3 million during the first quarter 2019 to \$3.6 billion at March 31, 2019, improving the mix of transaction deposits to total deposits to 77.1% from 76.2% last quarter. The non-interest bearing demand deposits to total deposits mix improved to 24.9% from 23.6% in the prior quarter and the loan to deposit ratio remained at 90%, consistent with the prior quarter.

Non-Interest Income

Non-interest income totaled \$17.1 million and increased \$1.7 million primarily due to higher mortgage banking income of \$1.5 million, driven by higher levels of 1-4 family mortgage loans sold in the secondary market. Other non-interest income increased \$0.8 million, primarily due to swap fee income during the quarter, and was mostly offset by a combined seasonal decrease of \$0.6 million in service charges and bank card fees.

Non-Interest Expense

Non-interest expense totaled \$44.4 million and increased \$1.5 million from the prior quarter, primarily driven by a \$0.9 million increase in salaries and benefits due to higher commissions and payroll taxes, \$0.5 million higher occupancy and equipment expense and \$0.3 million higher other non-interest expense, partially offset by lower professional fees of \$0.6 million. Gain on sale of OREO and problem asset workout expense totaled a net expense of \$0.8 million, an increase of \$0.5 million from the prior quarter due to the write-down of one OREO property.

Income tax expense totaled \$3.4 million during both the first quarter 2019 and fourth quarter 2018. Included in income tax expense during the first quarter 2019 was \$0.8 million of tax benefit from stock compensation activity. Adjusting for the stock compensation activity, the effective tax rate for the first quarter of 2019 would be 18.5% compared to 16.5% during the fourth quarter 2018. The lower rate compared to the statutory rate reflects the continued success of our tax strategies and tax exempt income.

Capital

Capital ratios continue to be strong and in excess of federal bank regulatory agency “well capitalized” thresholds. The leverage ratio at March 31, 2019 for the consolidated company and NBH Bank was 10.63% and 8.93%, respectively. Shareholders’ equity totaled \$715.0 million at March 31, 2019 and increased \$20.0 million from the prior quarter end. The increase in shareholders’ equity was due to higher retained earnings and lower accumulated other comprehensive loss, driven by the fair market value fluctuations of the available-for-sale investment securities portfolio.

Common book value per share increased \$0.51 to \$23.10 at March 31, 2019. The tangible common book value per share was \$19.31 at March 31, 2019 and increased \$0.54 due to the higher retained earnings and lower accumulated other comprehensive loss. Excluding accumulated other comprehensive loss, the tangible book value increased \$0.38 to \$19.51.

A common convention in the industry is to add the value of the accretable yield to the tangible book value per share. The value of the March 31, 2019 accretable yield balance on the 310-30 loans of \$33.3 million would add \$0.84 after-tax to the tangible book value per share. A more conservative methodology that management uses values the excess yield above 5.0% and then considers the timing of the excess accreted interest income recognition discounted at 5.0%. This would add \$0.58 after-tax to our tangible book value per share as of March 31, 2019, resulting in a tangible common book value per share of \$19.89.

Year-Over-Year Review

(All comparisons refer to the first quarter 2018, except as noted)

Fully taxable equivalent net interest income totaled \$52.4 million and increased \$3.7 million, or 7.6%. Average earning assets increased \$106.7 million, or 2.1%, primarily driven by originated loan growth. The fully taxable equivalent net interest margin widened 21 basis points to 4.05%. The yield on earning assets increased 44 basis points, led by a 56 basis point increase in the originated loan portfolio yields due to higher new loan yields and short-term rate increases, and was partially offset by an increase in the cost of funds of 33 basis points from 0.55% to 0.88%.

Originated and acquired loans outstanding totaled \$4.2 billion and increased \$593.4 million, or 16.5%, driven by an increase in originated loans of \$791.3 million, or 26.6%. New loan originations between the two periods totaled \$1.3 billion, led by commercial loan originations of \$948.2 million. The 310-30 loan portfolio declined \$48.8 million, or 43.4%, to \$63.5 million at March 31, 2019.

Average non-interest bearing demand deposits increased \$50.5 million. Total deposits averaged \$4.6 billion, decreasing \$36.6 million from the first quarter last year, driven by a decrease of \$88.7 million in time deposits. Spot transaction deposits increased \$71.5 million, to \$3.6 billion at March 31, 2019, improving the mix of transaction deposits to total deposits to 77.1% from 75.6% in the first quarter last year. The non-interest bearing demand deposits to total deposits mix improved to 24.9% compared to 23.0% in the first quarter last year.

Provision for loan loss expense was \$1.5 million, compared to \$41 thousand during the first quarter last year. Net charge-offs on originated and acquired loans totaled 0.02%, compared to 0.07% in the first quarter last year. Non-performing originated and acquired loans decreased to 0.63% from 0.66% at March 31, 2018. The originated and acquired allowance for loan losses totaled 0.88% of total originated and acquired loans compared to 0.85% at March 31, 2018.

Non-interest income was \$17.1 million during the first quarter 2019, representing a decrease of \$0.8 million from the first quarter last year, primarily due to \$1.0 million lower mortgage banking income and \$0.3 million lower OREO related income. These decreases were partially offset by \$0.7 million higher other non-interest income due to an increase in swap fee income during the period.

Non-interest expense totaled \$44.4 million during the first quarter 2019, representing a decrease of \$10.9 million, primarily driven by \$7.6 million of acquisition costs during the first quarter of 2018 and efficiencies gained from the integration of the Peoples acquisition.

Income tax expense totaled \$3.4 million during the first quarter 2019 compared to \$1.7 million during the first quarter 2018, an increase of \$1.7 million. Included in income tax expense was \$0.8 million and \$0.4 million of tax benefit from stock compensation activity during the first quarters 2019 and 2018, respectively.

Conference Call

Management will host a conference call to review the results at 11:00 a.m. Eastern Time on Wednesday, April 24, 2019. Interested parties may listen to this call by dialing (877) 272-6762 / (615) 800-6832 (International) using the Conference ID of 8699564 and asking for the NBHC First Quarter Earnings conference call. A telephonic replay of the call will be available beginning approximately four hours after the call's completion through May 8, 2019, by dialing (855) 859-2056 (United States) / (404) 537-3406 (International) using the Conference ID of 8699564. The earnings release and an on-line replay of the call will also be available on the Company's website at www.nationalbankholdings.com by visiting the investor relations area.

