

# Hilltop Holdings Inc.

## Q4 2014 Earnings Presentation

Investor Presentation | February 27, 2015

# Preface

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### FORWARD-LOOKING STATEMENTS

This presentation and statements made by representatives of Hilltop Holdings Inc. (“Hilltop” or the “Company”) during the course of this presentation include “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the Company’s actual results, performance or achievements to be materially different from any future results, performance or achievements anticipated in such statements. Forward-looking statements speak only as of the date they are made and, except as required by law, the Company does not assume any duty to update forward-looking statements. Such forward-looking statements include, but are not limited to, statements concerning acquisitions, including our recent acquisition of SWS Group, Inc. (“SWS”) and integration thereof, mortgage loan origination volume, market trends, organic growth, commitment utilization, exposure management in our insurance operations, loan performance, the Company’s other plans, objectives, strategies, expectations and intentions and other statements that are not statements of historical fact, and may be identified by words such as “anticipates,” “believes,” “could,” “estimates,” “expects,” “forecasts,” “goal,” “intends,” “may,” “might,” “probable,” “projects,” “seeks,” “should,” “view,” or “would” or the negative of these words and phrases or similar words or phrases. The following factors, among others, could cause actual results to differ from those set forth in the forward-looking statements: (i) risks associated with merger and acquisition integration, including the diversion of management time on acquisition-related issues and our ability to promptly and effectively integrate our businesses with those of FNB and SWS and achieve the synergies and value creation contemplated by the acquisitions; (ii) the Company’s ability to estimate loan losses; (iii) changes in the default rate of the Company’s loans; (iv) risks associated with concentration in real estate related loans; (v) the Company’s ability to obtain reimbursements for losses on acquired loans under loss-share agreements with the FDIC; (vi) changes in general economic, market and business conditions in areas or markets where the Company competes; (vii) severe catastrophic events in the Company’s geographic area; (viii) changes in the interest rate environment; (ix) cost and availability of capital; (x) changes in state and federal laws, regulations or policies affecting one or more of Hilltop’s business segments, including changes in regulatory fees, deposit insurance premiums, capital requirements and the Dodd-Frank Wall Street Reform and Consumer Protection Act; (xi) the Company’s ability to use net operating loss carry forwards to reduce future tax payments; (xii) approval of new, or changes in, accounting policies and practices; (xiii) changes in key management; (xiv) competition in the Company’s banking, broker-dealer, 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; (xv) failure of the Company’s insurance segment reinsurers to pay obligations under reinsurance contracts; and (xvi) the Company’s ability to use excess cash in an effective manner, including the execution of successful acquisitions. For further discussion of such factors, see the risk factors described in the Hilltop Annual Report on Form 10-K for the year ended December 31, 2014 and other reports filed with the Securities and Exchange Commission. All forward-looking statements are qualified in their entirety by this cautionary statement.

# Hilltop Holdings – Q4 2014 Highlights

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- For the fourth quarter of 2014, net income to common stockholders was \$31.7 million, or \$0.35 per diluted share
  - For the fourth quarter of 2013, net income to common stockholders was \$29.5 million, or \$0.34 per diluted share
  - Full year 2014 net income to common stockholders was \$105.9 million, or \$1.17 per diluted share
- ROAA was 1.42% in Q4 2014, relative to 1.31% in Q4 2013 and 1.26% for FY 2014
- ROAE was 8.55% in Q4 2014, relative to 9.31% in Q4 2013 and 8.01% for FY 2014
- Hilltop's four operating segments reported \$52.9 million in consolidated pre-tax income during Q4 2014
  - PlainsCapital Bank contributed \$41.1 million of pre-tax income
  - PrimeLending had a pre-tax loss of \$4.9 million
  - First Southwest contributed \$5.1 million of pre-tax income
  - National Lloyds Corporation contributed \$11.6 million of pre-tax income
- Total stockholders' equity increased to \$1.46 billion at Q4 2014, up \$37.5 million from Q3 2014 and \$149.3 million from 2013
  - Hilltop remains well-capitalized with a 14.17% Tier 1 Leverage Ratio<sup>1</sup> and a 19.69% Total Risk Based Capital Ratio
  - Hilltop had approximately \$146 million of freely usable cash at year end, though approximately \$78 million was used on January 1<sup>st</sup>, 2015 for SWS transaction consideration
  - Hilltop will continue to have excess capital following the SWS transaction
- Hilltop and PlainsCapital Bank were recently issued BBB ratings (investment grade) by Fitch
- On January 1<sup>st</sup>, 2015, Hilltop closed its acquisition of SWS Group
  - Newly created Hilltop Securities Holdings serves as the parent of Southwest Securities, SWS Financial Services, and First Southwest
- Focus during 2015 will be to integrate SWS and evaluate bank M&A opportunities

Note: (1) Based on the end of period Tier 1 capital divided by total average assets during the fourth quarter of 2014, excluding goodwill and intangible assets

