National Bank Holdings Corp
Form 10-Q
May 09, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2016

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File Number: 001-35654

NATIONAL BANK HOLDINGS CORPORATION

(Exact name of registrant as specified in its charter)

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

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

(Address of principal executive offices) (Zip Code)

Registrant’s telephone, including area code: (720) 529-3336

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "accelerated filer." and "large accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

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

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

APPLICABLE ONLY TO CORPORATE ISSUERS:

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

As of May 6, 2016, the registrant had outstanding 28,945,407 shares of Class A voting common stock, each with $0.01 par value per share, excluding 800,582 shares of restricted Class A common stock issued but not yet vested.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

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

· our ability to execute our business strategy, as well as changes in our business strategy or development plans;

· business and economic conditions generally and in the financial services industry;

· economic, market, operational, liquidity, credit and interest rate risks associated with our business;

· effects of any changes in trade, monetary and fiscal policies and laws, including the interest rate policies of the Federal Reserve Board;

· changes imposed by regulatory agencies to increase our capital to a level greater than the current level required for well-capitalized financial institutions (including the impact of the joint final rules promulgated by the Federal Reserve Board, Office of the Comptroller of the Currency and the FDIC revising certain regulatory capital requirements to align with the Basel III capital standards and meet certain requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act);

· effects of inflation, as well as, interest rate, securities market and monetary supply fluctuations;

· changes in the economy or supply-demand imbalances affecting local real estate values;

- changes in consumer spending, borrowings and savings habits;
- our ability to identify potential candidates for, obtain regulatory approval for, and consummate, acquisitions of financial institutions on attractive terms, or at all;
- our ability to integrate acquisitions and to achieve synergies, operating efficiencies and/or other expected benefits within expected time-frames, or at all, or within expected cost projections, and to preserve the goodwill of acquired financial institutions;
- our ability to realize the anticipated benefits from converted core operating systems without significant change in our client service or risk to our control environment;
- dependence on information technology and telecommunications systems of third party service providers and the risk of systems failures, interruptions or breaches of security, including those that could result in disclosure or misuse of confidential or proprietary client or other information;
- our ability to achieve organic loan and deposit growth and the composition of such growth;
- changes in sources and uses of funds, including loans, deposits and borrowings;
- increased competition in the financial services industry, nationally, regionally or locally, resulting in, among other things, lower returns;

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- the effect of changes in accounting policies and practices, as may be adopted by the regulatory agencies, as well as the Public Company Accounting Oversight Board, the Financial Accounting Standards Board and other accounting standard setters;
- the trading price of shares of the Company's stock;
- our ability to realize deferred tax assets or the need for a valuation allowance;
- continued consolidation in the financial services industry;
- our ability to maintain or increase market share and control expenses;
- costs and effects of changes in laws and regulations and of other legal and regulatory developments, including, but not limited to, changes in regulation that affect the fees that we charge, the resolution of legal proceedings or regulatory or other governmental inquiries, and the results of regulatory examinations, reviews or other inquiries; and changes in regulations that apply to us due to the conversion of our bank subsidiary to a Colorado state-chartered bank;
- technological changes;
- the timely development and acceptance of new products and services and perceived overall value of these products and services by our clients;
- changes in our management personnel and our continued ability to hire and retain qualified personnel;
- ability to implement and/or improve operational management and other internal risk controls and processes and our reporting system and procedures;
- regulatory limitations on dividends from our bank subsidiary;
- changes in estimates of future loan reserve requirements based upon the periodic review thereof under relevant regulatory and accounting requirements;
- widespread natural and other disasters, dislocations, political instability, acts of war or terrorist activities, cyberattacks or international hostilities through impacts on the economy and financial markets generally or on us or our counterparties specifically;

- impact of reputational risk on such matters as business generation and retention;

- other risks and uncertainties listed from time to time in the Company's reports and documents filed with the Securities and Exchange Commission; and

- our success at managing the risks involved in the foregoing items.

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

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PART I: FINANCIAL INFORMATION

Item 1: FINANCIAL STATEMENTS

NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES

Consolidated Statements of Financial Condition (Unaudited)

(In thousands, except share and per share data)

	March 31, 2016	December 31, 2015
ASSETS		
Cash and due from banks	$ 183,498	$ 155,985
Interest bearing bank deposits	10,126	10,107
Cash and cash equivalents	193,624	166,092
Investment securities available-for-sale (at fair value)	1,108,419	1,157,246
Investment securities held-to-maturity (fair value of $410,037 and $428,585 at March 31, 2016 and December 31, 2015, respectively)	404,578	427,503
Non-marketable securities	17,268	22,529
Loans	2,592,047	2,587,673
Allowance for loan losses	(37,166)	(27,119)
Loans, net	2,554,881	2,560,554
Loans held for sale	7,415	13,292
Other real estate owned	21,019	20,814
Premises and equipment, net	102,559	103,103
Goodwill	59,630	59,630
Intangible assets, net	11,059	12,429
Other assets	135,522	140,716
Total assets	$ 4,615,974	$ 4,683,908
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Deposits:		
Non-interest bearing demand deposits	$ 805,442	$ 815,054
Interest bearing demand deposits	429,298	436,745
Savings and money market	1,422,257	1,394,995
Time deposits	1,182,684	1,193,883
Total deposits	3,839,681	3,840,677
Securities sold under agreements to repurchase	86,352	136,523
Federal Home Loan Bank advances	40,000	40,000
Other liabilities	46,018	49,164
Total liabilities	4,012,051	4,066,364
Shareholders' equity:		
Common stock, par value $0.01 per share: 400,000,000 shares authorized; 52,172,501 and 52,177,352 shares issued; 29,252,419 and 30,358,509	513	513