About Non-GAAP Financial Measures

Certain of the financial measures and ratios we present, including "tangible assets," "return on average tangible assets," "return on average tangible common equity," "tangible common book value per share," "tangible common book value, excluding accumulated other comprehensive loss, net of tax," "tangible common book value per share, excluding accumulated other comprehensive loss, net of tax," "tangible common equity," "tangible common equity to tangible assets," "adjusted efficiency ratio," "adjusted non-interest expense," "adjusted non-interest expense to average assets," "adjusted net income," "adjusted earnings per share - diluted," "adjusted return on average tangible assets," "adjusted return on average tangible common equity," and "fully taxable equivalent" metrics, are supplemental measures that are not required by, or are not presented in accordance with, U.S. generally accepted accounting principles (GAAP). We refer to these financial measures and ratios as "non-GAAP financial measures." We consider the use of select non-GAAP financial measures and ratios to be useful for financial and operational decision making and useful in evaluating period-to-period comparisons. We believe that these non-GAAP financial measures provide meaningful supplemental information regarding our performance by excluding certain expenditures or assets that we believe are not indicative of our primary business operating results or by presenting certain metrics on a fully taxable equivalent basis. We believe that management and investors benefit from referring to these non-GAAP financial measures in assessing our performance and when planning, forecasting, analyzing and comparing past, present and future periods.

These non-GAAP financial measures should not be considered a substitute for financial information presented in accordance with GAAP and you should not rely on non-GAAP financial measures alone as measures of our performance. The non-GAAP financial measures we present may differ from non-GAAP financial measures used by our peers or other companies. We compensate for these limitations by providing the equivalent GAAP measures whenever we present the non-GAAP financial measures and by including a reconciliation of the impact of the components adjusted for in the non-GAAP financial measure so that both measures and the individual components may be considered when analyzing our performance.

A reconciliation of non-GAAP financial measures to the comparable GAAP financial measures is included at the end of the financial statement tables.

About National Bank Holdings Corporation

National Bank Holdings Corporation is a bank holding company created to build a leading community bank franchise delivering high quality client service and committed to shareholder results. Through its bank subsidiary, NBH Bank, National Bank Holdings Corporation operates a network of 105 banking centers, serving individual consumers, small, medium and large businesses, and government and non-profit entities. The bank's core geographic footprint consists of Colorado, the greater Kansas City region, New Mexico, Texas and Utah. NBH Bank operates under the following brand names: Bank Midwest in Kansas and Missouri, Community Banks of Colorado in Colorado and Hillcrest Bank in New Mexico, Texas and Utah. It also operates as Community Banks Mortgage, a division of NBH Bank, in Arizona and Colorado. Additional information about National Bank Holdings Corporation can be found at www.nationalbankholdings.com.

For more information visit: bankmw.com, cobnks.com, hillcrestbank.com or nbhbank.com. Or, follow us on any of our social media sites:

Bank Midwest: facebook.com/bankmw, twitter.com/bank_mw, instagram.com/bankmw;

Community Banks of Colorado: facebook.com/cobnks, twitter.com/cobnks, instagram.com/cobnks;

Hillcrest Bank: facebook.com/hillcrestbank, twitter.com/hillcrest_bank;

NBH Bank: twitter.com/nbhbank;

or connect with any of our brands on LinkedIn.

Forward-Looking Statements

This press release contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements contain words such as “anticipate,” “believe,” “can,” “would,” “should,” “could,” “may,” “predict,” “seek,” “potential,” “will,” “estimate,” “target,” “plan,” “project,” “continuing,” “ongoing,” “expect,” “intend” or similar expressions that relate to the Company’s strategy, plans or intentions. 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. Such factors include, without limitation, the “Risk Factors” referenced in our most recent Form 10-K filed with the Securities and Exchange Commission (SEC), other risks and uncertainties listed from time to time in our reports and documents filed with the SEC, and the following factors: ability to execute our business strategy; business and economic conditions; effects of a prolonged government shutdown; economic, market, operational, liquidity, credit and interest rate risks associated with the Company’s business; effects of any changes in trade, monetary and fiscal policies and laws; changes imposed by regulatory agencies to increase capital standards; 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; the Company’s ability to identify potential candidates for, consummate, integrate and realize operating efficiencies from, acquisitions, consolidations and other expansion opportunities; the Company’s ability to realize anticipated benefits from enhancements or updates to its core operating systems from time to time without significant change in client service or risk to the Company’s control environment; the Company’s dependence on information technology and telecommunications systems of third party service providers and the risk of systems failures, interruptions or breaches of security; the Company’s ability to achieve organic loan and deposit growth and the composition of such growth; changes in sources and uses of funds; increased competition in the financial services industry; the effect of changes in accounting policies and practices; the share price of the Company’s stock; the Company’s ability to realize deferred tax assets or the need for a valuation allowance; continued consolidation in the financial services industry; 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; technological changes; the timely development and acceptance of new products and services; the Company’s continued ability to attract, hire and maintain qualified personnel; ability to implement and/or improve operational management and other internal risk controls and processes and reporting system and procedures; regulatory limitations on dividends from the Company’s bank subsidiary; changes in estimates of future loan reserve requirements based upon the periodic review thereof under relevant regulatory and accounting requirements; widespread natural and other disasters, dislocations, political instability, acts of war or terrorist activities, cyberattacks or international hostilities; impact of reputational risk; and success at managing the risks involved in the foregoing items. The Company can give no assurance that any goal or plan or expectation set forth in forward-looking statements can be achieved and readers are cautioned not to place undue reliance on such statements. The forward-looking statements are made as of the date of this press release, and the Company does not intend, and assumes 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.