# Hilltop Holdings – 2014 Financial Summary

<b>Selected Items</b>	<b>Q1 2014</b>	<b>Q2 2014</b>	<b>Q3 2014</b>	<b>Q4 2014</b>	<b>FY 2014</b>
Income to Common (\$000)	23,760	27,085	23,386	31,716	105,947
EPS - Diluted (\$)	\$0.26	\$0.30	\$0.26	\$0.35	\$1.17
Book Value Per Share (\$)	\$13.76	\$14.22	\$14.51	\$14.93	\$14.93
NIM (taxable equivalent)	4.62%	5.18%	4.38%	4.72%	4.74%
Assets (\$000)	9,033,432	9,396,448	9,180,402	9,242,416	9,242,416
Loans, Gross (\$000)	4,559,394	4,559,850	4,520,118	4,563,116	4,563,116
Deposits (\$000)	6,663,176	6,155,310	6,236,282	6,369,892	6,369,892
Hilltop Stockholders' Equity (\$000)	1,354,497	1,396,442	1,422,975	1,460,452	1,460,452
NPLs/Total Loans <sup>1</sup>	0.51%	0.43%	0.48%	0.42%	0.42%
NPAs/Total Assets <sup>1</sup>	0.32%	0.30%	0.29%	0.25%	0.25%
Tier 1 Leverage Ratio <sup>2</sup>	13.12%	13.51%	13.63%	14.17%	14.17%
Total Risk Based Capital Ratio	19.32%	18.79%	19.28%	19.69%	19.69%

Notes: (1) NPLs, NPAs and Total Loans exclude covered loans and covered OREO

(2) Based on the end of period Tier 1 capital divided by total average assets during the quarter, excluding goodwill and intangible assets

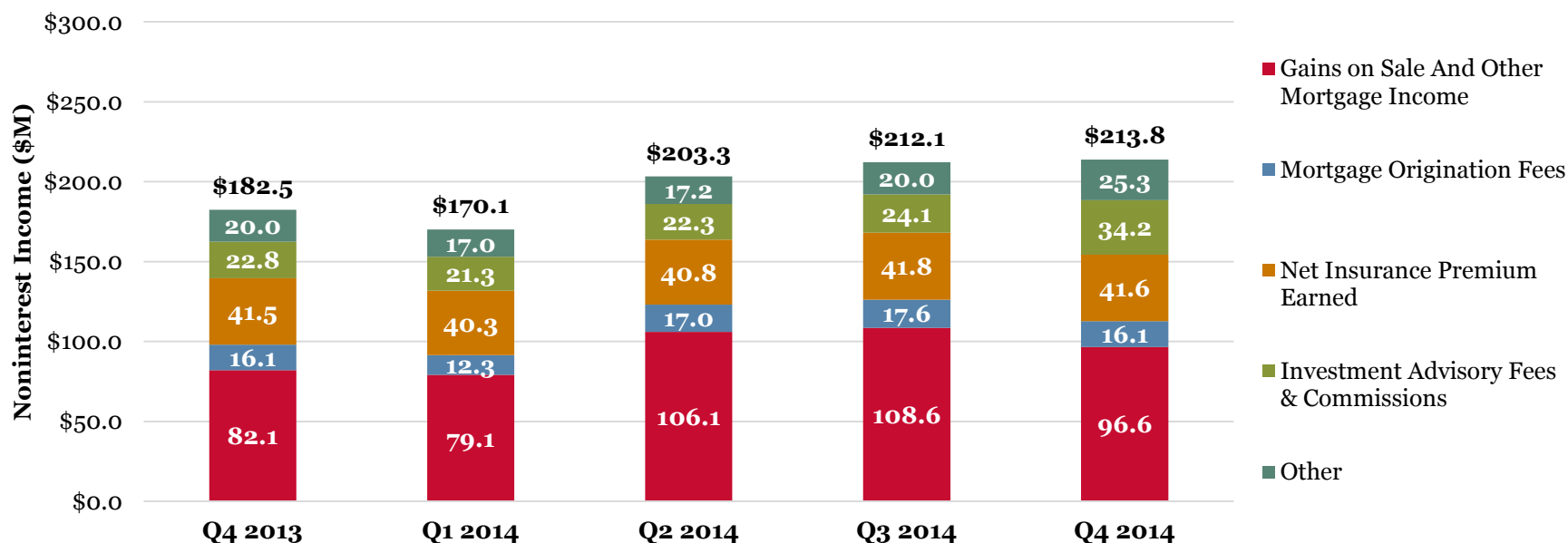
# Hilltop Holdings – Net Interest Income & Margin

- NIM increased by 34 bps in Q4 2014 to 4.72% compared with 4.38% in Q3 2014 due to higher yields on gross loans, partially offset by higher costs of interest bearing deposits
  - Yield on earning assets of 5.09% driven by increase in gross loan balance
  - Increase in cost of interest-bearing deposits due to run-off of time deposit premium
- For Q4 2014, the tax equivalent NIM for Hilltop was 119 bps greater due to purchase accounting
  - Accretion of discount on loans of \$21.6 million
  - Amortization of premium on acquired securities of \$1.2 million
  - Amortization of premium on acquired time deposits of \$0.1 million