shares outstanding at March 31, 2016 and December 31, 2015, respectively		
Additional paid-in capital	997,243	997,926
Retained earnings	37,409	38,670
Treasury stock of 22,010,745 and 20,982,812 shares at March 31, 2016 and December 31, 2015, respectively, at cost	(439,795)	(419,660)
Accumulated other comprehensive income, net of tax	8,553	95
Total shareholders' equity	603,923	617,544
Total liabilities and shareholders' equity	$ 4,615,974	$ 4,683,908

See accompanying notes to the consolidated interim financial statements.

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NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES

Consolidated Statements of Operations (Unaudited)

(In thousands, except share and per share data)

	For the three months ended March 31,	
	2016	2015
Interest and dividend income:		
Interest and fees on loans	$ 32,956	$ 31,981
Interest and dividends on investment securities	8,235	10,572
Dividends on non-marketable securities	228	327
Interest on interest-bearing bank deposits	135	207
Total interest and dividend income	41,554	43,087
Interest expense:		
Interest on deposits	3,310	3,399
Interest on borrowings	206	209
Total interest expense	3,516	3,608
Net interest income before provision for loan losses	38,038	39,479
Provision for loan losses	10,619	1,453
Net interest income after provision for loan losses	27,419	38,026
Non-interest income:		
Service charges	3,260	3,327
Bank card fees	2,767	2,550
Gain on sale of mortgages, net	474	400
Bank-owned life insurance income	395	394
Other non-interest income	566	772
Gain on previously charged-off acquired loans	125	58
OREO related write-ups and other income	336	500
FDIC loss-sharing related	—	(8,480)
Total non-interest income	7,923	(479)
Non-interest expense:		
Salaries and benefits	20,612	20,077
Occupancy and equipment	6,066	6,089
Telecommunications and data processing	1,641	3,062
Marketing and business development	426	1,009
FDIC deposit insurance	921	1,041
ATM/debit card expenses	913	757
Professional fees	456	1,120
Other non-interest expense	1,955	2,242
Problem asset workout	974	1,852
Gain on OREO sales, net	(432)	(1,471)
Intangible asset amortization	1,370	1,336

Gain from the change in fair value of warrant liability	—	(390)
Total non-interest expense	34,902	36,724
Income before income taxes	440	823
Income tax expense	189	(423)
Net income	$ 251	$ 1,246
Income per share—basic	$ 0.01	$ 0.03
Income per share—diluted	$ 0.01	$ 0.03
Weighted average number of common shares outstanding:		
Basic	30,117,317	38,028,506
Diluted	30,118,303	38,028,612

See accompanying notes to the consolidated interim financial statements.

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NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income (Unaudited)

(In thousands)

	For the three months ended March 31,	
	2016	2015
Net income	$ 251	$ 1,246
Other comprehensive income, net of tax:		
Securities available-for-sale:		
Net unrealized gains arising during the period, net of tax expense of $5,511 and $4,298 for the three months ended March 31, 2016 and 2015, respectively.	8,978	6,988
Less: amortization of net unrealized holding gains to income, net of tax benefit of $319 and $457 for the three months ended March 31, 2016 and 2015, respectively.	(520)	(742)
Other comprehensive income	8,458	6,246
Comprehensive income	$ 8,709	$ 7,492

See accompanying notes to the consolidated interim financial statements.

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NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES

Consolidated Statements of Changes in Shareholders' Equity (Unaudited)

Three months ended March 31, 2016 and 2015

(In thousands, except share and per share data)

	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Accumulated other comprehensive income, net	Total
Balance, December 31, 2014	$ 512	$ 993,212	$ 40,528	$ (245,516)	$ 5,839	$ 794,575
Net income	—	—	1,246	—	—	1,246
Stock-based compensation	—	665	—	—	—	665
Change in corporate tax benefit related to stock-based compensation	—	(3)	—	—	—	(3)
Repurchase of 2,087,166 shares	—	—	—	(38,145)	—	(38,145)
Dividends paid ($0.05 per share)	—	—	(1,908)	—	—	(1,908)
Other comprehensive income	—	—	—	—	6,246	6,246
Balance, March 31, 2015	$ 512	$ 993,874	$ 39,866	$ (283,661)	$ 12,085	$ 762,676
Balance, December 31, 2015	$ 513	$ 997,926	$ 38,670	$ (419,660)	$ 95	$ 617,544
Net income	—	—	251	—	—	251
Stock-based compensation	—	929	—	—	—	929
Issuance of stock under purchase and equity compensation plans, loss on reissuance of treasury stock of $41, net	—	(1,612)	—	1,806	—	194
Repurchase of 1,117,274 shares	—	—	—	(21,941)	—	(21,941)
Dividends paid ($0.05 per share)	—	—	(1,512)	—	—	(1,512)
Other comprehensive income	—	—	—	—	8,458	8,458
Balance, March 31, 2016	$ 513	$ 997,243	$ 37,409	$ (439,795)	$ 8,553	$ 603,923

See accompanying notes to the consolidated interim financial statements.