Contact:

Analysts/Institutional Investors: Aldis Birkans, Chief Financial Officer, Treasurer, (720) 529-3314, ir@nationalbankholdings.com

Media: Whitney Bartelli, Chief Marketing Officer, (816) 298-2203, media@nbhbank.com

NATIONAL BANK HOLDINGS CORPORATION
FINANCIAL SUMMARY

Consolidated Statements of Operations (Unaudited)

(Dollars in thousands, except share and per share data)

| | For the three months ended | | |
|--|-----------------------------------|------------------------------|---------------------------|
| | March 31, 2019 | December 31, 2018 | March 31, 2018 |
| Total interest and dividend income | \$ 59,420 | \$ 57,780 | \$ 52,791 |
| Total interest expense | 8,254 | 7,148 | 5,144 |
| Net interest income | 51,166 | 50,632 | 47,647 |
| Taxable equivalent adjustment | 1,227 | 1,195 | 1,063 |
| Net interest income FTE ⁽¹⁾ | 52,393 | 51,827 | 48,710 |
| Provision for loan losses | 1,534 | 2,476 | 41 |
| Net interest income after provision for loan losses FTE ⁽¹⁾ | 50,859 | 49,351 | 48,669 |
| Non-interest income: | | | |
| Service charges | 4,321 | 4,619 | 4,510 |
| Bank card fees | 3,428 | 3,769 | 3,362 |
| Mortgage banking income | 6,937 | 5,406 | 7,971 |
| Other non-interest income | 2,304 | 1,519 | 1,602 |
| OREO related income | 61 | 4 | 390 |
| Total non-interest income | 17,051 | 15,317 | 17,835 |
| Non-interest expense: | | | |
| Salaries and benefits | 27,890 | 27,029 | 30,672 |
| Occupancy and equipment | 6,882 | 6,423 | 7,955 |
| Professional fees | 814 | 1,373 | 2,819 |
| Other non-interest expense | 7,757 | 7,453 | 12,324 |
| Problem asset workout | 1,123 | 328 | 781 |
| (Gain) loss on sale of OREO, net | (368) | (102) | 78 |
| Core deposit intangible asset amortization | 296 | 353 | 653 |
| Total non-interest expense | 44,394 | 42,857 | 55,282 |
| Income before income taxes FTE ⁽¹⁾ | 23,516 | 21,811 | 11,222 |
| Taxable equivalent adjustment | 1,227 | 1,195 | 1,063 |
| Income before income taxes | 22,289 | 20,616 | 10,159 |
| Income tax expense | 3,367 | 3,381 | 1,695 |
| Net income | \$ 18,922 | \$ 17,235 | \$ 8,464 |
| Earnings per share - basic | \$ 0.61 | \$ 0.56 | \$ 0.28 |
| Earnings per share - diluted | \$ 0.60 | \$ 0.55 | \$ 0.27 |

- (1) Net interest income is presented on a GAAP basis and fully taxable equivalent (FTE) basis, as the Company believes this non-GAAP measure is the preferred industry measurement for this item. The FTE adjustment is for the tax benefit on certain tax exempt loans using the federal tax rate of 21% for the three months ended March 31, 2019, December 31, 2018 and March 31, 2018. See non-GAAP reconciliations starting on page 13.

NATIONAL BANK HOLDINGS CORPORATION
Consolidated Statements of Financial Condition (Unaudited)

(Dollars in thousands, except share and per share data)

| | March 31, 2019 | December 31, 2018 | March 31, 2018 |
|---|---------------------|---------------------|---------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 105,258 | \$ 109,556 | \$ 286,870 |
| Investment securities available-for-sale | 749,537 | 791,102 | 917,865 |
| Investment securities held-to-maturity | 221,727 | 235,398 | 283,369 |
| Non-marketable securities | 24,574 | 27,555 | 14,088 |
| Loans | 4,246,941 | 4,092,308 | 3,702,334 |
| Allowance for loan losses | (37,055) | (35,692) | (30,686) |
| Loans, net | 4,209,886 | 4,056,616 | 3,671,648 |
| Loans held for sale | 59,324 | 48,120 | 51,050 |
| Other real estate owned | 9,394 | 10,596 | 11,875 |
| Premises and equipment, net | 109,594 | 109,986 | 112,038 |
| Goodwill | 115,027 | 115,027 | 114,909 |
| Intangible assets, net | 12,981 | 13,470 | 15,561 |
| Other assets | 185,364 | 159,240 | 178,310 |
| Total assets | <u>\$ 5,802,666</u> | <u>\$ 5,676,666</u> | <u>\$ 5,657,583</u> |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| Liabilities: | | | |
| Non-interest bearing demand deposits | \$ 1,172,683 | \$ 1,072,029 | \$ 1,083,245 |
| Interest bearing demand deposits | 696,332 | 688,255 | 698,796 |
| Savings and money market | 1,764,341 | 1,694,808 | 1,779,817 |
| Total transaction deposits | 3,633,356 | 3,455,092 | 3,561,858 |
| Time deposits | 1,081,092 | 1,080,529 | 1,147,452 |
| Total deposits | 4,714,448 | 4,535,621 | 4,709,310 |
| Securities sold under agreements to repurchase | 59,543 | 66,047 | 141,187 |
| Federal Home Loan Bank advances | 228,421 | 301,660 | 77,335 |
| Other liabilities | 85,252 | 78,332 | 83,888 |
| Total liabilities | 5,087,664 | 4,981,660 | 5,011,720 |
| Shareholders' equity: | | | |
| Common stock | 515 | 515 | 515 |
| Additional paid in capital | 1,012,974 | 1,014,399 | 1,012,268 |
| Retained earnings | 120,879 | 106,990 | 68,008 |
| Treasury stock | (413,226) | (415,623) | (420,040) |
| Accumulated other comprehensive loss, net of tax | (6,140) | (11,275) | (14,888) |
| Total shareholders' equity | 715,002 | 695,006 | 645,863 |
| Total liabilities and shareholders' equity | <u>\$ 5,802,666</u> | <u>\$ 5,676,666</u> | <u>\$ 5,657,583</u> |
| SHARE DATA | | | |
| Average basic shares outstanding | 30,961,187 | 30,888,238 | 30,493,689 |
| Average diluted shares outstanding | 31,497,538 | 31,492,342 | 31,143,528 |
| Ending shares outstanding | 30,958,581 | 30,769,063 | 30,479,969 |
| Common book value per share | \$ 23.10 | \$ 22.59 | \$ 21.19 |
| Tangible common book value per share ⁽¹⁾ | \$ 19.31 | \$ 18.77 | \$ 17.27 |
| Tangible common book value per share, excluding accumulated other comprehensive income ⁽¹⁾ | \$ 19.51 | \$ 19.13 | \$ 17.76 |
| CAPITAL RATIOS | | | |
| Average equity to average assets | 12.39% | 12.15% | 11.44% |
| Tangible common equity to tangible assets ⁽¹⁾ | 10.52% | 10.39% | 9.51% |
| Leverage ratio | 10.63% | 10.51% | 9.59% |
| Tier 1 risk-based capital ratio | 12.84% | 12.91% | 12.43% |
| Total risk-based capital ratio | 13.72% | 13.79% | 13.17% |

(1) Represents a non-GAAP financial measure. See non-GAAP reconciliations starting on page 13.

