



**National Bank Holdings Corporation Announces  
Record Third Quarter 2020 Financial Results**

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

|   | For the quarter |           |           | For the quarter - adjusted <sup>(1)</sup> |           |           |
|---|-----------------|-----------|-----------|---|-----------|-----------|
|   | 3Q20            | 2Q20      | 3Q19      | 3Q20                                      | 2Q20      | 3Q19      |
| Net income (\$000's)                                    | \$ 27,893       | \$ 17,705 | \$ 21,642 | \$ 28,224                                 | \$ 19,015 | \$ 22,331 |
| Earnings per share - diluted                            | \$ 0.90         | \$ 0.57   | \$ 0.69   | \$ 0.91                                   | \$ 0.62   | \$ 0.71   |
| Return on average tangible assets <sup>(2)</sup>        | 1.76%           | 1.16%     | 1.51%     | 1.78%                                     | 1.25%     | 1.56%     |
| Return on average tangible common equity <sup>(2)</sup> | 16.49%          | 10.98%    | 13.68%    | 16.69%                                    | 11.78%    | 14.11%    |

(1) See non-GAAP reconciliation starting on page 14.

(2) Quarterly ratios are annualized.

In announcing these results, Chief Executive Officer Tim Laney shared, “Despite the challenges presented in 2020, we delivered record quarterly earnings of \$0.90 per diluted share and record-breaking fee income. We are prudently supporting our clients and ensuring the safety and soundness of our bank all while maintaining excellent credit quality with annualized net charge-offs of just four basis points.”

Mr. Laney added, “I am proud of our teammates tireless efforts to support our clients and communities, and we are honored to be recognized as the Small Business Association’s Colorado 2020 Job Creation Lender of the Year. We feel confident that our strong Common Equity Tier 1 ratio of 14.25%, coupled with a diverse and granular credit portfolio and a sizable liquidity position, continues to enable us to navigate this challenging economy from a position of strength.”

**Third Quarter 2020 Results**

*(All comparisons refer to the second quarter of 2020, except as noted)*

Net income totaled \$27.9 million during the third quarter of 2020, or \$0.90 per diluted share, an increase of \$10.2 million, or 57.5%. Adjusting for banking center consolidation-related expenses, net income totaled \$28.2 million, or \$0.91 per diluted share, an increase of \$9.2 million, or 48.4%. The return on average tangible assets was 1.76%, compared to 1.16% in the prior quarter, and the return on average tangible common equity was 16.49%, compared to 10.98%, in the prior quarter. The adjusted return on average tangible assets was 1.78%, compared to 1.25% in the prior quarter, and the adjusted return on average tangible common equity was 16.69%, compared to 11.78% during the second quarter.

**Net Interest Income**

Fully taxable equivalent net interest income totaled \$48.0 million, decreasing \$0.6 million, driven by lower earning asset yields due to changes in the mix of earning assets. The fully taxable equivalent net interest margin narrowed 18 basis points from the prior quarter to 3.21%, 13 basis points of which was driven by elevated cash balances. The yield on earning assets decreased 25 basis points due to the excess cash liquidity and the continued impact of the decline in short-term interest rates. Our cost of funds decreased by 10 basis points to 0.55%.

## **Loans**

Total loans ended the quarter at \$4.6 billion, decreasing \$226.3 million, or 18.8% annualized. During the quarter, we took a very careful approach to extending new credit as well as continuing an intense focus on managing credit risk and yield. This led to third quarter loan originations of \$132.9 million, which were more than offset by higher levels of paydowns and payoffs. We continue to maintain a granular and well diversified loan portfolio with self-imposed concentration limits. In light of the strain placed on industries by the COVID-19 pandemic, we have carefully evaluated and continue to closely monitor our entire loan portfolio. We have highlighted our current highly impacted industries and COVID-19 related loan modifications within the accompanying Supplemental Disclosure.

## **Asset Quality and Provision for Loan Losses**

Provision for loan losses of \$1.2 million was recorded during the quarter under the CECL model and included a \$0.2 million provision for unfunded loan commitment reserves. Annualized net charge-offs improved to 0.04% of total loans, compared to 0.05% in the prior quarter. Non-performing loans (comprised of non-accrual loans and non-accrual TDRs) decreased during the quarter, and the ratio of non-performing loans to total loans improved one basis point to 0.41%. The allowance for credit losses as a percentage of total loans increased eight basis points to 1.34% at September 30, 2020. Excluding PPP loans, non-performing loans remained at 0.45% of total loans, and the allowance for credit losses as a percentage of total loans increased nine basis points to 1.45% at September 30, 2020.

## **Deposits**

Average transaction deposits (defined as total deposits less time deposits) increased \$316.6 million, or 30.3% annualized, and average total deposits increased \$306.8 million, or 23.4% annualized, to \$5.5 billion as of September 30, 2020. Average non-interest bearing demand deposits increased \$78.4 million, and average interest-bearing demand, savings and money market deposits increased \$238.2 million. The mix of transaction deposits to total deposits improved 114 basis points to 81.7% at September 30, 2020. The loan to deposit ratio totaled 81.1% at September 30, 2020, compared to 88.3% at June 30, 2020.

The cost of transaction deposits decreased one basis point from the prior quarter to 0.18%. The cost of total deposits decreased seven basis points from the prior quarter to 0.40%, and the total cost of funds decreased 10 basis points.

## **Non-Interest Income**

Non-interest income totaled \$44.5 million during the third quarter, representing an increase of \$5.7 million, or 14.7%. Mortgage banking income reached a quarterly record of \$34.9 million, an increase of \$4.3 million. Service charges and bank card fees increased a combined \$1.0 million, and other non-interest income increased \$0.3 million.

## **Non-Interest Expense**

Non-interest expense totaled \$55.3 million during the third quarter, representing an increase of \$1.6 million, due to higher mortgage banking performance-related compensation. Banking center consolidation-related expenses of \$0.4 million were recorded during the third quarter as compared to \$1.7 million during the prior quarter. The consolidations of 12 banking centers were announced in the second quarter of 2020 and are expected to be substantially completed by year end. The fully taxable equivalent efficiency ratio improved to 59.5% at September 30, 2020, compared to 61.1% at June 30, 2020. Adjusting for banking center consolidation-related expense, the fully taxable equivalent efficiency ratio improved 16 basis points to 59.0% at September 30, 2020.

Income tax expense totaled \$6.8 million during the third quarter, compared to \$4.4 million during the prior quarter. The effective tax rate was 19.7% and 20.0% for the third and second quarters, respectively.

## **Capital**

Capital ratios continue to be strong and in excess of federal bank regulatory agency “well capitalized” thresholds. The Tier 1 leverage ratio at September 30, 2020 for the consolidated company and NBH Bank was 10.60% and 9.23%, respectively. Shareholders’ equity totaled \$799.4 million at September 30, 2020 and increased \$22.4 million from the prior quarter due to higher retained earnings.

Common book value per share increased \$0.71 to \$26.13 at September 30, 2020. The quarter's earnings, net of dividends paid, increased the tangible common book value per share by \$0.73 to \$22.40 at September 30, 2020. Excluding accumulated other comprehensive income, the tangible book value per share increased \$0.77 to \$22.04 at September 30, 2020.

### **Recent Events**

The COVID-19 pandemic has caused substantial disruption to the communities we serve and has changed the way we live and work. We continue to remain committed to ensuring our associates, clients and communities are receiving the support they need during these challenging times. All of our banking centers remain operational through our drive-thru services and on an appointment-only basis in the lobbies. We have continued to leverage our digital banking platform with our clients. Our teams have been working diligently to support our clients who are experiencing financial hardship due to COVID-19 through participation in the SBA's Paycheck Protection Program, including assistance with PPP loan forgiveness applications, and loan modifications, as needed. The length of the pandemic and the efficacy of the extraordinary government-mandated measures that have been put into place to address it are unknown, but have already had, and are likely to continue to have, a significantly negative impact to the U.S. labor market, consumer spending and business operations.