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NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows (Unaudited)

(In thousands)

	For the three months ended March 31, 2016	2015
Cash flows from operating activities:		
Net income	$ 251	$ 1,246
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Provision for loan losses	10,619	1,453
Depreciation and amortization	3,819	3,876
Current income tax receivable	2,747	(366)
Deferred income tax asset	2,641	4
Discount accretion, net of premium amortization on securities	1,448	1,049
Loan accretion	(10,766)	(13,204)
Net gain on sale of mortgage loans	(474)	(400)
Origination of loans held for sale, net of repayments	(18,790)	(17,634)
Proceeds from sales of loans held for sale	23,981	18,245
Bank-owned life insurance income	(395)	(394)
Amortization of indemnification asset	—	7,670
Gain on the sale of other real estate owned, net	(432)	(1,471)
Impairment on other real estate owned	69	470
Stock-based compensation	929	665
Decrease in due to FDIC, net	—	(4,198)
Increase in other assets	(5,631)	(2,025)
Decrease in other liabilities	(2,964)	(9,419)
Net cash provided by (used in) operating activities	7,052	(14,433)
Cash flows from investing activities:		
Purchase of FHLB stock	(500)	(239)
Proceeds from redemption of FHLB stock	5,761	234
Proceeds from maturities of investment securities held-to-maturity	21,940	25,636
Proceeds from maturities of investment securities available-for-sale	63,314	76,182
Purchase of investment securities available-for-sale	(660)	—
Net increase in loans	(169)	(53,049)
Purchase of premises and equipment, net	(1,905)	(532)
Proceeds from sales of loans	6,675	11,702
Proceeds from sales of other real estate owned	632	7,202
Decrease in FDIC indemnification asset	—	3,558
Net cash provided by investing activities	95,088	70,694
Cash flows from financing activities:		
Net (decrease) increase in deposits	(996)	66,274

(Decrease) increase in repurchase agreements	(50,171)	150,609
Issuance of stock under purchase and equity compensation plans	12	—
Excess tax expense on stock-based compensation	—	(3)
Payment of dividends	(1,512)	(1,871)
Repurchase of shares	(21,941)	(38,145)
Net cash (used in) provided by financing activities	(74,608)	176,864
Increase in cash and cash equivalents	27,532	233,125
Cash and cash equivalents at beginning of the year	166,092	256,979
Cash and cash equivalents at end of period	$ 193,624	$ 490,104
Supplemental disclosure of cash flow information during the period:		
Cash paid for interest	$ 2,639	$ 3,412
Net tax refunds	$ (8)	$ (73)
Supplemental schedule of non-cash investing activities:		
Loans transferred to other real estate owned at fair value	$ 474	$ 498
FDIC submissions transferred to other liabilities	$ —	$ (1,342)
Loans purchased but not settled	$ 667	$ —

See accompanying notes to the consolidated interim financial statements.

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NATIONAL BANK HOLDINGS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

March 31, 2016

Note 1 Basis of Presentation

National Bank Holdings Corporation ("NBHC" or the "Company") is a bank holding company that was incorporated in the State of Delaware in June 2009 with the intent to acquire and operate financial services franchises and other complementary businesses in targeted markets. The Company is headquartered immediately south of Denver, in Greenwood Village, Colorado, and its primary operations are conducted through its wholly owned subsidiary, NBH Bank (the "Bank"), a Colorado state-chartered bank and a member of the Federal Reserve System. The Company provides a variety of banking products to both commercial and consumer clients through a network of 90 banking centers located in Colorado, the greater Kansas City area and Texas, and through on-line and mobile banking products.

The accompanying interim unaudited consolidated financial statements serve to update the National Bank Holdings Corporation Annual Report on Form 10-K for the year ended December 31, 2015 and include the accounts of the Company and the Bank. The accompanying unaudited consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) and where applicable, with general practices in the banking industry or guidelines prescribed by bank regulatory agencies. However, they may not include all information and notes necessary to constitute a complete set of financial statements under GAAP applicable to annual periods and accordingly should be read in conjunction with the financial information contained in the Company's most recent Form 10-K. The unaudited consolidated financial statements reflect all adjustments which are, in the opinion of management, necessary for a fair statement of the results presented. All such adjustments are of a normal recurring nature. All significant intercompany balances and transactions have been eliminated in consolidation. Certain reclassifications of prior years' amounts are made whenever necessary to conform to current period presentation. During the first quarter of 2016, the Company updated the loan classifications in its allowance for loan losses model. Certain loan classifications within the consolidated financial statement disclosures have been updated to reflect this change. Refer to note 4 for further discussion. The prior period presentations have been reclassified to conform to the current period presentation. The results of operations for the interim period is not necessarily indicative of the results that may be expected for the full year or any other interim period. All amounts are in thousands, except share data, or as otherwise noted.