	Q1 2014	Q2 2014	Q3 2014	Q4 2014	FY 2014
<b>Annual Yields and Rates (%)</b>					
<b><u>Interest Earning Assets</u></b>					
Loans, Gross	6.29	6.63	5.65	6.25	6.21
Investment Securities, Taxable	2.71	2.66	2.63	2.49	2.72
Investment Securities, Non-Taxable	4.06	3.82	3.74	3.73	3.84
Fed Funds Sold and Securities to Resell	0.29	0.28	0.29	0.31	0.29
Interest Earning Deposits	0.25	0.22	0.21	0.22	0.23
Other	5.67	5.62	5.13	4.27	5.16
<b>Total Int. Earning Assets</b>	<b>4.90</b>	<b>5.44</b>	<b>4.74</b>	<b>5.09</b>	<b>5.08</b>
<b><u>Interest Bearing Liabilities</u></b>					
Interest Bearing Deposits	0.31	0.27	0.38	0.45	0.35
Notes Payable and Borrowings	1.60	1.18	1.12	1.28	1.27
<b>Total Int. Bearing Liabilities</b>	<b>0.46</b>	<b>0.43</b>	<b>0.54</b>	<b>0.60</b>	<b>0.51</b>
<b>Net Interest Margin (Stated)</b>	<b>4.62</b>	<b>5.18</b>	<b>4.38</b>	<b>4.72</b>	<b>4.74</b>
<b>Net Interest Margin (Pre-PAA)</b>	<b>3.67</b>	<b>3.78</b>	<b>3.51</b>	<b>3.53</b>	<b>3.49</b>
<b>Net Interest Spread</b>	<b>4.44</b>	<b>5.01</b>	<b>4.20</b>	<b>4.49</b>	<b>4.57</b>

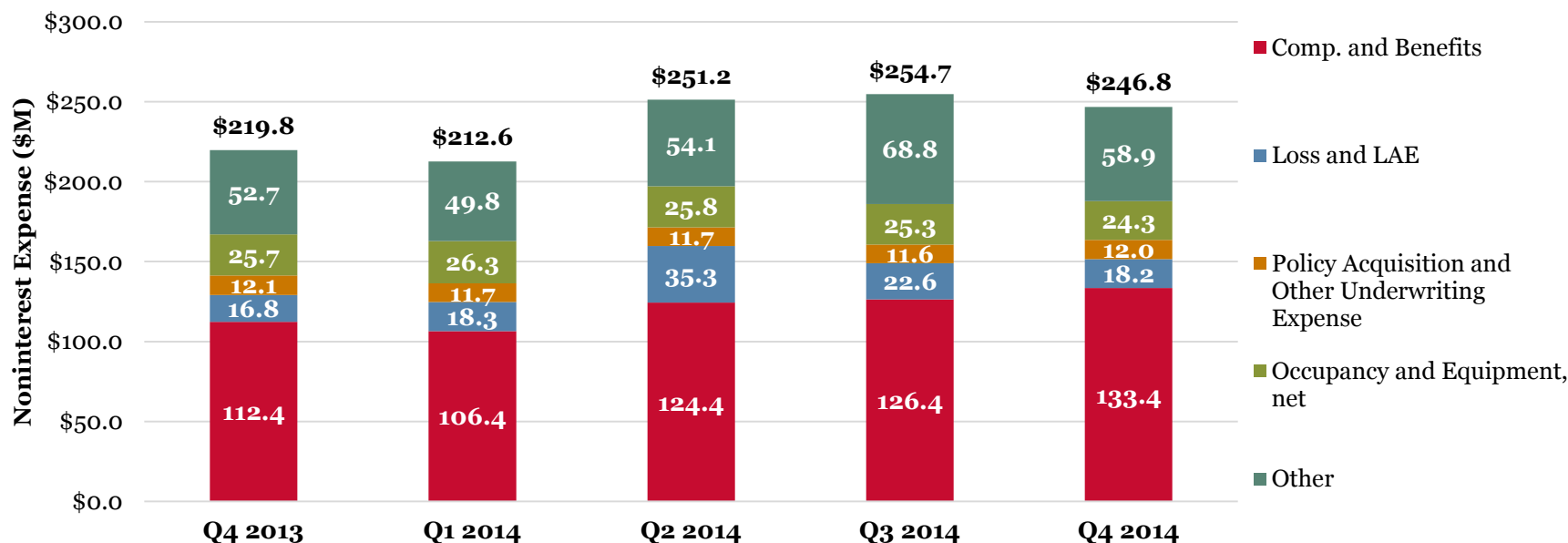
# Hilltop Holdings – Noninterest Income

- Noninterest income was \$213.8 million in Q4 2014, up 17.2% from Q4 2013
  - Net gains from the sale of loans, other mortgage production income and mortgage loan origination fees increased \$14.5 million, or 14.8%, from Q4 2013 to \$112.7 million in Q4 2014, representing 53% of noninterest income for the quarter
  - Net insurance premiums earned was \$41.6 million in Q4 2014, representing 19% of noninterest income for the quarter
  - Financial advisory fees and commissions increased \$11.4 million, or 50.0%, from Q4 2013 to \$34.2 million in Q4 2014, representing 16% of noninterest income for the quarter
  - Fair value changes of SWS investment during Q4 2014 resulted in a net gain of \$6.0 million (included in Other Noninterest Income)