### **Year-Over-Year Review**

*(All comparisons refer to the first nine months of 2019, except as noted)*

Net income totaled a record \$61.4 million during the first nine months of 2020, or \$1.97 per diluted share, an increase of \$0.6 million. Adjusting for banking center consolidation-related expenses, net income totaled \$63.1 million, or \$2.03 per diluted share, an increase of \$1.5 million. The return on average tangible assets was 1.36%, compared to 1.45% in the prior period, and the return on average tangible common equity was 12.47%, compared to 13.43%, in the prior period. The adjusted return on average tangible assets was 1.39%, compared to 1.46% in the prior period, and the adjusted return on average tangible common equity was 12.80%, compared to 13.58% during the prior period.

Fully taxable equivalent net interest income totaled \$148.2 million, decreasing \$11.0 million, or 6.9%. Average earning assets increased \$346.4 million, or 6.5%, primarily driven by average loan growth of \$339.0 million, including average PPP loan growth of \$210.7 million, partially offset by a decrease in average investment securities of \$147.7 million. The fully taxable equivalent net interest margin narrowed 50 basis points to 3.48% due to lower earning asset yields. The yield on earning assets decreased 71 basis points, led by an 83 basis point decrease in the originated loan portfolio yields that resulted from a decline in short-term interest rates as a result of monetary policy actions by the Federal Reserve. The cost of funds decreased 27 basis points to 0.69%.

Loans outstanding totaled \$4.6 billion and increased \$154.2 million, or 3.5%, led by PPP loans of \$348.3 million that were partially offset by lower commercial and industrial loans of \$151.5 million, or 10.8%. New loan originations over the trailing 12 months totaled \$1.2 billion, led by commercial loan originations of \$812.6 million, which included PPP loan originations of \$358.9 million.

Average non-interest bearing demand deposits increased \$210.8 million, or 18.3%. Average transaction deposits increased \$510.3 million, or 14.3%, and average total deposits increased \$479.8 million, or 10.3%, to \$5.1 billion as of September 30, 2020. Spot transaction deposits increased \$922.8 million to \$4.6 billion at September 30, 2020, improving the mix of transaction deposits to total deposits by 420 basis points to 81.7% at September 30, 2020. The mix of non-interest bearing demand deposits to total deposits improved 117 basis points to 27.3% at September 30, 2020.

A CECL model driven provision for loan losses of \$17.6 million was recorded during the first nine months of 2020, including a \$0.1 million provision for unfunded loan commitment reserves, to provide coverage for the impact of deteriorating economic conditions as a result of COVID-19. Annualized net charge-offs on loans totaled 0.04% of total loans, compared to 0.23% in the prior period. Non-performing loans to total loans decreased 17 basis points to 0.41%, compared to 0.58% at September 30, 2019. The allowance for credit losses totaled 1.34% of total loans, compared to 0.88% at September 30, 2019 and included a CECL adoption day 1 increase of \$5.8

million. Excluding PPP loans, the allowance for credit losses as a percentage of total loans increased 57 basis points to 1.45% at September 30, 2020.

Non-interest income totaled \$106.9 million, representing an increase of \$44.4 million, or 71.1%, driven by an increase in mortgage banking income. Service charges and bank card fees decreased a combined \$2.3 million and other non-interest income decreased \$0.5 million.

Non-interest expense totaled \$157.8 million, representing an increase of \$23.1 million, or 17.2%. Mortgage banking commissions increased by \$12.9 million, and banking center consolidation-related expense totaled \$2.1 million compared to \$0.9 million during the prior period. Other non-interest expense decreased by \$1.3 million largely due to a decrease in FDIC deposit insurance fees and marketing and development expense. Additionally, included in the prior period were net gains on the sale of OREO of \$7.2 million, compared to minimal net gains on the sale of OREO recorded in 2020.

Income tax expense totaled \$14.5 million, compared to \$12.0 million during the first nine months of 2019. Included in income tax expense was \$0.1 million of expense during the first nine months of 2020 and \$2.2 million of benefit during the first nine months of 2019 from stock compensation activity. Adjusting for stock compensation activity, the effective tax rate for the first nine months of 2020 was 18.9%, compared to 19.4% in the prior period. The lower rate compared to the statutory rate reflects the continued success of our tax strategies and tax exempt income.

### **Conference Call**

Management will host a conference call to review the results at 11:00 a.m. Eastern Time on Wednesday, October 21, 2020. Interested parties may listen to this call by dialing (877) 272-6762 / (615) 800-6832 (International) using the Conference ID of 2471788 and asking for the NBHC Third Quarter Earnings conference call. A telephonic replay of the call will be available beginning approximately four hours after the call's completion through November 4, 2020, by dialing (855) 859-2056 (United States) / (404) 537-3406 (International) using the Conference ID of 2471788. The earnings release and an on-line replay of the call will also be available on the Company's website at [www.nationalbankholdings.com](http://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," "tangible common equity," "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 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 97 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, Texas, Utah and New Mexico. NBH Bank operates under the following brand names: Community Banks of Colorado and Community Banks Mortgage, a division of NBH Bank, in Colorado, Bank Midwest and Bank Midwest Mortgage in Kansas and Missouri, and Hillcrest Bank and Hillcrest Bank Mortgage in Texas, Utah and New Mexico. Additional information about National Bank Holdings Corporation can be found at [www.nationalbankholdings.com](http://www.nationalbankholdings.com).

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### **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; with respect to our mortgage business, the inability to negotiate fees with investors for the purchase or our loans or our obligation to indemnify purchasers or repurchase related loans; 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, pandemics, dislocations, political instability, acts of war or terrorist activities, cyberattacks or international hostilities; adverse effects due to the novel Coronavirus Disease 2019 (COVID-19) on the Company and its clients, counterparties, employees, and third-party service providers, and the adverse impacts on our business, financial position, results of operations, and prospects; 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.