NATIONAL BANK HOLDINGS CORPORATION

Loan Portfolio

(Dollars in thousands)

Period End Loan Balances by Type

| | March 31, 2019 | December 31, 2018 | March 31, 2019 vs. December 31, 2018 % Change | March 31, 2018 | March 31, 2019 vs. March 31, 2018 % Change |
|---|----------------|-------------------|---|----------------|--|
| Originated: | | | | | |
| Commercial: | | | | | |
| Commercial and industrial | \$ 1,971,692 | \$ 1,877,221 | 5.0% | \$ 1,422,517 | 38.6% |
| Owner-occupied commercial real estate | 347,064 | 337,258 | 2.9% | 274,182 | 26.6% |
| Food and agriculture | 228,765 | 217,294 | 5.3% | 154,922 | 47.7% |
| Energy | 55,368 | 49,204 | 12.5% | 40,213 | 37.7% |
| Total commercial | 2,602,889 | 2,480,977 | 4.9% | 1,891,834 | 37.6% |
| Commercial real estate non-owner occupied | 472,073 | 407,431 | 15.9% | 424,125 | 11.3% |
| Residential real estate | 664,852 | 657,633 | 1.1% | 630,576 | 5.4% |
| Consumer | 21,070 | 22,895 | (8.0)% | 23,082 | (8.7)% |
| Total originated | 3,760,884 | 3,568,936 | 5.4% | 2,969,617 | 26.6% |
| Acquired: | | | | | |
| Commercial: | | | | | |
| Commercial and industrial | 48,194 | 53,926 | (10.6)% | 72,571 | (33.6)% |
| Owner-occupied commercial real estate | 81,659 | 84,408 | (3.3)% | 110,065 | (25.8)% |
| Food and agriculture | 4,263 | 4,862 | (12.3)% | 6,727 | (36.6)% |
| Total commercial | 134,116 | 143,196 | (6.3)% | 189,363 | (29.2)% |
| Commercial real estate non-owner occupied | 137,003 | 144,388 | (5.1)% | 211,313 | (35.2)% |
| Residential real estate | 150,292 | 163,187 | (7.9)% | 216,579 | (30.6)% |
| Consumer | 1,119 | 1,722 | (35.0)% | 3,153 | (64.5)% |
| Total acquired | 422,530 | 452,493 | (6.6)% | 620,408 | (31.9)% |
| ASC 310-30 loans | 63,527 | 70,879 | (10.4)% | 112,309 | (43.4)% |
| Total loans | \$ 4,246,941 | \$ 4,092,308 | 3.8% | \$ 3,702,334 | 14.7% |

Originated and Acquired Loan Balances by Loan Segment

| | March 31, 2019 | December 31, 2018 | March 31, 2019 vs. December 31, 2018 % Change | March 31, 2018 | March 31, 2019 vs. March 31, 2018 % Change |
|---|----------------|-------------------|---|----------------|--|
| Commercial | \$ 2,737,005 | \$ 2,624,173 | 4.3% | \$ 2,081,197 | 31.5% |
| Commercial real estate non-owner occupied | 609,076 | 551,819 | 10.4% | 635,438 | (4.1)% |
| Residential real estate | 815,144 | 820,820 | (0.7)% | 847,155 | (3.8)% |
| Consumer | 22,189 | 24,617 | (9.9)% | 26,235 | (15.4)% |
| Total originated and acquired loans | \$ 4,183,414 | \$ 4,021,429 | 4.0% | \$ 3,590,025 | 16.5% |

Originations⁽¹⁾

| | First quarter 2019 | Fourth quarter 2018 | Third quarter 2018 | Second quarter 2018 | First quarter 2018 |
|---|-----------------------|------------------------|-----------------------|------------------------|-----------------------|
| Commercial: | | | | | |
| Commercial and industrial | \$ 153,547 | \$ 213,335 | \$ 123,440 | \$ 232,643 | \$ 123,984 |
| Owner occupied commercial real estate | 26,405 | 34,727 | 35,549 | 19,009 | 23,576 |
| Food and agriculture | 15,213 | 14,046 | 23,833 | 38,220 | 25,873 |
| Energy | 6,138 | 7,640 | 5,412 | (929) | (10,778) |
| Total commercial | 201,303 | 269,748 | 188,234 | 288,943 | 162,655 |
| Commercial real estate non-owner occupied | 69,125 | 41,031 | 42,300 | 28,316 | 20,694 |
| Residential real estate | 38,627 | 51,017 | 40,293 | 30,259 | 21,698 |
| Consumer | 1,958 | 2,592 | 3,797 | 3,588 | 3,238 |
| Total | \$ 311,013 | \$ 364,388 | \$ 274,624 | \$ 351,106 | \$ 208,285 |

(1) Originations are defined as closed end funded loans and net fundings under revolving lines of credit. Net funding under revolving lines of credit were \$105,235, \$6,263, \$34,070, \$151,888 and \$59,236 as of the first quarter 2019, fourth quarter 2018, third quarter 2018, second quarter 2018 and first quarter 2018, respectively.