# Hilltop Holdings – Noninterest Expense

- Noninterest expense was \$246.8 million in Q4 2014, up 12.3% from Q4 2013
  - Compensation increased \$21.0 million, or 18.7%, from Q4 2013 to \$133.4 million in Q4 2014, representing 54% of noninterest expense for the quarter
  - Occupancy and equipment expense decreased \$1.5 million, or 5.7%, from Q4 2013 to \$24.3 million in Q4 2014, representing 10% of noninterest expense for the quarter
  - Loss and LAE and policy acquisition and other underwriting expense were \$30.2 million in Q4 2014, representing 12% of noninterest expense for the quarter
  - Other expenses increased \$6.2 million, or 11.7%, from Q4 2013 to \$58.9 million in Q4 2014
    - Amortization of identifiable intangibles from purchase accounting was \$2.5 million in Q4 2014
    - Transaction expenses related to the SWS transaction were \$1.4 million for FY 2014



# Hilltop Holdings – Balance Sheet

- Balance sheet grew in Q4 2014, as decline in borrowings were more than offset by growth in deposits, and growth in non-covered loans outpaced workout of covered loans
- Gross non-covered loans HFI increased \$151.6 million, or 4.0%, from Q3 2014 to \$3.9 billion at Q4 2014
  - \$405.8 million, or 11.5%, increase versus Q4 2013
- Gross covered loans decreased \$108.6 million, or 14.5%, from Q3 2014 to \$642.6 million at Q4 2014 due to successful ongoing efforts to resolve troubled loans acquired with FNB Transaction in Q3 2013
  - \$363.7 million, or 36.1%, decrease versus Q4 2013
- Covered OREO increased by \$10.1 million versus Q3 2014, as covered loans defaulted and transferred to OREO
  - \$5.9 million, or 4.1%, decrease versus Q4 2013
- Gross loans HFI (covered and non-covered) to deposits ratio declined to 71.6% at Q4 2014, down from 72.5% at Q3 2014
- Total deposits increased \$133.6 million, or 2.1%, from Q3 2014 to \$6.37 billion at Q4 2014
  - Non-interest bearing deposits made up 66.1% the growth from Q3 2014 to Q4 2014
- Common equity increased \$37.5 million, or 2.9%, from Q3 2014 to \$1.35 billion at Q4 2014 due to earnings and AOCI

(\$000s)	Q4 2013	Q3 2014	Q4 2014
<b>Assets</b>			
Cash & Federal Funds	746,023	647,588	813,075
Securities	1,261,989	1,332,342	1,109,461
Loans Held for Sale	1,089,039	1,272,813	1,309,693
Non-Covered Loans HFI, Gross	3,514,646	3,768,843	3,920,476
Allowance for Non-Covered Loan Losses	(33,241)	(39,027)	(37,041)
Non-Covered Loans HFI, Net	3,481,405	3,729,816	3,883,435
Covered Loans, Net of Allowance	1,005,308	747,514	638,029
Covered OREO	142,833	126,798	136,945
FDIC Indemnification Asset	188,291	149,788	130,437
Goodwill & Other Intangibles	322,729	314,317	311,591
Other Assets	666,505	859,426	909,750
<b>Total Assets</b>	<b>8,904,122</b>	<b>9,180,402</b>	<b>9,242,416</b>
<b>Liabilities and Stockholders Equity</b>			
Non-Int. Bearing Deposits	1,773,749	1,988,066	2,076,385
Int. Bearing Deposits	4,949,169	4,248,216	4,293,507
<b>Total Deposits</b>	<b>6,722,918</b>	<b>6,236,282</b>	<b>6,369,892</b>
Short Term Borrowings	342,087	845,984	762,696
Notes Payable	56,327	55,684	56,684
Junior Subordinated Debentures	67,012	67,012	67,012
Other Liabilities	403,856	551,696	524,893
<b>Total Liabilities</b>	<b>7,592,200</b>	<b>7,756,658</b>	<b>7,781,177</b>
SBLF Preferred Stock	114,068	114,068	114,068
Common Equity	1,197,073	1,308,907	1,346,384
<b>Total Hilltop Equity</b>	<b>1,311,141</b>	<b>1,422,975</b>	<b>1,460,452</b>
Minority Interest	781	769	787
<b>Total Liabilities &amp; Equity</b>	<b>8,904,122</b>	<b>9,180,402</b>	<b>9,242,416</b>