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**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 |                  |                       | For the nine months ended |                       |
|--|----------------------------|------------------|-----------------------|---------------------------|-----------------------|
|  | September 30,<br>2020      | June 30,<br>2020 | September 30,<br>2019 | September 30,<br>2020     | September 30,<br>2019 |
| Total interest and dividend income                                     | \$ 52,302                  | \$ 53,744        | \$ 61,372             | \$ 164,714                | \$ 182,985            |
| Total interest expense   | 5,587                      | 6,416            | 9,587                 | 20,324                    | 27,543                |
| Net interest income  | 46,715                     | 47,328           | 51,785                | 144,390                   | 155,442               |
| Taxable equivalent adjustment  | 1,275                      | 1,301            | 1,264                 | 3,843                     | 3,775                 |
| Net interest income FTE <sup>(1)</sup>                                 | 47,990                     | 48,629           | 53,049                | 148,233                   | 159,217               |
| Provision for loan losses  | 1,200                      | 10,271           | 5,690                 | 17,630                    | 10,463                |
| Net interest income after provision for loan losses FTE <sup>(1)</sup> | 46,790                     | 38,358           | 47,359                | 130,603                   | 148,754               |
| Non-interest income:   |                            |                  |                       |                           |                       |
| Service charges  | 3,742                      | 3,094            | 4,617                 | 10,962                    | 13,479                |
| Bank card fees   | 4,039                      | 3,654            | 3,752                 | 11,206                    | 10,946                |
| Mortgage banking income  | 34,943                     | 30,630           | 14,702                | 79,246                    | 32,037                |
| Other non-interest income  | 1,733                      | 1,459            | 1,661                 | 5,384                     | 5,861                 |
| OREO-related income  | 75                         | —                | 27                    | 103                       | 147                   |
| Total non-interest income  | 44,532                     | 38,837           | 24,759                | 106,901                   | 62,470                |
| Non-interest expense:  |                            |                  |                       |                           |                       |
| Salaries and benefits  | 38,614                     | 36,457           | 33,522                | 108,251                   | 92,079                |
| Occupancy and equipment  | 6,878                      | 7,078            | 6,825                 | 20,854                    | 20,428                |
| Professional fees  | 714                        | 759              | 743                   | 2,082                     | 2,598                 |
| Other non-interest expense   | 7,443                      | 6,778            | 7,422                 | 21,222                    | 22,498                |
| Problem asset workout  | 1,064                      | 629              | 602                   | 2,341                     | 2,450                 |
| (Gain) loss on sale of OREO, net                                       | (119)                      | 55               | (6,514)               | (25)                      | (7,200)               |
| Core deposit intangible asset amortization                             | 295                        | 296              | 295                   | 887                       | 887                   |
| Banking center consolidation-related expense                           | 432                        | 1,708            | 898                   | 2,140                     | 898                   |
| Total non-interest expense   | 55,321                     | 53,760           | 43,793                | 157,752                   | 134,638               |
| Income before income taxes FTE <sup>(1)</sup>                          | 36,001                     | 23,435           | 28,325                | 79,752                    | 76,586                |
| Taxable equivalent adjustment  | 1,275                      | 1,301            | 1,264                 | 3,843                     | 3,775                 |
| Income before income taxes   | 34,726                     | 22,134           | 27,061                | 75,909                    | 72,811                |
| Income tax expense   | 6,833                      | 4,429            | 5,419                 | 14,487                    | 11,965                |
| Net income   | \$ 27,893                  | \$ 17,705        | \$ 21,642             | \$ 61,422                 | \$ 60,846             |
| Earnings per share - basic   | \$ 0.91                    | \$ 0.57          | \$ 0.69               | \$ 1.99                   | \$ 1.95               |
| Earnings per share - diluted   | 0.90                       | 0.57             | 0.69                  | 1.97                      | 1.93                  |

- (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 each period presented.

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

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

|  | September 30, 2020  | June 30, 2020       | December 31, 2019   | September 30, 2019  |
|--|---------------------|---------------------|---------------------|---------------------|
| <b>ASSETS</b>  |                     |                     |                     |                     |
| Cash and cash equivalents  | \$ 445,103          | \$ 142,385          | \$ 110,190          | \$ 116,919          |
| Investment securities available-for-sale   | 572,523             | 610,735             | 638,249             | 661,129             |
| Investment securities held-to-maturity   | 320,001             | 215,183             | 182,884             | 189,982             |
| Non-marketable securities  | 29,598              | 30,188              | 29,751              | 27,277              |
| Loans  | 4,556,121           | 4,782,383           | 4,415,406           | 4,401,917           |
| Allowance for credit losses  | (60,979)            | (60,465)            | (39,064)            | (38,710)            |
| Loans, net   | 4,495,142           | 4,721,918           | 4,376,342           | 4,363,207           |
| Loans held for sale  | 273,003             | 204,856             | 117,444             | 204,602             |
| Other real estate owned  | 4,590               | 6,491               | 7,300               | 7,904               |
| Premises and equipment, net  | 108,860             | 110,019             | 112,151             | 110,692             |
| Goodwill   | 115,027             | 115,027             | 115,027             | 115,027             |
| Intangible assets, net   | 15,017              | 12,175              | 11,361              | 11,578              |
| Other assets   | 221,812             | 216,454             | 194,813             | 181,733             |
| Total assets   | <u>\$ 6,600,676</u> | <u>\$ 6,385,431</u> | <u>\$ 5,895,512</u> | <u>\$ 5,990,050</u> |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>  |                     |                     |                     |                     |
| <b>Liabilities:</b>  |                     |                     |                     |                     |
| Non-interest bearing demand deposits   | \$ 1,533,676        | \$ 1,502,948        | \$ 1,184,945        | \$ 1,237,189        |
| Interest bearing demand deposits   | 976,133             | 955,951             | 738,496             | 681,113             |
| Savings and money market   | 2,079,585           | 1,903,427           | 1,755,538           | 1,748,257           |
| Total transaction deposits   | 4,589,394           | 4,362,326           | 3,678,979           | 3,666,559           |
| Time deposits  | 1,027,066           | 1,051,563           | 1,058,153           | 1,067,301           |
| Total deposits   | 5,616,460           | 5,413,889           | 4,737,132           | 4,733,860           |
| Securities sold under agreements to repurchase   | 23,904              | 24,504              | 56,935              | 62,735              |
| Federal Home Loan Bank advances  | —                   | 15,000              | 207,675             | 303,897             |
| Other liabilities  | 160,955             | 155,071             | 126,850             | 136,232             |
| Total liabilities  | 5,801,319           | 5,608,464           | 5,128,592           | 5,236,724           |
| <b>Shareholders' equity:</b>   |                     |                     |                     |                     |
| Common stock   | 515                 | 515                 | 515                 | 515                 |
| Additional paid in capital   | 1,010,145           | 1,008,773           | 1,009,223           | 1,007,628           |
| Retained earnings  | 202,238             | 180,537             | 164,082             | 150,866             |
| Treasury stock   | (424,621)           | (425,053)           | (408,962)           | (408,770)           |
| Accumulated other comprehensive income, net of tax   | 11,080              | 12,195              | 2,062               | 3,087               |
| Total shareholders' equity   | 799,357             | 776,967             | 766,920             | 753,326             |
| Total liabilities and shareholders' equity   | <u>\$ 6,600,676</u> | <u>\$ 6,385,431</u> | <u>\$ 5,895,512</u> | <u>\$ 5,990,050</u> |
| <b>SHARE DATA</b>  |                     |                     |                     |                     |
| Average basic shares outstanding   | 30,756,116          | 30,731,758          | 31,299,989          | 31,281,970          |
| Average diluted shares outstanding   | 30,924,223          | 30,857,606          | 31,525,911          | 31,508,999          |
| Ending shares outstanding  | 30,594,412          | 30,569,011          | 31,176,627          | 31,169,086          |
| Common book value per share  | \$ 26.13            | \$ 25.42            | \$ 24.60            | \$ 24.17            |
| Tangible common book value per share <sup>(1)</sup> (non-GAAP)   | 22.40               | 21.67               | 20.89               | 20.45               |
| Tangible common book value per share, excluding accumulated other comprehensive income <sup>(1)</sup> (non-GAAP) | 22.04               | 21.27               | 20.83               | 20.35               |
| <b>CAPITAL RATIOS</b>  |                     |                     |                     |                     |
| Average equity to average assets   | 12.22%              | 12.21%              | 12.91%              | 12.79%              |
| Tangible common equity to tangible assets <sup>(1)</sup>   | 10.57%              | 10.56%              | 11.27%              | 10.85%              |
| Tier 1 leverage ratio  | 10.60%              | 10.53%              | 11.04%              | 10.89%              |
| Common equity tier 1 risk-based capital ratio  | 14.25%              | 13.21%              | 13.21%              | 12.93%              |
| Total risk-based capital ratio   | 15.40%              | 14.26%              | 14.08%              | 13.79%              |

(1) Represents a non-GAAP financial measure. See non-GAAP reconciliations starting on page 14.

