

Hilltop Holdings Inc.  
Form 10-K  
February 26, 2015  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-K**

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

**For the fiscal year ended: December 31, 2014**

**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: 1-31987**

**Hilltop Holdings Inc.**

(Exact name of registrant as specified in its charter)

**Maryland**

**84-1477939**

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(State or other jurisdiction of  
incorporation or organization)

(I.R.S. Employer  
Identification No.)

**200 Crescent Court, Suite 1330**

**Dallas, TX**  
(Address of principal executive offices)

**75201**  
(Zip Code)

**(214) 855-2177**

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, par value \$0.01 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.  Yes  No

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 Website, 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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 the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>

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

Aggregate market value of the voting and non-voting common equity held by non-affiliates, computed by reference to the price at which the common stock was last sold on the New York Stock Exchange on June 30, 2014, was approximately \$1.4 billion. For the purposes of this computation, all officers, directors and 10% stockholders are considered affiliates. The number of shares of the registrant's common stock outstanding at February 26, 2015 was 100,296,330.

**DOCUMENTS INCORPORATED BY REFERENCE**

The Registrant's definitive Proxy Statement pertaining to the 2015 Annual Meeting of Stockholders, filed or to be filed not later than 120 days after the end of the fiscal year pursuant to Regulation 14A, is incorporated herein by reference into Part III.

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## MARKET AND INDUSTRY DATA AND FORECASTS

Market and industry data and other statistical information and forecasts used throughout this Annual Report on Form 10-K (this Annual Report) are based on independent industry publications, government publications and reports by market research firms or other published independent sources. We have not sought or obtained the approval or endorsement of the use of this third-party information. Some data also is based on our good faith estimates, which are derived from our review of internal surveys, as well as independent sources. Forecasts are particularly likely to be inaccurate, especially over long periods of time.



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- risks associated with concentration in real estate related loans;
- our ability to obtain reimbursements for losses on acquired loans under loss-share agreements with the Federal Deposit Insurance Corporation (the FDIC );
- changes in general economic, market and business conditions in areas or markets where we compete;
- severe catastrophic events in our geographic area;
- changes in the interest rate environment;
- cost and availability of capital;
- changes in state and federal laws, regulations or policies affecting one or more of our business segments, including changes in regulatory fees, deposit insurance premiums, capital requirements and the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act );
- our ability to use net operating loss carry forwards to reduce future tax payments;

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- approval of new, or changes in, accounting policies and practices;
- changes in key management;
- competition in our banking, broker-dealer (formerly financial advisory), mortgage origination and insurance segments from other banks and financial institutions as well as insurance companies, mortgage bankers, investment banking and financial advisory firms, asset-based non-bank lenders and government agencies;
- failure of our insurance segment reinsurers to pay obligations under reinsurance contracts; and
- our ability to use excess cash in an effective manner, including the execution of successful acquisitions.

For a more detailed discussion of these and other factors that may affect our business and that could cause the actual results to differ materially from those anticipated in these forward-looking statements, see Item 1A, Risk Factors, and Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, herein. We caution that the foregoing list of factors is not exhaustive, and new factors may emerge, or changes to the foregoing factors may occur, that could impact our business. All subsequent written and oral forward-looking statements concerning our business attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements above. We do not undertake any obligation to update any forward-looking statement, whether written or oral, relating to the matters discussed in this Annual Report except to the extent required by federal securities laws.

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**PART I**

**Item 1. Business.**

**General**

Hilltop Holdings Inc., headquartered in Dallas, Texas, is a financial holding company registered under the Bank Holding Company Act of 1956, as amended by the Gramm-Leach-Bliley Act of 1999. On November 30, 2012, Hilltop acquired PlainsCapital Corporation pursuant to a plan of merger whereby PlainsCapital Corporation merged with and into a wholly owned subsidiary of Hilltop (the PlainsCapital Merger), which continued as the surviving entity under the name PlainsCapital Corporation.

Following the PlainsCapital Merger, our primary line of business has been to provide business and consumer banking services from offices located throughout Texas through the Bank. We also provide an array of financial products and services through our broker-dealer (formerly financial advisory), mortgage origination and insurance segments. The Company currently delivers its financial products and services through the following primary operating business units.

*PlainsCapital.* PlainsCapital is a financial holding company, headquartered in Dallas, Texas, that provides, through its subsidiaries, traditional banking services, residential mortgage lending, wealth and investment management and treasury management primarily in Texas.

*Hilltop Securities.* Hilltop Securities is a holding company, headquartered in Dallas, Texas, that provides, through its subsidiaries, investment banking and other related financial services, including municipal advisory, sales, trading and underwriting of taxable and tax-exempt fixed income securities, equity trading, clearing, securities lending, structured finance and retail brokerage services throughout the United States.

*NLC.* NLC is a property and casualty insurance holding company, headquartered in Waco, Texas, that provides, through its subsidiaries, fire and homeowners insurance to low value dwellings and manufactured homes primarily in Texas and other areas of the southern United States.

At December 31, 2014, on a consolidated basis, we had total assets of \$9.2 billion, total deposits of \$6.4 billion, total loans, including loans held for sale, of \$5.8 billion and stockholders' equity of \$1.5 billion. Our operating results beginning December 1, 2012 include the banking, mortgage origination and broker-dealer operations acquired in the PlainsCapital Merger. The operations acquired in the FNB Transaction (defined hereinafter) are included in the results of our banking operations beginning September 14, 2013.

Our common stock is listed on the New York Stock Exchange ( NYSE ) under the symbol HTH.