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

The Company's significant accounting policies followed in the preparation of the unaudited consolidated financial statements are disclosed in note 2 of the audited financial statements and notes for the year ended December 31, 2015 and are contained in the Company's Annual Report on Form 10-K. There have not been any significant changes to the application of significant accounting policies since December 31, 2015.

For the three months ended March 31, 2015, the Company utilized the discrete effective tax rate method, as allowed by Accounting Standards codification (“ASC”) 740-270-30-18, “Income Taxes-Interim Reporting,” to calculate its interim income tax provision. The discrete method is applied when the application of the estimated annual effective tax rate is impractical because it is not possible to reliably estimate the annual effective tax rate. The discrete method treats the year to date period as if it was the annual period and determines the income tax expense or benefit on that basis. The Company believed that, at that time, the use of this discrete method was more appropriate than the annual effective tax rate method as the estimated annual effective tax rate method was not reliable due to (1) the levels of tax-exempt income in relation to pre-tax income, (2) the impact of the warrant liability which is non-taxable and (3) the impact and variability of FDIC Indemnification amortization on pre-tax income. See further discussion in note 13.

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Note 2 Recent Accounting Pronouncements

Revenue from Contracts with Customers—In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers." This update supersedes revenue recognition requirements in ASC Topic 605, Revenue Recognition, including most industry-specific revenue recognition guidance in the FASB Accounting Standards Codification. The new guidance stipulates that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance provides specific steps that entities should apply in order to achieve this principle. The amendments are effective for interim and annual periods beginning after December 15, 2017, with early application permitted for interim and annual periods beginning after December 15, 2016. ASU No. 2014-09 allows for either full retrospective or modified retrospective adoption. The Company is in the process of evaluating the impact of the ASU's adoption on the Company's consolidated financial statements.

Financial Instruments - Recognition and Measurement of Financial Assets and Financial Liabilities—In January 2016, the FASB issued ASU 2016-01, Financial Instruments - Recognition and Measurement of Financial Assets and Financial Liabilities (Topic 825). ASU No. 2016-01 revises the classification and measurement of investments in certain equity investments and the presentation of certain fair value changes for certain financial liabilities measured at fair value. ASU No. 2016-01 requires the change in fair value of many equity investments to be recognized in net income. ASU No. 2016-01 is effective for interim and annual periods beginning after December 15, 2017, with early adoption permitted. Adopting ASU No. 2016-01 may result in a cumulative effect adjustment to the consolidated statements of changes in shareholders' equity as of the beginning of the year of adoption. The Company is in the process of evaluating the impact of the ASU's adoption on the Company's consolidated financial statements.

Improvements to Employee Share-Based Payment Accounting—In March 2016, the FASB issues ASU 2016-09, Improvements to Employee Share-Based Payment Accounting, which amends ASC Topic 718, Compensation – Stock Compensation. ASU 2016-09 simplifies several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. ASU 2016-09 is effective for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years and early adoption is permitted. The Company is in the process of evaluation the impact of the ASU's adoption on the Company's consolidated financial statements.

Leases—In February 2016, the FASB issued ASU 2016-02, Leases. The guidance in ASU 2016-02 supersedes the lease recognition requirements in ASC Topic 840, Leases. The new standard establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statements. The new standard is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, with early adoption permitted. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. Early adoption of the amendments in the update is permitted. The Company is in the process of evaluating the impact of the ASU's adoption on the Company's consolidated financial statements.

Note 3 Investment Securities

The Company's investment securities portfolio is comprised of available-for-sale and held-to-maturity investment securities. These investment securities totaled $1.5 billion at March 31, 2016 and were comprised of $1.1 billion of available-for-sale securities and $0.4 billion of held-to-maturity securities. At December 31, 2015, investment securities totaled $1.6 billion and were comprised of $1.2 billion of available-for-sale securities and $0.4 billion of held-to-maturity securities.

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Available-for-sale

At March 31, 2016 and December 31, 2015, the Company held $1.1 billion and $1.2 billion of available-for-sale investment securities, respectively. Available-for-sale investment securities are summarized as follows as of the dates indicated:

	March 31, 2016			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Mortgage-backed securities ("MBS"):				
Residential mortgage pass-through securities issued or guaranteed by U.S. Government agencies or sponsored enterprises	$ 285,742	$ 7,580	$ —	$ 293,322
Other residential MBS issued or guaranteed by U.S. Government agencies or sponsored enterprises	817,376	4,657	(8,321)	813,712
Other securities	1,385	—	—	1,385
Total	$ 1,104,503	$ 12,237	$ (8,321)	$ 1,108,419

	December 31, 2015			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Mortgage-backed securities ("MBS"):				
Residential mortgage pass-through securities issued or guaranteed by U.S. Government agencies or sponsored enterprises	$ 305,773	$ 5,721	$ (516)	$ 310,978
Other residential MBS issued or guaranteed by U.S. Government agencies or sponsored enterprises	861,321	3,638	(19,416)	845,543
Other securities	725	—	—	725
Total	$ 1,167,819	$ 9,359	$ (19,932)	$ 1,157,246

At March 31, 2016 and December 31, 2015, mortgage-backed securities represented primarily all of the Company's available-for-sale investment portfolio and all mortgage-backed securities were backed by government sponsored enterprises ("GSE") collateral such as Federal Home Loan Mortgage Corporation ("FHLMC") and Federal National Mortgage Association ("FNMA"), and the government sponsored agency Government National Mortgage Association ("GNMA").