# NATIONAL BANK HOLDINGS CORPORATION

## Loan Portfolio

(Dollars in thousands)

### Period End Loan Balances by Type

|   | September 30, 2020 | June 30, 2020 | September 30, 2020<br>vs. June 30, 2020<br>% Change | September 30, 2019 | September 30, 2020<br>vs. September 30, 2019<br>% Change |
|---|--------------------|---------------|---|--------------------|--|
| <b>Originated:</b>                        |                    |               |   |                    |  |
| <b>Commercial:</b>                        |                    |               |   |                    |  |
| Commercial and industrial                 | \$ 1,228,550       | \$ 1,360,679  | (9.7)%  | \$ 1,369,615       | (10.3)%  |
| Municipal and non-profit                  | 883,065            | 912,287       | (3.2)%  | 843,763            | 4.7%   |
| Owner-occupied commercial real estate     | 460,487            | 455,846       | 1.0%  | 378,956            | 21.5%  |
| Food and agribusiness                     | 210,818            | 213,789       | (1.4)%  | 230,869            | (8.7)%   |
| PPP loans <sup>(1)</sup>                  | 348,257            | 348,689       | (0.1)%  | —                  | 100.0%   |
| Total commercial                          | 3,131,177          | 3,291,290     | (4.9)%  | 2,823,203          | 10.9%  |
| Commercial real estate non-owner occupied | 515,415            | 540,412       | (4.6)%  | 501,771            | 2.7%   |
| Residential real estate                   | 614,449            | 631,032       | (2.6)%  | 659,246            | (6.8)%   |
| Consumer                                  | 20,196             | 20,370        | (0.9)%  | 21,378             | (5.5)%   |
| Total originated                          | 4,281,237          | 4,483,104     | (4.5)%  | 4,005,598          | 6.9%   |
| <b>Acquired:</b>                          |                    |               |   |                    |  |
| <b>Commercial:</b>                        |                    |               |   |                    |  |
| Commercial and industrial                 | 23,984             | 27,461        | (12.7)%   | 34,409             | (30.3)%  |
| Municipal and non-profit                  | 576                | 593           | (2.9)%  | 3,939              | (85.4)%  |
| Owner-occupied commercial real estate     | 55,929             | 65,052        | (14.0)%   | 78,297             | (28.6)%  |
| Food and agribusiness                     | 5,740              | 6,237         | (8.0)%  | 8,618              | (33.4)%  |
| Total commercial                          | 86,229             | 99,343        | (13.2)%   | 125,263            | (31.2)%  |
| Commercial real estate non-owner occupied | 101,672            | 101,412       | 0.3%  | 139,410            | (27.1)%  |
| Residential real estate                   | 86,478             | 97,982        | (11.7)%   | 130,831            | (33.9)%  |
| Consumer                                  | 505                | 542           | (6.8)%  | 815                | (38.0)%  |
| Total acquired                            | 274,884            | 299,279       | (8.2)%  | 396,319            | (30.6)%  |
| Total loans                               | \$ 4,556,121       | \$ 4,782,383  | (4.7)%  | \$ 4,401,917       | 3.5%   |

(1) PPP loan balances are net of fees and costs and include principal totaling \$356,913.

### Originations<sup>(1)</sup>

|   | Third quarter<br>2020 | Second quarter<br>2020 | First quarter<br>2020 | Fourth quarter<br>2019 | Third quarter<br>2019 |
|---|-----------------------|------------------------|-----------------------|------------------------|-----------------------|
| <b>Commercial:</b>                        |                       |                        |                       |                        |                       |
| Commercial and industrial                 | \$ 11,354             | \$ (8,726)             | \$ 118,999            | \$ 69,048              | \$ 144,554            |
| Municipal and non-profit                  | 6,083                 | 49,679                 | 13,968                | 46,114                 | 31,482                |
| Owner occupied commercial real estate     | 23,758                | 22,078                 | 37,372                | 46,965                 | 16,149                |
| Food and agribusiness                     | 13,876                | (10,480)               | (6,787)               | 20,348                 | (4,894)               |
| PPP loans                                 | 122                   | 358,798                | —                     | —                      | —                     |
| Total commercial                          | 55,193                | 411,349                | 163,552               | 182,475                | 187,291               |
| Commercial real estate non-owner occupied | 24,937                | 18,992                 | 80,792                | 41,256                 | 79,929                |
| Residential real estate                   | 49,786                | 29,024                 | 46,273                | 43,493                 | 49,022                |
| Consumer                                  | 2,980                 | 2,206                  | 2,320                 | 2,315                  | 2,986                 |
| Total                                     | \$ 132,896            | \$ 461,571             | \$ 292,937            | \$ 269,539             | \$ 319,228            |

(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 (\$27,899), (\$55,826), \$48,789, \$1,756 and \$37,062 as of the third quarter 2020, second quarter 2020, first quarter 2020, fourth quarter 2019, and third quarter 2019, respectively.

# NATIONAL BANK HOLDINGS CORPORATION

## Summary of Net Interest Margin

(Dollars in thousands)

|  | For the three months ended<br>September 30, 2020 |                  |                 | For the three months ended<br>June 30, 2020 |                  |                 | For the three months ended<br>September 30, 2019 |                  |                 |
|--|--|------------------|-----------------|---|------------------|-----------------|--|------------------|-----------------|
|  | Average<br>balance                               | Interest         | Average<br>rate | Average<br>balance                          | Interest         | Average<br>rate | Average<br>balance                               | Interest         | Average<br>rate |
| <b>Interest earning assets:</b>  |  |                  |                 |   |                  |                 |  |                  |                 |
| Originated loans FTE <sup>(1)(2)</sup>   | \$ 4,343,335                                     | \$ 40,973        | 3.75%           | \$ 4,432,725                                | \$ 42,440        | 3.85%           | \$ 3,886,503                                     | \$ 46,736        | 4.77%           |
| Acquired loans   | 284,653  | 6,593            | 9.21%           | 312,723                                     | 6,722            | 8.65%           | 425,079  | 8,907            | 8.31%           |
| Loans held for sale  | 230,390  | 1,683            | 2.91%           | 157,887                                     | 1,310            | 3.34%           | 139,281  | 1,328            | 3.78%           |
| Investment securities available-for-sale   | 559,330  | 2,784            | 1.99%           | 607,132                                     | 3,050            | 2.01%           | 687,989  | 3,696            | 2.15%           |
| Investment securities held-to-maturity   | 242,511  | 1,253            | 2.07%           | 189,360                                     | 1,201            | 2.54%           | 199,519  | 1,384            | 2.77%           |
| Other securities   | 29,640   | 221              | 2.98%           | 30,087                                      | 310              | 4.12%           | 27,227   | 418              | 6.14%           |
| Interest earning deposits and securities purchased under agreements to resell    | 254,931  | 70               | 0.11%           | 36,758                                      | 12               | 0.13%           | 19,809   | 167              | 3.34%           |
| <b>Total interest earning assets FTE<sup>(2)</sup></b>                           | <b>\$ 5,944,790</b>                              | <b>\$ 53,577</b> | <b>3.59%</b>    | <b>\$ 5,766,672</b>                         | <b>\$ 55,045</b> | <b>3.84%</b>    | <b>\$ 5,385,407</b>                              | <b>\$ 62,636</b> | <b>4.61%</b>    |
| Cash and due from banks  | \$ 73,274  |                  |                 | \$ 76,041                                   |                  |                 | \$ 76,866  |                  |                 |
| Other assets   | 525,324  |                  |                 | 532,867                                     |                  |                 | 443,724  |                  |                 |
| Allowance for credit losses  | (60,372)   |                  |                 | (56,984)                                    |                  |                 | (40,212)   |                  |                 |
| <b>Total assets</b>  | <b>\$ 6,483,016</b>                              |                  |                 | <b>\$ 6,318,596</b>                         |                  |                 | <b>\$ 5,865,785</b>                              |                  |                 |
| <b>Interest bearing liabilities:</b>   |  |                  |                 |   |                  |                 |  |                  |                 |
| Interest bearing demand, savings and money market deposits                       | \$ 2,957,604                                     | \$ 1,990         | 0.27%           | \$ 2,719,433                                | \$ 1,951         | 0.29%           | \$ 2,438,399                                     | \$ 3,609         | 0.59%           |
| Time deposits  | 1,038,983  | 3,501            | 1.34%           | 1,048,772                                   | 4,136            | 1.59%           | 1,073,140  | 4,365            | 1.61%           |
| Securities sold under agreements to repurchase                                   | 22,667   | 10               | 0.18%           | 23,485                                      | 18               | 0.31%           | 65,722   | 204              | 1.23%           |
| Federal Home Loan Bank advances  | 1,141  | 86               | 29.99%          | 163,263                                     | 311              | 0.77%           | 231,926  | 1,409            | 2.41%           |
| <b>Total interest bearing liabilities</b>  | <b>\$ 4,020,395</b>                              | <b>\$ 5,587</b>  | <b>0.55%</b>    | <b>\$ 3,954,953</b>                         | <b>\$ 6,416</b>  | <b>0.65%</b>    | <b>\$ 3,809,187</b>                              | <b>\$ 9,587</b>  | <b>1.00%</b>    |
| Demand deposits  | \$ 1,515,058                                     |                  |                 | \$ 1,436,671                                |                  |                 | \$ 1,193,357                                     |                  |                 |
| Other liabilities  | 155,205  |                  |                 | 155,379                                     |                  |                 | 112,927  |                  |                 |
| Total liabilities  | 5,690,658  |                  |                 | 5,547,003                                   |                  |                 | 5,115,471  |                  |                 |
| Shareholders' equity   | 792,358  |                  |                 | 771,593                                     |                  |                 | 750,314  |                  |                 |
| Total liabilities and shareholders' equity                                       | \$ 6,483,016                                     |                  |                 | \$ 6,318,596                                |                  |                 | \$ 5,865,785                                     |                  |                 |
| Net interest income FTE <sup>(2)</sup>   |  | \$ 47,990        |                 |   | \$ 48,629        |                 |  | \$ 53,049        |                 |
| Interest rate spread FTE <sup>(2)</sup>  |  |                  | 3.04%           |   |                  | 3.19%           |  |                  | 3.61%           |
| Net interest earning assets  | \$ 1,924,395                                     |                  |                 | \$ 1,811,719                                |                  |                 | \$ 1,576,220                                     |                  |                 |
| Net interest margin FTE <sup>(2)</sup>   |  |                  | 3.21%           |   |                  | 3.39%           |  |                  | 3.91%           |
| Average transaction deposits   | \$ 4,472,662                                     |                  |                 | \$ 4,156,104                                |                  |                 | \$ 3,631,756                                     |                  |                 |
| Average total deposits   | 5,511,645  |                  |                 | 5,204,876                                   |                  |                 | 4,704,896  |                  |                 |
| Ratio of average interest earning assets to average interest bearing liabilities | 147.87%  |                  |                 | 145.81%                                     |                  |                 | 141.38%  |                  |                 |