# Company Operational Updates

## PlainsCapital Bank

- PlainsCapital Bank continues to prudently grow legacy platform, while managing expenses at former FNB franchise that are exceeded by gains from working out covered assets
- Robust and growing loan pipeline; \$1.43 billion in unfunded commitments versus \$1.36 billion at Q3 2014, net of mortgage warehouse line to PrimeLending
- Adding branches in desirable markets in Aledo, Victoria, Alice, Corpus Christi and Houston
- 78 operating branches as of 12/31/14; continuing to divest unprofitable branches acquired in the FNB transaction (17 branches in total marked for divestment since the transaction, 3 sold in 2nd half of 2014, 14 remaining)
- Solid core deposit base with low cost of funds of 25 basis points for 2014
- Legacy PCB's credit quality remains strong – non-covered NPAs to total consolidated assets decreased to 0.25%
- Relatively little energy exposure – represents 6.5% of loan portfolio

## PrimeLending

- PrimeLending had unprofitable quarter driven by seasonally lower volume and losses resulting from MSR fair value changes, partially offset by improved servicing income
  - Gain on sale margins flat between Q4 2014 and Q3 2014
- Ongoing efforts to improve platform's efficiency, as volume increased 16% compared with Q4 2013, even with lower loan officer headcount (currently 1,229)
- PrimeLending experienced market share gains (FY 2014 market share increased to 0.96% from 0.68% during FY 2013) and continues to focus on purchase volume (made up 80% of FY 2014 volume vs. 69% in FY 2013)
- Opportunistically adding MSR to boost servicing income

## First Southwest

- First Southwest had a favorable quarter due to improvement in most business lines, but primarily driven by its TBA business and public finance businesses that have benefited from clients capitalizing on the low interest rate environment
- On 1/1/15, moved from a subsidiary of PlainsCapital Bank to a subsidiary of Hilltop Securities Holdings

## National Lloyds Corporation

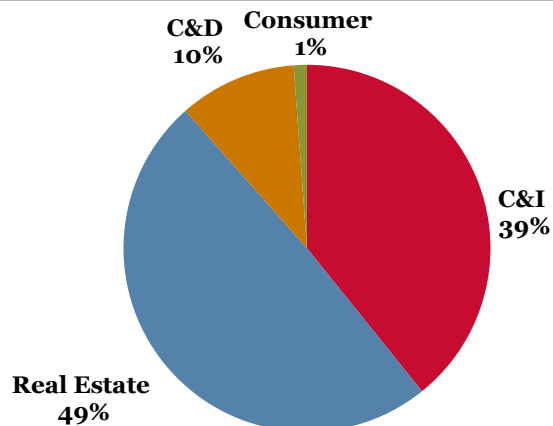
- National Lloyds Corporation had a strong quarter with a 77% combined ratio as a result of improved loss experience and seasonally favorable weather
- Recorded best annual results since the company was founded

# PlainsCapital Bank – Q4 2014 Highlights

- Pre-tax income increased to \$41.1 million in Q4 2014 versus \$24.6 million in Q3 2014 primarily due to OREO write-down in Q3 2014 and an increase in loan interest income related to accretion and higher yields in Q4 2014
- Provision for Loan Losses of \$4.1 million largely relates to PCI loans and was \$1.9 million greater than the fourth quarter of 2013 provision of \$2.2 million
- PrimeLending funds originations through a \$1.5 billion warehouse line from PlainsCapital Bank; \$1.2 billion was drawn at December 31<sup>st</sup>, 2014
- Tier 1 Leverage Ratio increased to 10.31%, up from 9.95% in Q3 2014

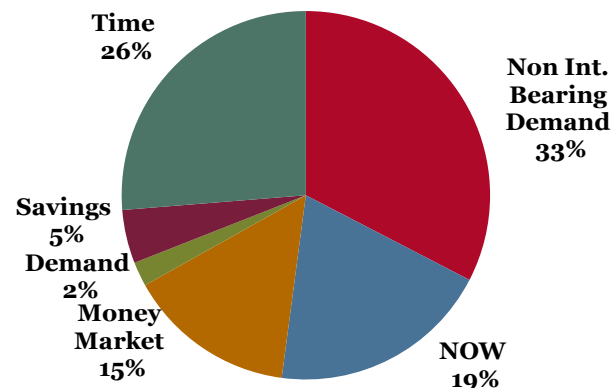
Summary Results (\$000)	Q1 2014	Q2 2014	Q3 2014	Q4 2014	FY 2014
Net Interest Income	79,572	90,828	78,285	85,692	334,377
Provision for Loan Losses	(3,228)	(5,516)	(4,049)	(4,123)	(16,916)
Noninterest Income	16,228	16,392	17,638	17,180	67,438
Noninterest Expense	(60,677)	(60,240)	(67,236)	(57,637)	(245,790)
<b>Income Before Taxes</b>	<b>31,895</b>	<b>41,464</b>	<b>24,638</b>	<b>41,112</b>	<b>139,109</b>
ROAA (%)	1.04%	1.36%	0.77%	1.42%	1.20%
NIM (%)	4.80%	5.52%	4.62%	5.08%	5.00%
Assets (\$B)	\$8.0	\$8.2	\$8.0	\$8.0	\$8.0
Tier 1 Leverage Ratio <sup>1</sup> (%)	9.53%	9.97%	9.95%	10.31%	10.31%