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

	March 31, 2016					
	Less than 12 months		12 months or more		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
Mortgage-backed securities ("MBS"):						
Other residential MBS issued or guaranteed by U.S. Government agencies or sponsored enterprises	$ 17,173	$ (17)	$ 562,958	$ (8,304)	$ 580,131	$ (8,321)
Total	$ 17,173	$ (17)	$ 562,958	$ (8,304)	$ 580,131	$ (8,321)

	December 31, 2015					
	Less than 12 months		12 months or more		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
Mortgage-backed securities ("MBS"):						
Residential mortgage pass-through securities issued or guaranteed by U.S. Government agencies or sponsored enterprises	$ 109,182	$ (516)	$ —	$ —	$ 109,182	$ (516)
Other residential MBS issued or guaranteed by U.S. Government agencies or sponsored enterprises	67,527	(404)	575,954	(19,012)	643,481	(19,416)
Total	$ 176,709	$ (920)	$ 575,954	$ (19,012)	$ 752,663	$ (19,932)

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Management evaluated all of the available-for-sale securities in an unrealized loss position and concluded that no OTTI existed at March 31, 2016 or December 31, 2015. The unrealized losses in the Company's investments issued or guaranteed by U.S. government agencies or sponsored enterprises at March 31, 2016 were caused by changes in interest rates. The portfolio included 53 securities, having an aggregate fair value of $580.1 million, which were in an unrealized loss position at March 31, 2016, compared to 66 securities, with a fair value of $752.7 million, at December 31, 2015. The Company has no intention to sell these securities before recovery of their amortized cost and believes it will not be required to sell the securities before the recovery of their amortized cost.

Certain securities are pledged as collateral for public deposits, securities sold under agreements to repurchase and to secure borrowing capacity at the Federal Reserve Bank, if needed. The fair value of available-for-sale investment securities pledged as collateral totaled $250.7 million at March 31, 2016 and $335.8 million at December 31, 2015. The decrease in pledged available-for-sale investment securities was primarily attributable to a decrease in average deposit account balances and client repurchase account balances during the three months ended March 31, 2016. Certain investment securities may also be pledged as collateral for the line of credit at the Federal Home Loan Bank ("FHLB") of Topeka; however, no investment securities were pledged for this purpose at March 31, 2016 or December 31, 2015.

Mortgage-backed securities do not have a single maturity date and actual maturities may differ from contractual maturities depending on the repayment characteristics and experience of the underlying financial instruments. The estimated weighted average life of the available-for-sale mortgage-backed securities portfolio was 3.4 years as of March 31, 2016 and 3.6 years as of December 31, 2015. This estimate is based on assumptions and actual results may differ. Other securities of $1.0 million have a maturity date between November 2021 and December 2024. Other securities of $0.4 million have no stated contractual maturity date as of March 31, 2016.

Held-to-maturity

At March 31, 2016 and December 31, 2015, the Company held $404.6 million and $427.5 million of held-to-maturity investment securities, respectively. Held-to-maturity investment securities are summarized as follows as of the dates indicated:

	March 31, 2016			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Mortgage-backed securities (“MBS”):				
Residential mortgage pass-through securities issued or guaranteed by U.S. Government agencies or sponsored enterprises	$ 321,776	$ 5,765	$ (4)	$ 327,537

Other residential MBS issued or guaranteed by U.S. Government agencies or sponsored enterprises	82,802	380	(682)	82,500
Total investment securities held-to-maturity	$ 404,578	$ 6,145	$ (686)	$ 410,037

	December 31, 2015			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Mortgage-backed securities ("MBS"):				
Residential mortgage pass-through securities issued or guaranteed by U.S. Government agencies or sponsored enterprises	$ 340,131	$ 2,911	$ (230)	$ 342,812
Other residential MBS issued or guaranteed by U.S. Government agencies or sponsored enterprises	87,372	35	(1,634)	85,773
Total investment securities held-to-maturity	$ 427,503	$ 2,946	$ (1,864)	$ 428,585

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

	March 31, 2016					
	Less than 12 months		12 months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Mortgage-backed securities (“MBS”):						
Residential mortgage pass-through securities issued or guaranteed by U.S. Government agencies or sponsored enterprises	$ —	$ —	$ 854	$ (4)	$ 854	$ (4)
Other residential MBS issued or guaranteed by U.S. Government agencies or sponsored enterprises	—	—	44,655	(682)	44,655	(682)
Total	$ —	$ —	$ 45,509	$ (686)	$ 45,509	$ (686)

	December 31, 2015					
	Less than 12 months		12 months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Mortgage-backed securities (“MBS”):						
Residential mortgage pass-through securities issued or guaranteed by U.S. Government agencies or sponsored enterprises	$ 34,641	$ (205)	$ 853	$ (25)	$ 35,494	$ (230)
Other residential MBS issued or guaranteed by U.S. Government agencies or sponsored enterprises	28,490	(180)	45,872	(1,454)	74,362	(1,634)
Total	$ 63,131	$ (385)	$ 46,725	$ (1,479)	$ 109,856	$ (1,864)

The portfolio included 6 securities, having an aggregate fair value of $45.5 million, which were in an unrealized loss position at March 31, 2016, compared to 16 securities, with a fair value of $109.9 million, at December 31, 2015.