NATIONAL BANK HOLDINGS CORPORATION

Summary of Net Interest Margin

(Dollars in thousands)

| | For the three months ended March 31, 2019 | | | For the three months ended December 31, 2018 | | | For the three months ended March 31, 2018 | | |
|--|--|------------------|-----------------|---|------------------|-----------------|--|------------------|-----------------|
| | Average balance | Interest | Average rate | Average balance | Interest | Average rate | Average balance | Interest | Average rate |
| Interest earning assets: | | | | | | | | | |
| Originated loans FTE ⁽¹⁾⁽²⁾ | \$ 3,624,793 | \$ 43,573 | 4.88% | \$ 3,409,996 | \$ 40,347 | 4.69% | \$ 2,954,865 | \$ 31,454 | 4.32% |
| Acquired loans | 438,374 | 6,254 | 5.79% | 482,774 | 7,102 | 5.84% | 639,552 | 8,930 | 5.66% |
| ASC 310-30 loans | 64,920 | 3,687 | 22.72% | 72,634 | 4,146 | 22.83% | 115,432 | 5,393 | 18.69% |
| Loans held for sale | 42,868 | 488 | 4.62% | 56,714 | 730 | 5.11% | 54,358 | 566 | 4.22% |
| Investment securities available-for-sale | 787,367 | 4,361 | 2.22% | 826,462 | 4,396 | 2.13% | 935,359 | 4,775 | 2.04% |
| Investment securities held- to-maturity | 229,401 | 1,651 | 2.88% | 243,421 | 1,724 | 2.83% | 256,646 | 1,751 | 2.73% |
| Other securities | 26,885 | 423 | 6.29% | 21,457 | 335 | 6.25% | 16,072 | 244 | 6.07% |
| Interest earning deposits and securities purchased under agreements to resell | 32,657 | 210 | 2.61% | 39,476 | 195 | 1.96% | 168,318 | 741 | 1.79% |
| Total interest earning assets FTE⁽²⁾ | \$ 5,247,265 | \$ 60,647 | 4.69% | \$ 5,152,934 | \$ 58,975 | 4.54% | \$ 5,140,602 | \$ 53,854 | 4.25% |
| Cash and due from banks | \$ 77,954 | | | \$ 79,747 | | | \$ 99,798 | | |
| Other assets | 421,615 | | | 422,136 | | | 406,903 | | |
| Allowance for loan losses | (35,814) | | | (34,366) | | | (31,619) | | |
| Total assets | \$ 5,711,020 | | | \$ 5,620,451 | | | \$ 5,615,684 | | |
| Interest bearing liabilities: | | | | | | | | | |
| Interest bearing demand, savings and money market deposits | | | | | | | | | |
| | \$ 2,410,009 | \$ 3,008 | 0.51% | \$ 2,415,627 | \$ 2,716 | 0.45% | \$ 2,408,387 | \$ 1,844 | 0.31% |
| Time deposits | 1,078,554 | 3,607 | 1.36% | 1,099,205 | 3,375 | 1.22% | 1,167,302 | 2,790 | 0.97% |
| Securities sold under agreements to repurchase | 60,589 | 153 | 1.02% | 63,837 | 158 | 0.98% | 132,339 | 50 | 0.15% |
| Federal Home Loan Bank advances | 248,779 | 1,486 | 2.42% | 160,575 | 899 | 2.22% | 115,683 | 460 | 1.61% |
| Total interest bearing liabilities | \$ 3,797,931 | \$ 8,254 | 0.88% | \$ 3,739,244 | \$ 7,148 | 0.76% | \$ 3,823,711 | \$ 5,144 | 0.55% |
| Demand deposits | \$ 1,108,150 | | | \$ 1,104,411 | | | \$ 1,057,622 | | |
| Other liabilities | 97,107 | | | 94,070 | | | 92,076 | | |
| Total liabilities | 5,003,188 | | | 4,937,725 | | | 4,973,409 | | |
| Shareholders' equity | 707,832 | | | 682,726 | | | 642,275 | | |
| Total liabilities and shareholders' equity | \$ 5,711,020 | | | \$ 5,620,451 | | | \$ 5,615,684 | | |
| Net interest income FTE ⁽²⁾ | | \$ 52,393 | | | \$ 51,827 | | | \$ 48,710 | |
| Interest rate spread FTE ⁽²⁾ | | | 3.81% | | | 3.78% | | | 3.70% |
| Net interest earning assets | \$ 1,449,334 | | | \$ 1,413,690 | | | \$ 1,316,891 | | |
| Net interest margin FTE ⁽²⁾ | | | 4.05% | | | 3.99% | | | 3.84% |
| Average transaction deposits | \$ 3,518,159 | | | \$ 3,520,038 | | | \$ 3,466,009 | | |
| Average total deposits | \$ 4,596,713 | | | \$ 4,619,243 | | | \$ 4,633,311 | | |
| Ratio of average interest earning assets to average interest bearing liabilities | 138.16% | | | 137.81% | | | 134.44% | | |

(1) Originated loans are net of deferred loan fees, less costs, which are included in interest income over the life of the loan.

(2) Presented on a fully taxable equivalent basis using the statutory tax rate of 21% for the three months ended March 31, 2019, December 31, 2018 and March 31, 2018. The tax equivalent adjustments included above are \$1,227, \$1,195 and \$1,063 for the three months ended March 31, 2019, December 31, 2018 and March 31 2018, respectively.

NATIONAL BANK HOLDINGS CORPORATION

Allowance for Loan Losses and Asset Quality

(Dollars in thousands)