- (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%. The tax equivalent adjustments included above are \$1,275, \$1,301 and \$1,264 for the three months ended September 30, 2020, June 30, 2020 and September 30, 2019, respectively.

## NATIONAL BANK HOLDINGS CORPORATION

### Summary of Net Interest Margin

(Dollars in thousands)

|  | For the nine months ended September 30, 2020 |                   |              | For the nine months ended September 30, 2019 |                   |              |
|--|--|-------------------|--------------|--|-------------------|--------------|
|  | Average balance                              | Interest          | Average rate | Average balance                              | Interest          | Average rate |
| <b>Interest earning assets:</b>  |  |                   |              |  |                   |              |
| Originated loans FTE <sup>(1)(2)</sup>   | \$ 4,273,332                                 | \$ 128,392        | 4.01%        | \$ 3,782,765                                 | \$ 137,036        | 4.84%        |
| Acquired loans   | 313,555                                      | 22,194            | 9.45%        | 465,165                                      | 28,467            | 8.18%        |
| Loans held for sale  | 163,980                                      | 3,929             | 3.20%        | 90,143                                       | 2,750             | 4.08%        |
| Investment securities available-for-sale   | 597,654                                      | 9,229             | 2.06%        | 737,744                                      | 12,059            | 2.18%        |
| Investment securities held-to-maturity   | 207,107                                      | 3,689             | 2.37%        | 214,696                                      | 4,568             | 2.84%        |
| Other securities   | 29,826                                       | 945               | 4.22%        | 27,513                                       | 1,299             | 6.30%        |
| Interest earning deposits and securities purchased under agreements to resell    | 105,430                                      | 179               | 0.23%        | 26,468                                       | 581               | 2.93%        |
| <b>Total interest earning assets FTE<sup>(2)</sup></b>                           | <b>\$ 5,690,884</b>                          | <b>\$ 168,557</b> | <b>3.96%</b> | <b>\$ 5,344,494</b>                          | <b>\$ 186,760</b> | <b>4.67%</b> |
| Cash and due from banks  | \$ 74,694                                    |                   |              | \$ 76,863                                    |                   |              |
| Other assets   | 510,941                                      |                   |              | 424,271                                      |                   |              |
| Allowance for credit losses  | (54,077)                                     |                   |              | (37,939)                                     |                   |              |
| <b>Total assets</b>  | <b>\$ 6,222,442</b>                          |                   |              | <b>\$ 5,807,689</b>                          |                   |              |
| <b>Interest bearing liabilities:</b>   |  |                   |              |  |                   |              |
| Interest bearing demand, savings and money market deposits                       | \$ 2,725,572                                 | \$ 6,829          | 0.33%        | \$ 2,426,136                                 | \$ 10,176         | 0.56%        |
| Time deposits  | 1,048,116                                    | 12,075            | 1.54%        | 1,078,549                                    | 12,062            | 1.50%        |
| Securities sold under agreements to repurchase                                   | 30,322                                       | 125               | 0.55%        | 61,313                                       | 519               | 1.13%        |
| Federal Home Loan Bank advances  | 127,456                                      | 1,295             | 1.36%        | 258,348                                      | 4,786             | 2.48%        |
| <b>Total interest bearing liabilities</b>  | <b>\$ 3,931,466</b>                          | <b>\$ 20,324</b>  | <b>0.69%</b> | <b>\$ 3,824,346</b>                          | <b>\$ 27,543</b>  | <b>0.96%</b> |
| Demand deposits  | \$ 1,363,556                                 |                   |              | \$ 1,152,718                                 |                   |              |
| Other liabilities  | 147,929                                      |                   |              | 101,724                                      |                   |              |
| <b>Total liabilities</b>   | <b>5,442,951</b>                             |                   |              | <b>5,078,788</b>                             |                   |              |
| Shareholders' equity   | 779,491                                      |                   |              | 728,901                                      |                   |              |
| <b>Total liabilities and shareholders' equity</b>                                | <b>\$ 6,222,442</b>                          |                   |              | <b>\$ 5,807,689</b>                          |                   |              |
| Net interest income FTE <sup>(2)</sup>   |  | <b>\$ 148,233</b> |              |  | <b>\$ 159,217</b> |              |
| Interest rate spread FTE <sup>(2)</sup>  |  |                   | 3.27%        |  |                   | 3.71%        |
| Net interest earning assets  | <b>\$ 1,759,418</b>                          |                   |              | <b>\$ 1,520,148</b>                          |                   |              |
| Net interest margin FTE <sup>(2)</sup>   |  |                   | 3.48%        |  |                   | 3.98%        |
| Average transaction deposits   | \$ 4,089,128                                 |                   |              | \$ 3,578,854                                 |                   |              |
| Average total deposits   | 5,137,244                                    |                   |              | 4,657,403                                    |                   |              |
| Ratio of average interest earning assets to average interest bearing liabilities | 144.75%                                      |                   |              | 139.75%                                      |                   |              |

(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%. The tax equivalent adjustments included above are \$3,843 and \$3,775 for the nine months ended September 30, 2020 and September 30, 2019, respectively.