Management evaluated all of the held-to-maturity securities in an unrealized loss position and concluded that no OTTI existed at March 31, 2016 or December 31, 2015. The unrealized losses in the Company's investments issued or guaranteed by U.S. government agencies or sponsored enterprises at March 31, 2016 were caused by changes in interest rates. The Company has no intention to sell these securities before recovery of their amortized cost and believes it will not be required to sell the securities before the recovery of their amortized cost.

The carrying value of held-to-maturity investment securities pledged as collateral totaled $223.5 million and $156.5 million at March 31, 2016 and December 31, 2015, respectively.

Actual maturities of mortgage-backed securities may differ from scheduled maturities depending on the repayment characteristics and experience of the underlying financial instruments. The estimated weighted average expected life of the held-to-maturity mortgage-backed securities portfolio as of March 31, 2016 and December 31, 2015 was 3.4 years and 3.7 years, respectively. This estimate is based on assumptions and actual results may differ.

Note 4 Loans

The loan portfolio is comprised of loans originated by the Company and loans that were acquired in connection with the Company's acquisitions.

The table below shows the loan portfolio composition including carrying value by segment of loans accounted for under ASC Topic 310-30, Receivables—Loans and Debt Securities Acquired with Deteriorated Credit Quality, and loans not accounted for under this

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guidance, which includes our originated loans. The carrying value of loans is net of discounts, fees and costs on loans excluded from ASC 310-30 of $3.1 million and $8.1 million as of March 31, 2016 and December 31, 2015, respectively:

	March 31, 2016			
	ASC 310-30 loans	Non 310-30 loans	Total loans	% of total
Commercial	$ 49,628	$ 1,373,456	$ 1,423,084	54.9%
Commercial real estate non-owner occupied	108,003	338,312	446,315	17.2%
Residential real estate	20,037	674,348	694,385	26.8%
Consumer	1,839	26,424	28,263	1.1%
Total	$ 179,507	$ 2,412,540	$ 2,592,047	100.0%

	December 31, 2015			
	ASC 310-30 loans	Non 310-30 loans	Total loans	% of total
Commercial	$ 57,474	$ 1,369,946	$ 1,427,420	55.2%
Commercial real estate non-owner occupied	121,173	321,712	442,885	17.1%
Residential real estate	21,452	662,550	684,002	26.4%
Consumer	2,731	30,635	33,366	1.3%
Total	$ 202,830	$ 2,384,843	$ 2,587,673	100.0%

Loan delinquency for all loans is shown in the following tables at March 31, 2016 and December 31, 2015, respectively:

	Total Loans March 31, 2016							
	30-59 days past due	60-89 days past due	Greater than 90 days past due	Total past due	Current	Total loans	Loans > 90 days past due and still accruing	Non-accrual
Loans excluded from ASC 310-30:								
Commercial:								
Commercial and industrial	$ 2,511	$ 552	$ 2,546	$ 5,609	$ 903,295	$ 908,904	$ 129	$ 4,796
Owner occupied commercial real estate	48	—	442	490	192,246	192,736	—	951
Agriculture	—	—	1,238	1,238	138,478	139,716	—	1,854
Energy	6,300	—	5,745	12,045	120,055	132,100	—	32,193

Total Commercial	8,859	552	9,971	19,382	1,354,074	1,373,456	129	39,794
Commercial real estate non-owner occupied:								
Construction	979	38	270	1,287	54,896	56,183	81	189
Acquisition/development	—	—	—	—	9,375	9,375	—	—
Multifamily	—	—	—	—	10,704	10,704	—	—
Non-owner occupied	382	—	574	956	261,094	262,050	—	617
Total commercial real estate	1,361	38	844	2,243	336,069	338,312	81	806
Residential real estate:								
Senior lien	1,997	311	983	3,291	609,550	612,841	93	3,481
Junior lien	91	118	261	470	61,037	61,507	—	951
Total residential real estate	2,088	429	1,244	3,761	670,587	674,348	93	4,432
Consumer	166	2	9	177	26,247	26,424	8	52
Total loans excluded from ASC 310-30	$ 12,474	$ 1,021	$ 12,068	$ 25,563	$ 2,386,977	$ 2,412,540	$ 311	$ 45,084
Loans accounted for under ASC 310-30:								
Commercial	$ 829	$ 137	$ 4,157	$ 5,123	$ 44,505	$ 49,628	$ 4,157	$ —
Commercial real estate non-owner occupied	629	24,764	9,006	34,399	73,604	108,003	9,006	—
Residential real estate	984	164	60	1,208	18,829	20,037	60	—
Consumer	157	56	22	235	1,604	1,839	22	—
Total loans accounted for under ASC 310-30	$ 2,599	$ 25,121	$ 13,245	$ 40,965	$ 138,542	$ 179,507	$ 13,245	$ —
Total loans	$ 15,073	$ 26,142	$ 25,313	$ 66,528	$ 2,525,519	$ 2,592,047	$ 13,556	$ 45,084