Allowance for Loan Losses Analysis

| | As of and for the three months ended | | | | | | | | |
|--|--------------------------------------|------------------|------------------|-------------------------------|------------------|------------------|-------------------------------|------------------|------------------|
| | March 31, 2019 | | | December 31, 2018 | | | March 31, 2018 | | |
| | Originated and acquired loans | ASC 310-30 loans | Total | Originated and acquired loans | ASC 310-30 loans | Total | Originated and acquired loans | ASC 310-30 loans | Total |
| Beginning allowance for loan losses | \$ 35,461 | \$ 231 | \$ 35,692 | \$ 33,606 | \$ 207 | \$ 33,813 | \$ 31,193 | \$ 71 | \$ 31,264 |
| Charge-offs | (268) | — | (268) | (652) | — | (652) | (716) | — | (716) |
| Recoveries | 97 | — | 97 | 55 | — | 55 | 97 | — | 97 |
| Provision (recoupment) | 1,550 | (16) | 1,534 | 2,452 | 24 | 2,476 | — | 41 | 41 |
| Ending ALL | <u>\$ 36,840</u> | <u>\$ 215</u> | <u>\$ 37,055</u> | <u>\$ 35,461</u> | <u>\$ 231</u> | <u>\$ 35,692</u> | <u>\$ 30,574</u> | <u>\$ 112</u> | <u>\$ 30,686</u> |
| Ratio of annualized net charge-offs to average total loans during the period, respectively | 0.02% | 0.00% | 0.02% | 0.06% | 0.00% | 0.06% | 0.07% | 0.00% | 0.07% |
| Ratio of ALL to total loans outstanding at period end, respectively | 0.88% | 0.34% | 0.87% | 0.88% | 0.33% | 0.87% | 0.85% | 0.10% | 0.83% |
| Ratio of ALL to total non-performing loans at period end, respectively ⁽¹⁾ | 140.02% | 0.00% | 140.84% | 145.00% | 0.00% | 145.94% | 129.17% | 0.00% | 129.65% |
| Total loans | \$ 4,183,414 | \$ 63,527 | \$ 4,246,941 | \$ 4,021,429 | \$ 70,879 | \$ 4,092,308 | \$ 3,590,025 | \$ 112,309 | \$ 3,702,334 |
| Average total loans during the period | \$ 4,063,167 | \$ 64,920 | \$ 4,128,087 | \$ 3,892,770 | \$ 72,634 | \$ 3,965,404 | \$ 3,594,417 | \$ 115,432 | \$ 3,709,849 |
| Total non-performing loans ⁽¹⁾ | \$ 26,310 | \$ — | \$ 26,310 | \$ 24,456 | \$ — | \$ 24,456 | \$ 23,669 | \$ — | \$ 23,669 |

(1) Loans accounted for under ASC 310-30 may be considered performing, regardless of past due status, if the timing and expected cash flows on these loans can be reasonably estimated and if collection of the new carrying value is expected.

Originated and Acquired Loans

| | March 31, 2019 | December 31, 2018 | March 31, 2018 |
|---|------------------|-------------------|------------------|
| Loans 30-89 days past due and still accruing interest | \$ 6,245 | \$ 4,610 | \$ 6,029 |
| Loans 90 days past due and still accruing interest | 1,359 | 895 | 1,767 |
| Non-accrual loans | 26,310 | 24,456 | 23,669 |
| Total past due and non-accrual loans | <u>\$ 33,914</u> | <u>\$ 29,961</u> | <u>\$ 31,465</u> |
| Total 90 days past due and still accruing interest and non-accrual loans to total originated and acquired loans | 0.66% | 0.63% | 0.71% |
| Total non-accrual loans to total originated and acquired loans | 0.63% | 0.61% | 0.66% |

NATIONAL BANK HOLDINGS CORPORATION

Asset Quality

(Dollars in thousands)

Asset Quality Data

| | March 31, 2019 | December 31, 2018 | March 31, 2018 |
|---|-----------------------|-------------------|----------------|
| Non-performing loans | \$ 26,310 | \$ 24,456 | \$ 23,669 |
| OREO: | | | |
| Originated and acquired | 4,724 | 4,992 | 6,101 |
| Transferred from 310-30 loans | 4,670 | 5,604 | 5,774 |
| Total OREO | 9,394 | 10,596 | 11,875 |
| Total non-performing assets | \$ 35,704 | \$ 35,052 | \$ 35,544 |
| Accruing restructured loans | \$ 2,206 | \$ 5,944 | \$ 8,678 |
| Total non-performing loans to total loans | 0.62% | 0.60% | 0.64% |
| Total non-performing assets to total loans and OREO | 0.84% | 0.85% | 0.96% |
| Total non-performing assets (excluding OREO transferred from 310-30 loans) to total loans and OREO (excluding OREO transferred from 310-30) | 0.73% | 0.72% | 0.80% |

NATIONAL BANK HOLDINGS CORPORATION

Key Ratios

| | As of and for the three months ended | | |
|---|--------------------------------------|----------------------|-------------------|
| | March 31, 2019 | December 31, 2018 | March 31, 2018 |
| Key Ratios⁽¹⁾ | | | |
| Return on average assets | 1.34% | 1.22% | 0.61% |
| Return on average tangible assets ⁽²⁾ | 1.39% | 1.26% | 0.66% |
| Return on average tangible assets, adjusted ⁽²⁾ | 1.39% | 1.26% | 1.11% |
| Return on average equity | 10.84% | 10.02% | 5.34% |
| Return on average tangible common equity ⁽²⁾ | 13.15% | 12.29% | 6.95% |
| Return on average tangible common equity, adjusted ⁽²⁾ | 13.15% | 12.29% | 11.63% |
| Loan to deposit ratio (end of period) | 90.08% | 90.23% | 79.70% |
| Non-interest bearing deposits to total deposits (end of period) | 24.87% | 23.64% | 23.00% |
| Net interest margin ⁽⁴⁾ | 3.95% | 3.90% | 3.76% |
| Net interest margin FTE ⁽²⁾⁽⁴⁾ | 4.05% | 3.99% | 3.84% |
| Interest rate spread FTE ⁽⁵⁾ | 3.81% | 3.78% | 3.70% |
| Yield on earning assets ⁽³⁾ | 4.59% | 4.45% | 4.16% |
| Yield on earning assets FTE ⁽²⁾⁽³⁾ | 4.69% | 4.54% | 4.25% |
| Cost of interest bearing liabilities ⁽³⁾ | 0.88% | 0.76% | 0.55% |
| Cost of deposits | 0.58% | 0.52% | 0.41% |
| Non-interest income to total revenue FTE | 24.55% | 22.81% | 26.80% |
| Non-interest expense to average assets | 3.15% | 3.03% | 3.99% |
| Non-interest expense to average assets, adjusted ⁽²⁾ | 3.15% | 3.03% | 3.44% |
| Efficiency ratio | 64.64% | 64.45% | 83.43% |
| Efficiency ratio FTE ⁽²⁾ | 63.50% | 63.30% | 82.09% |
| Efficiency ratio FTE, adjusted for acquisition-related costs ⁽²⁾ | 63.50% | 63.30% | 70.68% |
| Originated and Acquired Loans Asset Quality Data⁽⁶⁾⁽⁷⁾⁽⁸⁾ | | | |
| Non-performing loans to total originated and acquired loans | 0.63% | 0.61% | 0.66% |
| Allowance for loan losses to total originated and acquired loans | 0.88% | 0.88% | 0.85% |
| Allowance for loan losses to non-performing loans | 140.02% | 145.00% | 129.17% |
| Net charge-offs to average loans ⁽¹⁾ | 0.02% | 0.06% | 0.07% |
| Total Loans Asset Quality Data⁽⁶⁾⁽⁷⁾⁽⁸⁾ | | | |
| Non-performing loans to total loans | 0.62% | 0.60% | 0.64% |
| Non-performing assets to total loans and OREO | 0.84% | 0.85% | 0.96% |
| Allowance for loan losses to total loans | 0.87% | 0.87% | 0.83% |
| Allowance for loan losses to non-performing loans | 140.84% | 145.94% | 129.65% |
| Net charge-offs to average loans ⁽¹⁾ | 0.02% | 0.06% | 0.07% |