## NATIONAL BANK HOLDINGS CORPORATION

### Allowance for Credit Losses and Asset Quality

(Dollars in thousands)

#### Allowance for Credit Losses Analysis

|  | As of and for the three months ended |               |                    |
|--|--------------------------------------|---------------|--------------------|
|  | September 30, 2020                   | June 30, 2020 | September 30, 2019 |
| Beginning allowance for credit losses  | \$ 60,465                            | \$ 50,956     | \$ 40,082          |
| Charge-offs  | (619)                                | (852)         | (7,101)            |
| Recoveries   | 133                                  | 236           | 39                 |
| Provision  | 1,000                                | 10,125        | 5,690              |
| Ending allowance for credit losses ("ACL")   | \$ 60,979                            | \$ 60,465     | \$ 38,710          |
| Ratio of annualized net charge-offs to average total loans during the period                     | 0.04%                                | 0.05%         | 0.65%              |
| Ratio of annualized net charge-offs to average total loans excluding PPP loans during the period | 0.04%                                | 0.05%         | 0.65%              |
| Ratio of ACL to total loans outstanding at period end  | 1.34%                                | 1.26%         | 0.88%              |
| Ratio of ACL to total loans outstanding excluding PPP loans at period end                        | 1.45%                                | 1.36%         | 0.88%              |
| Ratio of ACL to total non-performing loans at period end   | 322.95%                              | 302.34%       | 152.41%            |
| Total loans  | \$ 4,556,121                         | \$ 4,782,383  | \$ 4,401,917       |
| Average total loans during the period  | 4,677,630                            | 4,794,466     | 4,329,590          |
| Average total loans excluding PPP loans during the period  | 4,329,458                            | 4,512,010     | 4,329,590          |
| Total non-performing loans   | 18,882                               | 19,999        | 25,398             |

#### Past Due and Non-accrual Loans

|   | September 30, 2020 | June 30, 2020 | September 30, 2019 |
|---|--------------------|---------------|--------------------|
| Loans 30-89 days past due and still accruing interest                                   | \$ 6,587           | \$ 3,932      | \$ 6,723           |
| Loans 90 days past due and still accruing interest                                      | 161                | 2,444         | 1,968              |
| Non-accrual loans   | 18,882             | 19,999        | 25,398             |
| Total past due and non-accrual loans  | \$ 25,630          | \$ 26,375     | \$ 34,089          |
| Total 90 days past due and still accruing interest and non-accrual loans to total loans | 0.42%              | 0.47%         | 0.62%              |

#### Asset Quality Data

|   | September 30, 2020 | June 30, 2020 | September 30, 2019 |
|---|--------------------|---------------|--------------------|
| Non-performing loans  | \$ 18,882          | \$ 19,999     | \$ 25,398          |
| OREO  | 4,590              | 6,491         | 7,904              |
| Total non-performing assets   | \$ 23,472          | \$ 26,490     | \$ 33,302          |
| Accruing restructured loans   | \$ 21,786          | \$ 20,284     | \$ 7,384           |
| Total non-performing loans to total loans                               | 0.41%              | 0.42%         | 0.58%              |
| Total non-performing loans to total loans excluding PPP loans           | 0.45%              | 0.45%         | 0.58%              |
| Total non-performing assets to total loans and OREO                     | 0.51%              | 0.55%         | 0.76%              |
| Total non-performing assets to total loans and OREO excluding PPP loans | 0.56%              | 0.60%         | 0.76%              |

# NATIONAL BANK HOLDINGS CORPORATION

## Key Ratios

|   | As of and for the three months ended |                  |                       | As of and for the nine months ended |                       |
|---|--------------------------------------|------------------|-----------------------|-------------------------------------|-----------------------|
|   | September 30,<br>2020                | June 30,<br>2020 | September 30,<br>2019 | September 30,<br>2020               | September 30,<br>2019 |
| <b>Key Ratios<sup>(1)</sup></b>                                   |                                      |                  |                       |                                     |                       |
| Return on average assets  | 1.71%                                | 1.13%            | 1.46%                 | 1.32%                               | 1.40%                 |
| Return on average tangible assets <sup>(2)</sup>                  | 1.76%                                | 1.16%            | 1.51%                 | 1.36%                               | 1.45%                 |
| Return on average tangible assets, adjusted <sup>(2)</sup>        | 1.78%                                | 1.25%            | 1.56%                 | 1.39%                               | 1.46%                 |
| Return on average equity  | 14.00%                               | 9.23%            | 11.44%                | 10.53%                              | 11.16%                |
| Return on average tangible common equity <sup>(2)</sup>           | 16.49%                               | 10.98%           | 13.68%                | 12.47%                              | 13.43%                |
| Return on average tangible common equity, adjusted <sup>(2)</sup> | 16.69%                               | 11.78%           | 14.11%                | 12.80%                              | 13.58%                |
| Loan to deposit ratio (end of period)                             | 81.12%                               | 88.34%           | 92.99%                | 81.12%                              | 92.99%                |
| Non-interest bearing deposits to total deposits (end of period)   | 27.31%                               | 27.76%           | 26.13%                | 27.31%                              | 26.13%                |
| Net interest margin <sup>(4)</sup>                                | 3.13%                                | 3.30%            | 3.81%                 | 3.39%                               | 3.89%                 |
| Net interest margin FTE <sup>(2)(4)</sup>                         | 3.21%                                | 3.39%            | 3.91%                 | 3.48%                               | 3.98%                 |
| Interest rate spread FTE <sup>(2)(5)</sup>                        | 3.04%                                | 3.19%            | 3.61%                 | 3.27%                               | 3.71%                 |
| Yield on earning assets <sup>(3)</sup>                            | 3.50%                                | 3.75%            | 4.52%                 | 3.87%                               | 4.58%                 |
| Yield on earning assets FTE <sup>(2)(3)</sup>                     | 3.59%                                | 3.84%            | 4.61%                 | 3.96%                               | 4.67%                 |
| Cost of interest bearing liabilities <sup>(3)</sup>               | 0.55%                                | 0.65%            | 1.00%                 | 0.69%                               | 0.96%                 |
| Cost of deposits  | 0.40%                                | 0.47%            | 0.67%                 | 0.49%                               | 0.64%                 |
| Non-interest income to total revenue FTE <sup>(2)</sup>           | 48.13%                               | 44.40%           | 31.82%                | 41.90%                              | 28.18%                |
| Non-interest expense to average assets                            | 3.39%                                | 3.42%            | 2.96%                 | 3.39%                               | 3.10%                 |
| Non-interest expense to average assets, adjusted <sup>(2)</sup>   | 3.37%                                | 3.31%            | 2.90%                 | 3.34%                               | 3.08%                 |
| Efficiency ratio  | 60.30%                               | 62.05%           | 56.83%                | 62.42%                              | 61.38%                |
| Efficiency ratio FTE <sup>(2)</sup>                               | 59.47%                               | 61.13%           | 55.90%                | 61.48%                              | 60.33%                |
| Efficiency ratio FTE, adjusted <sup>(2)</sup>                     | 59.01%                               | 59.17%           | 54.75%                | 60.64%                              | 59.93%                |
| <b>Total Loans Asset Quality Data<sup>(6)(7)(8)</sup></b>         |                                      |                  |                       |                                     |                       |
| Non-performing loans to total loans                               | 0.41%                                | 0.42%            | 0.58%                 | 0.41%                               | 0.58%                 |
| Non-performing loans to total loans excluding PPP loans           | 0.45%                                | 0.45%            | 0.58%                 | 0.45%                               | 0.58%                 |
| Non-performing assets to total loans and OREO                     | 0.51%                                | 0.55%            | 0.76%                 | 0.51%                               | 0.76%                 |
| Non-performing assets to total loans and OREO excluding PPP loans | 0.56%                                | 0.60%            | 0.76%                 | 0.56%                               | 0.76%                 |
| Allowance for credit losses to total loans                        | 1.34%                                | 1.26%            | 0.88%                 | 1.34%                               | 0.88%                 |
| Allowance for credit losses to total loans excluding PPP loans    | 1.45%                                | 1.36%            | 0.88%                 | 1.45%                               | 0.88%                 |
| Allowance for credit losses to non-performing loans               | 322.95%                              | 302.34%          | 152.41%               | 322.95%                             | 152.41%               |
| Net charge-offs to average loans <sup>(1)</sup>                   | 0.04%                                | 0.05%            | 0.65%                 | 0.04%                               | 0.23%                 |

(1) Quarter-to-date ratios are annualized.