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	Total Loans December 31, 2015							
	30-59 days past due	60-89 days past due	Greater than 90 days past due	Total past due	Current	Total loans	Loans > 90 days past due and still accruing	Non-accrual
Loans excluded from ASC 310-30:								
Commercial:								
Commercial and industrial	$ 2,252	$ 238	$ 49	$ 2,539	$ 890,350	$ 892,889	$ —	$ 4,830
Owner occupied commercial real estate	370	111	66	547	184,072	184,619	—	1,273
Agriculture	441	58	1,222	1,721	143,837	145,558	—	1,984
Energy	23	5,781	—	5,804	141,076	146,880	—	12,008
Total Commercial	3,086	6,188	1,337	10,611	1,359,335	1,369,946	—	20,095
Commercial real estate non-owner occupied:								
Construction	359	188	—	547	29,596	30,143	—	188
Acquisition/development	—	—	—	—	5,575	5,575	—	—
Multifamily	—	38	22	60	9,813	9,873	—	22
Non-owner occupied	2,340	182	968	3,490	272,631	276,121	—	1,013
Total commercial real estate	2,699	408	990	4,097	317,615	321,712	—	1,223
Residential real estate:								
Senior lien	1,909	911	1,481	4,301	610,192	614,493	124	3,713
Junior lien	299	237	194	730	47,327	48,057	6	584
Total residential real estate	2,208	1,148	1,675	5,031	657,519	662,550	130	4,297
Consumer	239	26	38	303	30,332	30,635	36	32
Total loans excluded from ASC 310-30	$ 8,232	$ 7,770	$ 4,040	$ 20,042	$ 2,364,801	$ 2,384,843	$ 166	$ 25,647
Loans accounted for under ASC 310-30:								
Commercial	$ 1,979	$ 55	$ 3,697	$ 5,731	$ 51,743	$ 57,474	$ 3,697	$ —
Commercial real estate non-owner occupied	443	881	11,963	13,287	107,886	121,173	11,962	—
Residential real estate	411	104	97	612	20,840	21,452	97	—
Consumer	19	49	5	73	2,658	2,731	5	—
Total loans accounted for under ASC 310-30	$ 2,852	$ 1,089	$ 15,762	$ 19,703	$ 183,127	$ 202,830	$ 15,761	$ —
Total loans	$ 11,084	$ 8,859	$ 19,802	$ 39,745	$ 2,547,928	$ 2,587,673	$ 15,927	$ 25,647

Loans are considered past due or delinquent when the contractual principal or interest due in accordance with the terms of the loan agreement remains unpaid after the due date of the scheduled payment. Pooled loans accounted for under ASC 310-30 that are 90 days or more past due and still accreting are generally considered to be performing and are included in loans 90 days or more past due and still accruing. Non-accrual loans include troubled debt restructurings on non-accrual status.

Total non-accrual loans excluded from the scope of ASC 310-30 totaled $45.1 million at March 31, 2016, increasing $19.4 million, or 75.8% from $25.6 million at December 31, 2015, respectively. The increase was primarily due to two loan relationships in the energy sector totaling $20.2 million at March 31, 2016, offset by other net decreases of $0.8 million at March 31, 2016. Total past due loans accounted for under ASC 310-30 totaled $41.0 million at March 31, 2016, increasing $21.3 million from $19.7 million at December 31, 2015. The increase was primarily due to one non-owner occupied commercial real estate client totaling $24.3 million at March 31, 2016, offset by successful workout progress in the portfolio.

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Credit exposure for all loans as determined by the Company's internal risk rating system was as follows as of March 31, 2016 and December 31, 2015, respectively:

	Total Loans March 31, 2016				
	Pass	Special mention	Substandard	Doubtful	Total
Loans excluded from ASC 310-30:					
Commercial:					
Commercial and industrial	$ 877,100	$ 17,308	$ 11,660	$ 2,836	$ 908,904
Owner occupied commercial real estate	173,990	17,064	1,682	—	192,736
Agriculture	137,509	49	2,158	—	139,716
Energy	78,058	16,088	26,863	11,091	132,100
Total Commercial	1,266,657	50,509	42,363	13,927	1,373,456
Commercial real estate non-owner occupied:					
Construction	50,989	4,620	574	—	56,183
Acquisition/development	6,519	2,856	—	—	9,375
Multifamily	10,704	—	—	—	10,704
Non-owner occupied	247,665	9,086	5,298	1	262,050
Total commercial real estate	315,877	16,562	5,872	1	338,312
Residential real estate:					
Senior lien	607,700	267	4,874	—	612,841
Junior lien	59,570	224	1,713	—	61,507
Total residential real estate	667,270	491	6,587	—	674,348
Consumer	26,297	65	62	—	26,424
Total loans excluded from ASC 310-30	$ 2,276,101	$ 67,627	$ 54,884	$ 13,928	$ 2,412,540
Loans accounted for under ASC 310-30:					
Commercial	$ 33,628	$ 474	$ 15,526	$ —	$ 49,628
Commercial real estate non-owner occupied	47,203	350	56,681	3,769	108,003
Residential real estate	15,774	1,578	2,685	—	20,037
Consumer	1,560	85	194	—	1,839
Total loans accounted for under ASC 310-30	$ 98,165	$ 2,487	$ 75,086	$ 3,769	$ 179,507
Total loans	$ 2,374,266	$ 70,114	$ 129,970	$ 17,697	$ 2,592,047

