

Hilltop Holdings Inc.  
Form 10-Q  
April 25, 2019  
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2019

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

Commission File Number: 1-31987

Hilltop Holdings Inc.

(Exact name of registrant as specified in its charter)

Maryland	84-1477939
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

2323 Victory Avenue, Suite 1400

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Dallas, TX  
(Address of principal executive offices)

75219  
(Zip Code)

(214) 855-2177

(Registrant's telephone number, including area code)

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 every Interactive Data File required to be submitted 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 such files). Yes No

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

Large accelerated filer	Accelerated filer
Non-accelerated filer	Smaller reporting company
	Emerging growth company

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

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

The number of shares of the registrant's common stock outstanding at April 25, 2019 was 93,983,247.



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HILLTOP HOLDINGS INC.

FORM 10-Q

FOR THE QUARTER ENDED MARCH 31, 2019

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## HILLTOP HOLDINGS INC. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

(in thousands, except share and per share data)

(Unaudited)

	March 31, 2019	December 31, 2018
Assets		
Cash and due from banks	\$ 313,192	\$ 644,073
Federal funds sold	438	400
Assets segregated for regulatory purposes	156,851	133,993
Securities purchased under agreements to resell	65,205	61,611
Securities:		
Trading, at fair value	703,295	745,466
Available for sale, at fair value (amortized cost of \$1,021,221 and \$886,799, respectively)	1,019,851	875,658
Held to maturity, at amortized cost (fair value of \$365,781 and \$341,124, respectively)	369,865	351,012
Equity, at fair value	19,343	19,679
	2,112,354	1,991,815
Loans held for sale	1,059,280	1,393,246
Loans held for investment, net of unearned income	7,011,679	6,930,458
Allowance for loan losses	(58,809)	(59,486)
Loans held for investment, net	6,952,870	6,870,972
Broker-dealer and clearing organization receivables	1,651,199	1,440,287
Premises and equipment, net	210,333	237,373
Operating lease right-of-use assets	108,806	—
Other assets	591,442	580,362
Goodwill	291,435	291,435
Other intangible assets, net	35,965	38,005
Total assets	\$ 13,549,370	\$ 13,683,572
Liabilities and Stockholders' Equity		
Deposits:		
Noninterest-bearing	\$ 2,490,144	\$ 2,560,750
Interest-bearing	5,807,975	5,975,406
Total deposits	8,298,119	8,536,156
Broker-dealer and clearing organization payables	1,490,227	1,294,925

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Short-term borrowings	914,525	1,065,807
Securities sold, not yet purchased, at fair value	69,354	81,667
Notes payable	225,372	228,872
Operating lease liabilities	118,452	—
Junior subordinated debentures	67,012	67,012
Other liabilities	351,178	435,240
Total liabilities	11,534,239	11,709,679
Commitments and contingencies (see Notes 13 and 14)		
Stockholders' equity:		
Hilltop stockholders' equity:		
Common stock, \$0.01 par value, 125,000,000 shares authorized; 93,821,450 and 93,610,217 shares issued and outstanding at March 31, 2019 and December 31, 2018, respectively	938	936
Additional paid-in capital	1,491,585	1,489,816
Accumulated other comprehensive loss	(1,062)	(8,627)
Retained earnings	499,452	466,737
Deferred compensation employee stock trust, net	827	825
Employee stock trust (10,683 and 11,672 shares, at cost, at March 31, 2019 and December 31, 2018, respectively)	(213)	(217)
Total Hilltop stockholders' equity	1,991,527	1,949,470
Noncontrolling interests	23,604	24,423
Total stockholders' equity	2,015,131	1,973,893
Total liabilities and stockholders' equity	\$ 13,549,370	\$ 13,683,572

See accompanying notes.