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Our principal office is located at 200 Crescent Court, Suite 1330, Dallas, Texas 75201, and our telephone number at that location is (214) 855-2177. Our internet address is [www.hilltop-holdings.com](http://www.hilltop-holdings.com). Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act are available on our website at <http://ir.hilltop-holdings.com/> under the tab "SEC Filings" as soon as reasonably practicable after we electronically file such reports with, or furnish them to, the Securities and Exchange Commission (the "SEC"). The references to our website in this Annual Report are inactive textual references only. The information on our website is not incorporated by reference into this Annual Report.

### Company Background

In January 2007, we acquired NLC, a property and casualty insurance holding company. As a result, our subsequent primary operations through November 2012 were limited to providing fire and homeowners insurance to low value dwellings and manufactured homes primarily in Texas and other areas of the southern United States through NLC's wholly owned subsidiaries, National Lloyds Insurance Company ("NLIC") and American Summit Insurance Company ("ASIC").

On November 30, 2012, we acquired PlainsCapital Corporation through the PlainsCapital Merger. Concurrent with the consummation of the PlainsCapital Merger, we became a financial holding company registered under the Bank Holding Company Act of 1956 (the "Bank Holding Company Act"), as amended by the Gramm-Leach-Bliley Act of 1999 (the "Gramm-Leach-Bliley Act").

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On September 13, 2013, the Bank assumed substantially all of the liabilities, including all of the deposits, and acquired substantially all of the assets, of FNB from the FDIC, as receiver, and reopened former FNB branches acquired from the FDIC under the PlainsCapital Bank name (the FNB Transaction ).

On January 1, 2015, we completed our acquisition of SWS in a stock and cash transaction, whereby SWS merged with and into Hilltop Securities, formerly Peruna LLC, a wholly owned subsidiary of Hilltop formed for the purpose of facilitating this transaction (the SWS Merger ). Following the SWS Merger, our broker-dealer segment operations include Southwest Securities, a clearing broker-dealer subsidiary registered with the SEC and Financial Industry Regulatory Authority ( FINRA ) and SWS Financial, an introducing broker-dealer subsidiary that is also registered with the SEC and FINRA. SWS 's banking subsidiary, Southwest Securities, FSB ( SWS FSB ), was merged into the Bank, an indirect wholly owned subsidiary of Hilltop. As a result, our results of operations will include those acquired in the SWS Merger beginning January 1, 2015.

We intend to make acquisitions with available cash, excess liquidity and, if necessary or appropriate, from additional equity or debt financing sources.

**Organizational Structure**

Our organizational structure is comprised of three primary operating business units, PlainsCapital (banking and mortgage origination), Hilltop Securities (broker-dealer) and NLC (insurance). Within the PlainsCapital unit are two primary wholly owned operating subsidiaries: the Bank and PrimeLending. The Hilltop Securities unit includes three primary wholly owned operating subsidiaries: First Southwest (transferred from the PlainsCapital unit effective January 1, 2015), Southwest Securities and SWS Financial (both acquired on January 1, 2015). The following provides additional details regarding our current organizational structure.

**Geographic Dispersion of our Businesses**

The Bank provides traditional banking services, residential mortgage lending, wealth and investment management, and treasury management. Substantially all of our banking operations are in Texas, and as a result of the FNB Transaction, the Bank has a presence in every major market in Texas. Immediately following the SWS Merger on January 1, 2015, the operations of the former SWS FSB were merged into the Bank.

Through December 31, 2014, our broker-dealer services were provided through FSC, a diversified investment banking firm and a registered broker-dealer, which competes for business nationwide. Public finance financial advisory revenues, of which 70% during 2014 were from entities located in Texas, represent a significant portion of total segment revenues. Effective January 1, 2015, the broker-dealer segment's operations will include those provided by the broker-dealer subsidiaries acquired as a result of the SWS Merger. The retail brokerage service operations acquired in the SWS Merger, which represent a significant portion of the historical revenues of SWS, are concentrated in Texas, California and Oklahoma.

PrimeLending provides residential mortgage origination products and services from over 250 locations in 42 states. For the year ended December 31, 2014, 61.0% of PrimeLending's origination volume was concentrated in eight states (none of the other states in which PrimeLending operated during 2014 had origination volume of 3% or more).

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The following table is a summary of the origination volume by state for the periods shown (dollars in thousands).

	Year Ended December 31,			
	2014	% of Total	2013	% of Total
Texas	\$ 2,453,705	23.7%	\$ 2,660,810	22.6%
California	1,552,372	15.0%	2,082,184	17.7%
Florida	505,507	4.9%	456,643	3.9%
North Carolina	423,164	4.1%	618,802	5.3%
Ohio	401,379	3.9%	383,518	3.2%
Arizona	339,830	3.3%	392,006	3.3%
Virginia	322,134	3.1%	466,531	4.0%
South Carolina	307,832	3.0%	318,109	2.7%
All other states	4,057,925	39.0%	4,413,959	37.3%
	\$ 10,363,848	100.0%	\$ 11,792,562	100.0%

Our insurance products are distributed through a broad network of independent agents and a select number of managing general agents, referred to as MGAs, which are concentrated in five states (none of the other states in which we operated during 2014 had gross written premiums of 3% or more). The following table sets forth our total gross written premiums by state for the periods shown (dollars in thousands).

	Year Ended December 31,					
	2014	% of Total	2013	% of Total	2012	% of Total
Texas	\$ 126,273	69.3%	\$ 125,696	69.1%	\$ 118,361	69.5%
Arizona	16,775	9.2%	15,904	8.7%	13,914	8.2%
Oklahoma						