	Total Loans December 31, 2015				
	Pass	Special mention	Substandard	Doubtful	Total
Loans excluded from ASC 310-30:					
Commercial:					
Commercial and industrial	$ 865,840	$ 8,363	$ 16,769	$ 1,917	$ 892,889

Owner occupied commercial real estate	174,108	5,595	4,916	—	184,619
Agriculture	132,450	2,440	10,668	—	145,558
Energy	92,152	36,503	16,098	2,127	146,880
Total Commercial	1,264,550	52,901	48,451	4,044	1,369,946
Commercial real estate non owner-occupied:					
Construction	24,686	4,882	575	—	30,143
Acquisition/development	5,066	509	—	—	5,575
Multifamily	9,851	—	22	—	9,873
Non-owner occupied	262,035	8,091	5,722	273	276,121
Total commercial real estate	301,638	13,482	6,319	273	321,712
Residential real estate:					
Senior lien	609,196	349	4,921	27	614,493
Junior lien	46,437	252	1,368	—	48,057
Total residential real estate	655,633	601	6,289	27	662,550
Consumer	30,483	67	85	—	30,635
Total loans excluded from ASC 310-30	$ 2,252,304	$ 67,051	$ 61,144	$ 4,344	$ 2,384,843
Loans accounted for under ASC 310-30:					
Commercial	$ 35,384	$ 787	$ 21,303	$ —	$ 57,474
Commercial real estate non-owner occupied	49,817	352	67,235	3,769	121,173
Residential real estate	16,960	1,604	2,888	—	21,452
Consumer	2,296	94	341	—	2,731
Total loans accounted for under ASC 310-30	$ 104,457	$ 2,837	$ 91,767	$ 3,769	$ 202,830
Total loans	$ 2,356,761	$ 69,888	$ 152,911	$ 8,113	$ 2,587,673

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The Company's energy sector substandard and doubtful loans excluded from ASC 310-30 totaled $38.0 million and $18.2 million at March 31, 2016 and December 31, 2015, respectively. The increase of $19.8 million was driven primarily by two loan relationships downgraded and placed on non-accrual during 2016. Non 310-30 special mention loans within the commercial and industrial, and owner occupied commercial real estate loan classes increased from December 31, 2015 largely due to downgrades of $12.4 million for 5 loan relationships and 1 loan relationship upgrade from doubtful of $4.8 million, during the three months ended March 31, 2016.

Impaired Loans

Loans are considered to be impaired when it is probable that the Company will not be able to collect all amounts due in accordance with the contractual terms of the loan agreement. Impaired loans are comprised of loans excluded from ASC 310-30 on non-accrual status, loans in bankruptcy, and troubled debt restructurings ("TDRs") described below. If a specific allowance is warranted based on the borrower's overall financial condition, the specific allowance is calculated based on discounted cash flows using the loan's initial contractual effective interest rate or the fair value of the collateral less selling costs for collateral dependent loans. At March 31, 2016, the Company measured $44.3 million of impaired loans based on the fair value of the collateral less selling costs and $2.4 million of impaired loans using discounted cash flows and the loan's initial contractual effective interest rate. Impaired loans totaling $8.5 million that individually were less than $250 thousand each, were measured through the general ALL reserves due to their relatively small size. Impaired loans acquired from Pine River totaling $1.1 million were marked to fair value at the date of acquisition.

At March 31, 2016 and December 31, 2015, the Company's recorded investments in impaired loans were $56.3 million and $37.4 million, respectively. The balance in impaired loans during the three months ended March 31, 2016, was primarily due to five relationships totaling $35.7 million that were deemed impaired during the period. Four of the relationships were in the energy sector and one of the relationships was in the commercial and industrial segment. All five relationships were on non-accrual status at March 31, 2016. Impaired loans had a collective related allowance for loan losses allocated to them of $14.0 million and $4.4 million at March 31, 2016 and December 31, 2015, respectively.

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Additional information regarding impaired loans at March 31, 2016 and December 31, 2015 is set forth in the table below:

	Impaired Loans March 31, 2016			December 31, 2015		
	Unpaid principal balance	Recorded investment	Allowance for loan losses allocated	Unpaid principal balance	Recorded investment	Allowance for loan losses allocated
With no related allowance recorded:						
Commercial:						
Commercial and industrial	$ 4,946	$ 4,945	$ —	$ 4,997	$ 4,995	$ —
Owner occupied commercial real estate	1,899	1,846	—	2,218	2,150	—
Agriculture	1,772	1,758	—	1,877	1,878	—
Energy	—	—	—	5,815	5,749	—
Total commercial	8,617	8,549	—	14,907	14,772	—
Commercial real estate non-owner occupied:						