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## HILLTOP HOLDINGS INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share data)

(Unaudited)

	Three Months Ended	
	March 31,	
	2019	2018
Interest income:		
Loans, including fees	\$ 110,870	\$ 99,944
Securities borrowed	16,859	16,300
Securities:		
Taxable	15,616	10,953
Tax-exempt	1,498	1,772
Other	5,197	4,391
Total interest income	150,040	133,360
Interest expense:		
Deposits	17,106	8,675
Securities loaned	14,738	13,739
Short-term borrowings	5,471	4,043
Notes payable	2,641	2,497
Junior subordinated debentures	1,001	822
Other	152	164
Total interest expense	41,109	29,940
Net interest income	108,931	103,420
Provision (recovery) for loan losses	951	(1,807)
Net interest income after provision (recovery) for loan losses	107,980	105,227
Noninterest income:		
Net gains from sale of loans and other mortgage production income	96,139	105,767
Mortgage loan origination fees	21,873	20,626
Securities commissions and fees	35,969	38,717
Investment and securities advisory fees and commissions	20,160	18,354
Net insurance premiums earned	33,203	34,315
Other	45,124	17,364
Total noninterest income	252,468	235,143
Noninterest expense:		
Employees' compensation and benefits	189,898	182,600
Occupancy and equipment, net	28,023	27,830
Professional services	22,942	24,704

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Loss and loss adjustment expenses	14,926	15,532
Other	53,296	57,536
Total noninterest expense	309,085	308,202
Income before income taxes	51,363	32,168
Income tax expense	11,586	7,488
Net income	39,777	24,680
Less: Net income attributable to noncontrolling interest	991	239
Income attributable to Hilltop	\$ 38,786	\$ 24,441
Earnings per common share:		
Basic	\$ 0.41	\$ 0.25
Diluted	\$ 0.41	\$ 0.25
Weighted average share information:		
Basic	93,669	95,985
Diluted	93,669	96,146

See accompanying notes.



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HILLTOP HOLDINGS INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands)

(Unaudited)

	Three Months Ended March 31,	
	2019	2018
Net income	\$ 39,777	\$ 24,680
Other comprehensive income:		
Net unrealized gains (losses) on securities available for sale, net of tax of \$2,208 and \$(1,893), respectively	7,549	(6,703)
Reclassification adjustment for gains (losses) included in net income, net of tax of \$5 and \$0, respectively	16	—
Comprehensive income	47,342	17,977
Less: comprehensive income attributable to noncontrolling interest	991	239
Comprehensive income applicable to Hilltop	\$ 46,351	\$ 17,738

See accompanying notes.

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HILLTOP HOLDINGS INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(in thousands)

(Unaudited)

Common Stock		Additional	Accumulated	Retained	Deferred	Employee	Total				
Shares	Amount	Paid-in	Comprehensive	Earnings	Compensation	Stock Trust	Hilltop	Stockholders'	Noncontrolling		
		Capital	Loss		Employee	Shares	Equity	Interest	Interest		
					Stock	Amount					
					Trust,						
					Net						
1,	95,982	\$ 960	\$ 1,526,369	\$ (394)	\$ 384,545	\$ 848	12	\$ (247)	\$ 1,912,081	\$ 2,726	\$
	—	—	—	—	24,441	—	—	—	24,441	239	
ive	—	—	—	(6,703)	—	—	—	—	(6,703)	—	
on	—	—	2,164	—	—	—	—	—	2,164	—	
ock	5	—	124	—	—	—	—	—	124	—	
ard											
ck											
	129	1	(693)	—	—	—	—	—	(692)	—	
of	(68)	(1)	(1,097)	—	(608)	—	—	—	(1,706)	—	
ck											
n											
ck											
	—	—	—	—	(6,719)	—	—	—	(6,719)	—	
on	—	—	—	—	—	9	(1)	(7)	2	—	
	—	—	—	(2,601)	2,601	—	—	—	—	—	

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o	—	—	—	—	—	—	—	—	(501)		
ng	—	—	—	—	—	—	—	—			
rch	96,048	\$ 960	\$ 1,526,867	\$ (9,698)	\$ 404,260	\$ 857	11	\$ (254)	\$ 1,922,992	\$ 2,464	\$
1,	93,610	\$ 936	\$ 1,489,816	\$ (8,627)	\$ 466,737	\$ 825	11	\$ (217)	\$ 1,949,470	\$	