## Loans HFI Mix 4Q14



Total Loans<sup>2</sup>: \$4.6 billion

## Deposit Mix 4Q14

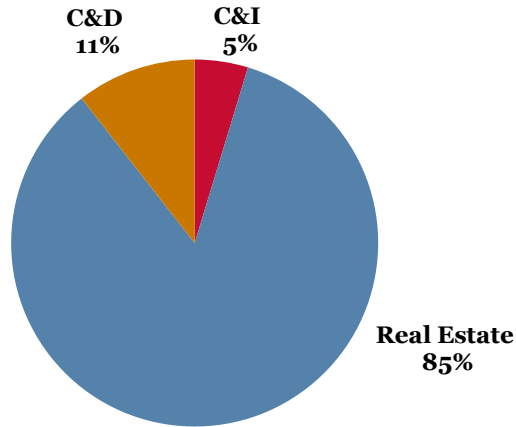


Total Deposits<sup>2</sup>: \$6.4 billion

Notes: (1) Based on the end of period Tier 1 capital divided by total average assets during the respective quarter or year, excluding goodwill and intangible assets  
 (2) Loans HFI and deposit mix represent consolidated balances at Hilltop and, therefore, eliminate intercompany loans and deposits

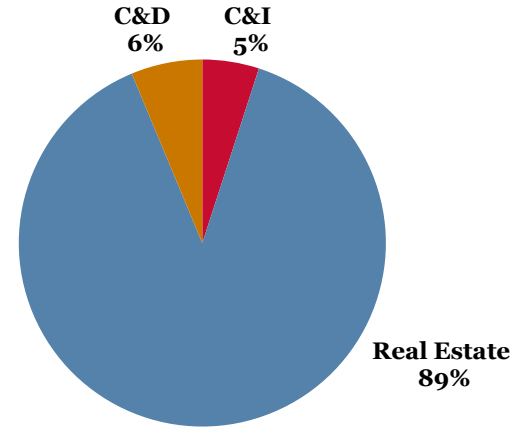
# PlainsCapital Bank – Loan Portfolio by Classification

## Covered PCI Loans



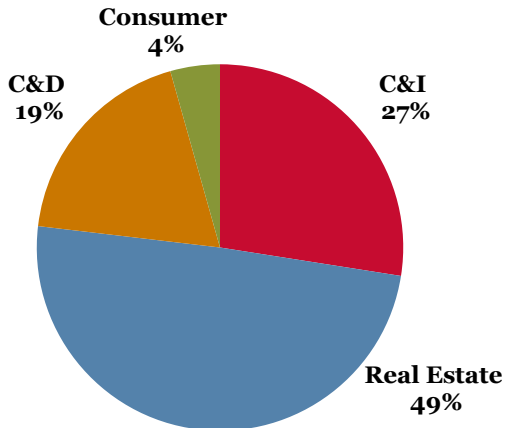
Q4 2014 Total: \$435.4 million

## Covered Non-PCI Loans



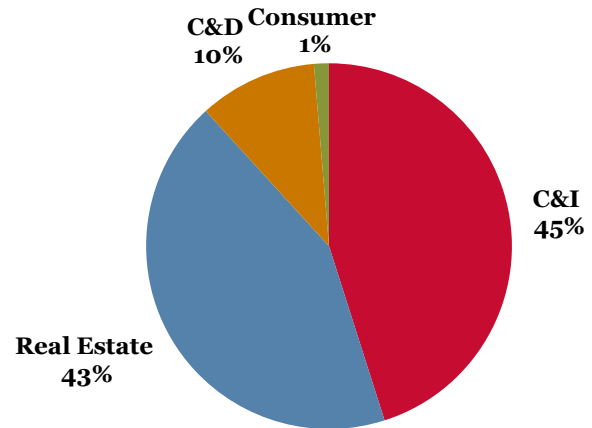
Q4 2014 Total: \$207.3 million

## Non-Covered PCI Loans



Q4 2014 Total: \$48.9 million

## Non-Covered Non-PCI Loans



Q4 2014 Total: \$3,871.6 million

Note: PCI stands for Purchased Credit Impaired loans. Loan classification mix represents consolidated balances at Hilltop and, therefore, eliminate intercompany loans. Amounts above equal carrying value, after deductions for discount

# PCI Loans at December 31, 2014

- Purchased Credit Impaired (“PCI”) loans are loans with evidence of credit quality deterioration, for which it is probable that not all contractually required payments will be collected
- PCI loans include covered and non-covered loans
- PCI loans had a total discount of \$268.8 million
  - \$250.0 million of the discount was related to covered loans
- Increase in accretable yield due to increased expected cash flows in Q4 2014 of \$22.9 million for covered PCI loans and \$1.3 million for non-covered PCI loans
- Weighted average expected loss on PCI loans associated with each of the PlainsCapital Merger and FNB Transaction was 24%