(2) Ratio represents non-GAAP financial measure. See non-GAAP reconciliations starting on page 14.

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

(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.

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

(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**

|   | <b>September 30, 2020</b> | June 30, 2020       | December 31, 2019   | September 30, 2019  |
|---|---------------------------|---------------------|---------------------|---------------------|
| Total shareholders' equity  | \$ 799,357                | \$ 776,967          | \$ 766,920          | \$ 753,326          |
| Less: goodwill and core deposit intangible assets, net  | (122,871)                 | (123,166)           | (123,758)           | (124,054)           |
| Add: deferred tax liability related to goodwill   | 8,927                     | 8,698               | 8,241               | 8,012               |
| Tangible common equity (non-GAAP)   | <u>\$ 685,413</u>         | <u>\$ 662,499</u>   | <u>\$ 651,403</u>   | <u>\$ 637,284</u>   |
| <b>Total assets</b>   | <b>\$ 6,600,676</b>       | <b>\$ 6,385,431</b> | <b>\$ 5,895,512</b> | <b>\$ 5,990,050</b> |
| Less: goodwill and core deposit intangible assets, net  | (122,871)                 | (123,166)           | (123,758)           | (124,054)           |
| Add: deferred tax liability related to goodwill   | 8,927                     | 8,698               | 8,241               | 8,012               |
| Tangible assets (non-GAAP)  | <u>\$ 6,486,732</u>       | <u>\$ 6,270,963</u> | <u>\$ 5,779,995</u> | <u>\$ 5,874,008</u> |
| <b>Tangible common equity to tangible assets calculations:</b>  |                           |                     |                     |                     |
| Total shareholders' equity to total assets  | 12.11%                    | 12.17%              | 13.01%              | 12.58%              |
| Less: impact of goodwill and core deposit intangible assets, net  | (1.54)%                   | (1.61)%             | (1.74)%             | (1.73)%             |
| Tangible common equity to tangible assets (non-GAAP)  | <u>10.57%</u>             | <u>10.56%</u>       | <u>11.27%</u>       | <u>10.85%</u>       |
| <b>Tangible common book value per share calculations:</b>   |                           |                     |                     |                     |
| Tangible common equity (non-GAAP)   | \$ 685,413                | \$ 662,499          | \$ 651,403          | \$ 637,284          |
| Divided by: ending shares outstanding   | 30,594,412                | 30,569,011          | 31,176,627          | 31,169,086          |
| Tangible common book value per share (non-GAAP)   | <u>\$ 22.40</u>           | <u>\$ 21.67</u>     | <u>\$ 20.89</u>     | <u>\$ 20.45</u>     |
| <b>Tangible common book value per share, excluding accumulated other comprehensive income calculations:</b>   |                           |                     |                     |                     |
| Tangible common equity (non-GAAP)   | \$ 685,413                | \$ 662,499          | \$ 651,403          | \$ 637,284          |
| Accumulated other comprehensive income, net of tax  | (11,080)                  | (12,195)            | (2,062)             | (3,087)             |
| Tangible common book value, excluding accumulated other comprehensive income, net of tax (non-GAAP)           | 674,333                   | 650,304             | 649,341             | 634,197             |
| Divided by: ending shares outstanding   | 30,594,412                | 30,569,011          | 31,176,627          | 31,169,086          |
| Tangible common book value per share, excluding accumulated other comprehensive income, net of tax (non-GAAP) | <u>\$ 22.04</u>           | <u>\$ 21.27</u>     | <u>\$ 20.83</u>     | <u>\$ 20.35</u>     |

## 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 |                  |                       | As of and for the nine months ended |                       |
|---|--------------------------------------|------------------|-----------------------|-------------------------------------|-----------------------|
|   | September 30,<br>2020                | June 30,<br>2020 | September 30,<br>2019 | September 30,<br>2020               | September 30,<br>2019 |
| Net income  | \$ 27,893                            | \$ 17,705        | \$ 21,642             | \$ 61,422                           | \$ 60,846             |
| Add: impact of core deposit intangible amortization expense, after tax                                      | 226                                  | 227              | 224                   | 680                                 | 674                   |
| Net income adjusted for impact of core deposit intangible amortization expense, after tax                   | \$ 28,119                            | \$ 17,932        | \$ 21,866             | \$ 62,102                           | \$ 61,520             |
| Average assets  | \$ 6,483,016                         | \$ 6,318,596     | \$ 5,865,785          | \$ 6,222,442                        | \$ 5,807,689          |
| Less: average goodwill and core deposit intangible asset, net of deferred tax liability related to goodwill | (114,122)                            | (114,631)        | (116,188)             | (114,406)                           | (116,481)             |
| Average tangible assets (non-GAAP)  | \$ 6,368,894                         | \$ 6,203,965     | \$ 5,749,597          | \$ 6,108,036                        | \$ 5,691,208          |
| Average shareholders' equity  | \$ 792,358                           | \$ 771,593       | \$ 750,314            | \$ 779,491                          | \$ 728,901            |
| Less: average goodwill and core deposit intangible asset, net of deferred tax liability related to goodwill | (114,122)                            | (114,631)        | (116,188)             | (114,406)                           | (116,481)             |
| Average tangible common equity (non-GAAP)   | \$ 678,236                           | \$ 656,962       | \$ 634,126            | \$ 665,085                          | \$ 612,420            |
| Return on average assets  | 1.71%                                | 1.13%            | 1.46%                 | 1.32%                               | 1.40%                 |
| Return on average tangible assets (non-GAAP)  | 1.76%                                | 1.16%            | 1.51%                 | 1.36%                               | 1.45%                 |
| Return on average equity  | 14.00%                               | 9.23%            | 11.44%                | 10.53%                              | 11.16%                |
| Return on average tangible common equity (non-GAAP)   | 16.49%                               | 10.98%           | 13.68%                | 12.47%                              | 13.43%                |

### Fully Taxable Equivalent Yield on Earning Assets and Net Interest Margin

|  | As of and for the three months ended |                  |                       | As of and for the nine months ended |                       |
|--|--------------------------------------|------------------|-----------------------|-------------------------------------|-----------------------|
|  | September 30,<br>2020                | June 30,<br>2020 | September 30,<br>2019 | September 30,<br>2020               | September 30,<br>2019 |
| Interest income                              | \$ 52,302                            | \$ 53,744        | \$ 61,372             | \$ 164,714                          | \$ 182,985            |
| Add: impact of taxable equivalent adjustment | 1,275                                | 1,301            | 1,264                 | 3,843                               | 3,775                 |
| Interest income FTE (non-GAAP)               | \$ 53,577                            | \$ 55,045        | \$ 62,636             | \$ 168,557                          | \$ 186,760            |
| Net interest income                          | \$ 46,715                            | \$ 47,328        | \$ 51,785             | \$ 144,390                          | \$ 155,442            |
| Add: impact of taxable equivalent adjustment | 1,275                                | 1,301            | 1,264                 | 3,843                               | 3,775                 |
| Net interest income FTE (non-GAAP)           | \$ 47,990                            | \$ 48,629        | \$ 53,049             | \$ 148,233                          | \$ 159,217            |
| Average earning assets                       | \$ 5,944,790                         | \$ 5,766,672     | \$ 5,385,407          | \$ 5,690,884                        | \$ 5,344,494          |
| Yield on earning assets                      | 3.50%                                | 3.75%            | 4.52%                 | 3.87%                               | 4.58%                 |
| Yield on earning assets FTE (non-GAAP)       | 3.59%                                | 3.84%            | 4.61%                 | 3.96%                               | 4.67%                 |
| Net interest margin                          | 3.13%                                | 3.30%            | 3.81%                 | 3.39%                               | 3.89%                 |
| Net interest margin FTE (non-GAAP)           | 3.21%                                | 3.39%            | 3.91%                 | 3.48%                               | 3.98%                 |