(1) Quarterly ratios are annualized.

(2) Ratio represents non-GAAP financial measure. See non-GAAP reconciliations below.

(3) Interest earning assets include assets that earn interest/accretion or dividends. Any market value adjustments on investment securities are excluded from interest earning assets. Interest bearing liabilities include liabilities that must be paid interest.

(4) Net interest margin represents net interest income, including accretion income on interest earning assets, as a percentage of average interest earning assets.

(5) Interest rate spread represents the difference between the weighted average yield on interest earning assets and the weighted average cost of interest bearing liabilities.

(6) Non-performing loans consist of non-accruing loans and restructured loans on non-accrual, but exclude any loans accounted for under ASC 310-30 in which the pool is still performing. These ratios may, therefore, not be comparable to similar ratios of our peers.

(7) Non-performing assets include non-performing loans, other real estate owned and other repossessed assets.

(8) Total loans are net of unearned discounts and fees.

NATIONAL BANK HOLDINGS CORPORATION
NON-GAAP FINANCIAL MEASURES AND RECONCILIATIONS
(Dollars in thousands, except share and per share data)

Tangible Common Book Value Ratios

| | March 31, 2019 | December 31, 2018 | March 31, 2018 |
|--|-----------------------|---------------------|---------------------|
| Total shareholders' equity | \$ 715,002 | \$ 695,006 | \$ 645,863 |
| Less: goodwill and core deposit intangible assets, net | (124,645) | (124,941) | (126,340) |
| Add: deferred tax liability related to goodwill | 7,555 | 7,327 | 6,878 |
| Tangible common equity (non-GAAP) | \$ 597,912 | \$ 577,392 | \$ 526,401 |
| Total assets | \$ 5,802,666 | \$ 5,676,666 | \$ 5,657,583 |
| Less: goodwill and core deposit intangible assets, net | (124,645) | (124,941) | (126,340) |
| Add: deferred tax liability related to goodwill | 7,555 | 7,327 | 6,878 |
| Tangible assets (non-GAAP) | \$ 5,685,576 | \$ 5,559,052 | \$ 5,538,121 |
| Tangible common equity to tangible assets calculations: | | | |
| Total shareholders' equity to total assets | 12.32% | 12.24% | 11.42% |
| Less: impact of goodwill and core deposit intangible assets, net | (1.80)% | (1.85)% | (1.91)% |
| Tangible common equity to tangible assets (non-GAAP) | 10.52% | 10.39% | 9.51% |
| Tangible common book value per share calculations: | | | |
| Tangible common equity (non-GAAP) | \$ 597,912 | \$ 577,392 | \$ 526,401 |
| Divided by: ending shares outstanding | 30,958,581 | 30,769,063 | 30,479,969 |
| Tangible common book value per share (non-GAAP) | \$ 19.31 | \$ 18.77 | \$ 17.27 |
| Tangible common book value per share, excluding accumulated other comprehensive loss calculations: | | | |
| Tangible common equity (non-GAAP) | \$ 597,912 | \$ 577,392 | \$ 526,401 |
| Accumulated other comprehensive loss, net of tax | 6,140 | 11,275 | 14,888 |
| Tangible common book value, excluding accumulated other comprehensive loss, net of tax (non-GAAP) | 604,052 | 588,667 | 541,289 |
| Divided by: ending shares outstanding | 30,958,581 | 30,769,063 | 30,479,969 |
| Tangible common book value per share, excluding accumulated other comprehensive loss, net of tax (non-GAAP) | \$ 19.51 | \$ 19.13 | \$ 17.76 |

NATIONAL BANK HOLDINGS CORPORATION

(Dollars in thousands, except share and per share data)

Return on Average Tangible Assets and Return on Average Tangible Equity

| | As of and for the three months ended | | |
|--|--------------------------------------|-------------------|----------------|
| | March 31, 2019 | December 31, 2018 | March 31, 2018 |
| Net income | \$ 18,922 | \$ 17,235 | \$ 8,464 |
| Add: impact of core deposit intangible amortization expense, after tax | 225 | 268 | 496 |
| Net income adjusted for impact of core deposit intangible amortization expense, after tax | \$ 19,147 | \$ 17,503 | \$ 8,960 |
| Average assets | \$ 5,711,020 | \$ 5,620,451 | \$ 5,615,684 |
| Less: average goodwill and core deposit intangible asset, net of deferred tax liability related to goodwill | (117,235) | (117,760) | (119,158) |
| Average tangible assets (non-GAAP) | \$ 5,593,785 | \$ 5,502,691 | \$ 5,496,526 |
| Average shareholders' equity | \$ 707,832 | \$ 682,726 | \$ 642,275 |
| Less: average goodwill and core deposit intangible assets, net of deferred tax liability related to goodwill | (117,235) | (117,760) | (119,158) |
| Average tangible common equity (non-GAAP) | \$ 590,597 | \$ 564,966 | \$ 523,117 |
| Return on average assets | 1.34% | 1.22% | 0.61% |
| Return on average tangible assets (non-GAAP) | 1.39% | 1.26% | 0.66% |
| Return on average equity | 10.84% | 10.02% | 5.34% |
| Return on average tangible common equity (non-GAAP) | 13.15% | 12.29% | 6.95% |