(\$000)	Covered PCI	Non-Covered PCI	Total PCI
Outstanding Balance	685,393	67,740	753,133
(Discount)	(250,005)	(18,831)	(268,836)
Carrying Amount	435,388	48,909	484,297
Allowance for Loan Loss	4,534	5,319	9,853
<b>Total PCI Loans, Net of Allowance</b>	<b>430,854</b>	<b>43,590</b>	<b>474,444</b>
<b>Carrying Amount (Net of Allowance) / Outstanding Balance</b>	<b>62.9%</b>	<b>64.3%</b>	<b>63.0%</b>

Note: Outstanding balance represents unpaid principal balance net of charge-offs and interest applied to principal

# Non-PCI Loans at December 31, 2014

- Non-PCI loans include newly originated loans, acquired loans without credit impairment at acquisition, and acquired loans that have renewed
- Non-PCI loans include covered loans and non-covered loans
- Portfolio on balance sheet at 98.3% unpaid principal balance with a total discount of \$40.1 million
  - \$25.2 million discount was related to non-covered loans, while covered loans had a \$14.9 million discount

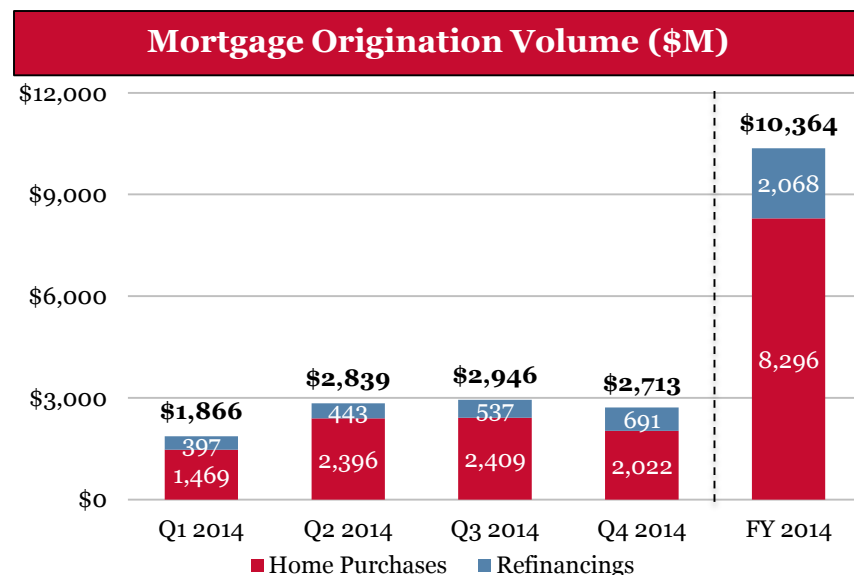
(\$000)	Covered Non-PCI	Non-Covered Non-PCI	Total Non-PCI
Outstanding Balance	222,105	3,896,773	4,118,878
(Discount)	(14,853)	(25,206)	(40,059)
Carrying Amount	207,252	3,871,567	4,078,819
Allowance for Loan Loss	77	31,722	31,799
<b>Total Non-PCI Loans, Net of Allowance</b>	<b>207,175</b>	<b>3,839,845</b>	<b>4,047,020</b>
<b>Carrying Amount (Net of Allowance) / Outstanding Balance</b>	<b>93.3%</b>	<b>98.5%</b>	<b>98.3%</b>

Note: Outstanding balance represents unpaid principal balance net of charge-offs and interest applied to principal

# PrimeLending – Q4 2014 Highlights

- Pre-tax loss narrowed to \$4.9 million in Q4 2014 versus \$7.6 million in Q4 2013 due to lower net interest expense and higher origination volumes
- Origination volume of \$2.7 billion in Q4 2014
  - Purchase volume decreased to 74.5% in Q4 2014 from 78.8% in Q4 2013
  - Refinance volume increased \$193.9 million, or 39.0%, from Q4 2013 to \$690.9 million in Q4 2014 due to a drop in interest rates
- Noninterest income increased \$15.0 million, or 15.2%, from Q4 2013 to \$113.2 million in Q4 2014 due to higher origination volume and servicing income
- Noninterest expense increased \$14.6 million, or 14.5%, from Q4 2013 to \$115.3 million in Q4 2014 due to higher variable compensation associated with higher origination volume
- MSR asset value of \$36.2 million at Q4 2014
  - Fair value of net MSR declined \$5.0 million during the quarter

Summary Results (\$000)	Q1 2014	Q2 2014	Q3 2014	Q4 2014	FY 2014
Net Interest Income	(4,139)	(2,389)	(3,197)	(2,866)	(12,591)
Provision for Loan Losses	–	–	–	–	–
Noninterest Income	91,763	122,820	128,989	113,204	456,776
Noninterest Expense	(90,632)	(111,224)	(114,690)	(115,274)	(431,820)
<b>Income Before Taxes</b>	<b>(3,008)</b>	<b>9,207</b>	<b>11,102</b>	<b>(4,936)</b>	<b>12,365</b>
Volume - % Purchase	78.7%	84.4%	81.8%	74.5%	80.0%