## Efficiency Ratio

|   | As of and for the three months ended |                  |                       | As of and for the nine months ended |                       |
|---|--------------------------------------|------------------|-----------------------|-------------------------------------|-----------------------|
|   | September 30,<br>2020                | June 30,<br>2020 | September 30,<br>2019 | September 30,<br>2020               | September 30,<br>2019 |
| Net interest income   | \$ 46,715                            | \$ 47,328        | \$ 51,785             | \$ 144,390                          | \$ 155,442            |
| Add: impact of taxable equivalent adjustment                                  | 1,275                                | 1,301            | 1,264                 | 3,843                               | 3,775                 |
| Net interest income, FTE (non-GAAP)   | <u>\$ 47,990</u>                     | <u>\$ 48,629</u> | <u>\$ 53,049</u>      | <u>\$ 148,233</u>                   | <u>\$ 159,217</u>     |
| Non-interest income   | \$ 44,532                            | \$ 38,837        | \$ 24,759             | \$ 106,901                          | \$ 62,470             |
| Non-interest expense  | \$ 55,321                            | \$ 53,760        | \$ 43,793             | \$ 157,752                          | \$ 134,638            |
| Less: core deposit intangible asset amortization                              | (295)                                | (296)            | (295)                 | (887)                               | (887)                 |
| Non-interest expense, adjusted for core deposit intangible asset amortization | <u>\$ 55,026</u>                     | <u>\$ 53,464</u> | <u>\$ 43,498</u>      | <u>\$ 156,865</u>                   | <u>\$ 133,751</u>     |
| Non-interest expense, adjusted for core deposit intangible asset amortization | \$ 55,026                            | \$ 53,464        | \$ 43,498             | \$ 156,865                          | \$ 133,751            |
| Banking center consolidation-related expense                                  | (432)                                | (1,708)          | (898)                 | (2,140)                             | (898)                 |
| Adjusted non-interest expense (non-GAAP)                                      | <u>\$ 54,594</u>                     | <u>\$ 51,756</u> | <u>\$ 42,600</u>      | <u>\$ 154,725</u>                   | <u>\$ 132,853</u>     |
| Efficiency ratio  | 60.30%                               | 62.05%           | 56.83%                | 62.42%                              | 61.38%                |
| Efficiency ratio FTE (non-GAAP)   | 59.47%                               | 61.13%           | 55.90%                | 61.48%                              | 60.33%                |
| Adjusted efficiency ratio FTE (non-GAAP)                                      | 59.01%                               | 59.17%           | 54.75%                | 60.64%                              | 59.93%                |

## Adjusted Financial Results

|   | As of and for the three months ended |                  |                       | As of and for the nine months ended |                       |
|---|--------------------------------------|------------------|-----------------------|-------------------------------------|-----------------------|
|   | September 30,<br>2020                | June 30,<br>2020 | September 30,<br>2019 | September 30,<br>2020               | September 30,<br>2019 |
| <b>Adjustments to net income:</b>   |                                      |                  |                       |                                     |                       |
| Net income  | \$ 27,893                            | \$ 17,705        | \$ 21,642             | \$ 61,422                           | \$ 60,846             |
| Adjustments <sup>(1)</sup>  | 331                                  | 1,310            | 689                   | 1,641                               | 689                   |
| Adjusted net income (non-GAAP)  | <u>\$ 28,224</u>                     | <u>\$ 19,015</u> | <u>\$ 22,331</u>      | <u>\$ 63,063</u>                    | <u>\$ 61,535</u>      |
| <b>Adjustments to earnings per share:</b>   |                                      |                  |                       |                                     |                       |
| Earnings per share - diluted  | \$ 0.90                              | \$ 0.57          | \$ 0.69               | \$ 1.97                             | \$ 1.93               |
| Adjustments <sup>(1)</sup>  | 0.01                                 | 0.05             | 0.02                  | 0.06                                | 0.02                  |
| Adjusted earnings per share - diluted (non-GAAP)  | <u>\$ 0.91</u>                       | <u>\$ 0.62</u>   | <u>\$ 0.71</u>        | <u>\$ 2.03</u>                      | <u>\$ 1.95</u>        |
| <b>Adjustments to return on average tangible assets:</b>                                  |                                      |                  |                       |                                     |                       |
| Adjusted net income (non-GAAP)  | \$ 28,224                            | \$ 19,015        | \$ 22,331             | \$ 63,063                           | \$ 61,535             |
| Add: impact of core deposit intangible amortization expense, after tax                    | 226                                  | 227              | 224                   | 680                                 | 674                   |
| Net income adjusted for impact of core deposit intangible amortization expense, after tax | 28,450                               | 19,242           | 22,555                | 63,743                              | 62,209                |
| Average tangible assets (non-GAAP)  | 6,368,894                            | 6,203,965        | 5,749,597             | 6,108,036                           | 5,691,208             |
| Adjusted return on average tangible assets (non-GAAP)                                     | <u>1.78%</u>                         | <u>1.25%</u>     | <u>1.56%</u>          | <u>1.39%</u>                        | <u>1.46%</u>          |
| <b>Adjustments to return on average tangible common equity:</b>                           |                                      |                  |                       |                                     |                       |
| Net income adjusted for impact of core deposit intangible amortization expense, after tax | \$ 28,450                            | \$ 19,242        | \$ 22,555             | \$ 63,743                           | \$ 62,209             |
| Average tangible common equity (non-GAAP)   | 678,236                              | 656,962          | 634,126               | 665,085                             | 612,420               |
| Adjusted return on average tangible common equity (non-GAAP)                              | <u>16.69%</u>                        | <u>11.78%</u>    | <u>14.11%</u>         | <u>12.80%</u>                       | <u>13.58%</u>         |
| <b>Adjustments to non-interest expense:</b>   |                                      |                  |                       |                                     |                       |
| Non-interest expense  | \$ 55,321                            | \$ 53,760        | \$ 43,793             | \$ 157,752                          | \$ 134,638            |
| Adjustments <sup>(1)</sup>  | 432                                  | 1,708            | 898                   | 2,140                               | 898                   |
| Adjusted non-interest expense (non-GAAP)  | <u>54,889</u>                        | <u>52,052</u>    | <u>42,895</u>         | <u>155,612</u>                      | <u>133,740</u>        |
| Non-interest expense to average assets, adjusted (non-GAAP)                               | <u>3.37%</u>                         | <u>3.31%</u>     | <u>2.90%</u>          | <u>3.34%</u>                        | <u>3.08%</u>          |
| <b>(1) Adjustments:</b>   |                                      |                  |                       |                                     |                       |
| Non-interest expense adjustments:   |                                      |                  |                       |                                     |                       |
| Banking center consolidation-related expense  | \$ 432                               | \$ 1,708         | \$ 898                | \$ 2,140                            | \$ 898                |
| Tax expense impact  | (101)                                | (398)            | (209)                 | (499)                               | (209)                 |
| Adjustments (non-GAAP)  | <u>\$ 331</u>                        | <u>\$ 1,310</u>  | <u>\$ 689</u>         | <u>\$ 1,641</u>                     | <u>\$ 689</u>         |