Fully Taxable Equivalent Yield on Earning Assets and Net Interest Margin

| | As of and for the three months ended | | |
|--|--------------------------------------|-------------------|----------------|
| | March 31, 2019 | December 31, 2018 | March 31, 2018 |
| Interest income | \$ 59,420 | \$ 57,780 | \$ 52,791 |
| Add: impact of taxable equivalent adjustment | 1,227 | 1,195 | 1,063 |
| Interest income FTE (non-GAAP) | \$ 60,647 | \$ 58,975 | \$ 53,854 |
| Net interest income | \$ 51,166 | \$ 50,632 | \$ 47,647 |
| Add: impact of taxable equivalent adjustment | 1,227 | 1,195 | 1,063 |
| Net interest income FTE (non-GAAP) | \$ 52,393 | \$ 51,827 | \$ 48,710 |
| Average earning assets | \$ 5,247,265 | \$ 5,152,934 | \$ 5,140,602 |
| Yield on earning assets | 4.59% | 4.45% | 4.16% |
| Yield on earning assets FTE (non-GAAP) | 4.69% | 4.54% | 4.25% |
| Net interest margin | 3.95% | 3.90% | 3.76% |
| Net interest margin FTE (non-GAAP) | 4.05% | 3.99% | 3.84% |

Efficiency Ratio

| | As of and for the three months ended | | |
|---|--------------------------------------|-------------------|------------------|
| | March 31, 2019 | December 31, 2018 | March 31, 2018 |
| Net interest income | \$ 51,166 | \$ 50,632 | \$ 47,647 |
| Add: impact of taxable equivalent adjustment | 1,227 | 1,195 | 1,063 |
| Net interest income, FTE (non-GAAP) | <u>\$ 52,393</u> | <u>\$ 51,827</u> | <u>\$ 48,710</u> |
| Non-interest income | \$ 17,051 | \$ 15,317 | \$ 17,835 |
| Non-interest expense | \$ 44,394 | \$ 42,857 | \$ 55,282 |
| Less: core deposit intangible asset amortization | (296) | (353) | (653) |
| Non-interest expense, adjusted for core deposit intangible asset amortization | <u>\$ 44,098</u> | <u>\$ 42,504</u> | <u>\$ 54,629</u> |
| Non-interest expense, adjusted for core deposit intangible asset amortization | \$ 44,098 | \$ 42,504 | \$ 54,629 |
| Non-recurring Peoples acquisition-related expenses | — | — | (7,598) |
| Adjusted non-interest expense (non-GAAP) | <u>\$ 44,098</u> | <u>\$ 42,504</u> | <u>\$ 47,031</u> |
| Efficiency ratio | 64.64% | 64.45% | 83.43% |
| Efficiency ratio FTE (non-GAAP) | 63.50% | 63.30% | 82.09% |
| Adjusted efficiency ratio FTE (non-GAAP) | 63.50% | 63.30% | 70.68% |

Adjusted Financial Results

| | As of and for the three months ended | | |
|---|--------------------------------------|-------------------|------------------|
| | March 31, 2019 | December 31, 2018 | March 31, 2018 |
| Adjustments to net income: | | | |
| Net income | \$ 18,922 | \$ 17,235 | \$ 8,464 |
| Adjustments ⁽¹⁾ | — | — | 6,046 |
| Adjusted net income (non-GAAP) | <u>\$ 18,922</u> | <u>\$ 17,235</u> | <u>\$ 14,510</u> |
| Adjustments to income per share: | | | |
| Earnings per share - diluted | \$ 0.60 | \$ 0.55 | \$ 0.27 |
| Adjustments ⁽¹⁾ | — | — | 0.20 |
| Adjusted earnings per share - diluted (non-GAAP) ⁽¹⁾ | <u>\$ 0.60</u> | <u>\$ 0.55</u> | <u>\$ 0.47</u> |
| Adjustments to return on average tangible assets: | | | |
| Adjusted net income (non-GAAP) | \$ 18,922 | \$ 17,235 | \$ 14,510 |
| Add: impact of core deposit intangible amortization expense, after tax | 225 | 268 | 496 |
| Net income adjusted for impact of core deposit intangible amortization expense, after tax | 19,147 | 17,503 | 15,006 |
| Average tangible assets (non-GAAP) | 5,593,785 | 5,502,691 | 5,496,526 |
| Adjusted return on average tangible assets (non-GAAP) | <u>1.39%</u> | <u>1.26%</u> | <u>1.11%</u> |
| Adjustments to return on average tangible common equity: | | | |
| Net income adjusted for impact of core deposit intangible amortization expense, after tax | \$ 19,147 | \$ 17,503 | \$ 15,006 |
| Average tangible common equity (non-GAAP) | 590,597 | 564,966 | 523,117 |
| Adjusted return on average tangible common equity (non-GAAP) | <u>13.15%</u> | <u>12.29%</u> | <u>11.63%</u> |
| Adjustments to non-interest expense: | | | |
| Non-interest expense | \$ 44,394 | \$ 42,857 | \$ 55,282 |
| Adjustments ⁽¹⁾ | — | — | 7,598 |
| Adjusted non-interest expense (non-GAAP) | <u>44,394</u> | <u>42,857</u> | <u>47,684</u> |
| Non-interest expense to average assets, adjusted (non-GAAP) | <u>3.15%</u> | <u>3.03%</u> | <u>3.44%</u> |
| (1) Adjustments: | | | |
| Non-interest expense adjustments: | | | |
| Non-recurring Peoples acquisition-related expenses | \$ — | \$ — | \$ 7,598 |
| Total pre-tax adjustments (non-GAAP) | — | — | 7,598 |
| Collective tax expense impact | — | — | (1,552) |
| Adjustments (non-GAAP) | <u>\$ —</u> | <u>\$ —</u> | <u>\$ 6,046</u> |