# First Southwest – Q4 2014 Highlights

- Pre-tax income grew to \$5.1 million in Q4 2014 versus \$1.2 million in Q3 2014 primarily due to increase in fees resulting from advising public finance clients on debt offerings
- The U.S. Agency to-be-announced, or TBA, business, which provides interest rate protection for housing authorities, had fair value changes on derivatives that provided a net gain of \$4.8 million for Q4 2014
- Noninterest expense increased \$5.4 million, or 17.1%, from Q3 2014 to \$37.2 million in Q4 2014 primarily due to increases in compensation that varies with revenue
- Established a \$1.9 million deferred tax asset valuation allowance during Q4 2014 related to capital losses on certain investments
- Customer correspondent margin loans balance increased to \$378.3 million at Q4 2014 from \$281.6 million at Q4 2013

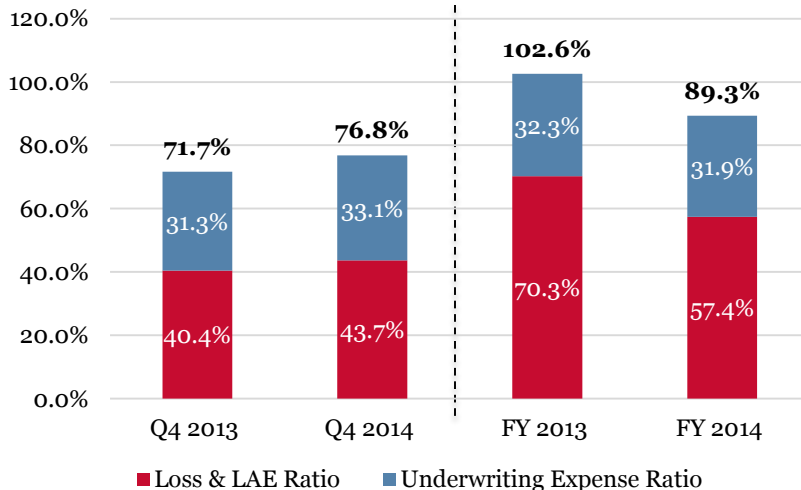
Summary Results (\$000)	Q1 2014	Q2 2014	Q3 2014	Q4 2014	FY 2014
Net Interest Income	2,629	3,178	3,269	3,068	12,144
Provision for Loan Losses	(14)	(17)	16	(2)	(17)
Noninterest Income	24,597	25,838	29,726	39,290	119,451
Noninterest Expense	(27,365)	(28,359)	(31,782)	(37,209)	(124,715)
<b>Income Before Taxes</b>	<b>(153)</b>	<b>640</b>	<b>1,229</b>	<b>5,147</b>	<b>6,863</b>

# National Lloyds Corporation – Q4 2014 Highlights

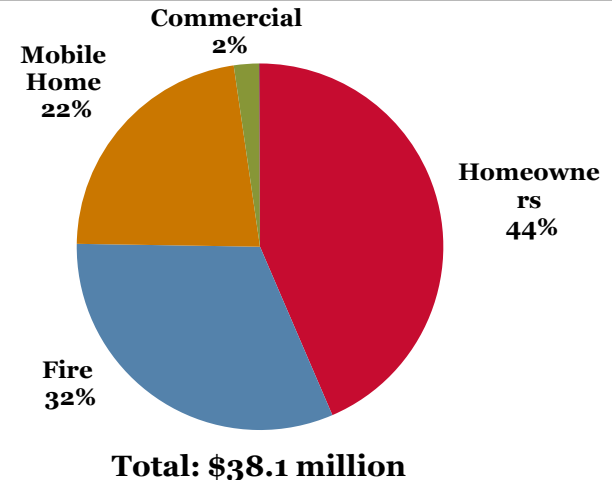
- Strong pre-tax income of \$11.6 million in Q4 2014 primarily driven by seasonally lower losses, though declined from \$17.5 million in Q4 2013 as prior year included a gain resulting from the redemption of Hilltop’s Senior Exchangeable Notes
- As a result of exposure management initiatives, policies in force decreased by 5.0% in 2014, however higher rates more than offset this decline, as noninterest income grew 4.5% from \$166.2 million in FY 2013 to \$173.6 million in FY 2014

Summary Results (\$000)	Q1 2014	Q2 2014	Q3 2014	Q4 2014	FY 2014
Net Interest Income	980	838	808	1,046	3,672
Provision for Loan Losses	-	-	-	-	-
Noninterest Income	42,773	43,123	44,014	43,667	173,577
Noninterest Expense	(32,341)	(49,420)	(36,636)	(33,144)	(151,541)
<b>Income Before Taxes</b>	<b>11,412</b>	<b>(5,459)</b>	<b>8,186</b>	<b>11,569</b>	<b>25,708</b>

## Combined Ratio



## Q4 2014 Direct Premiums Written





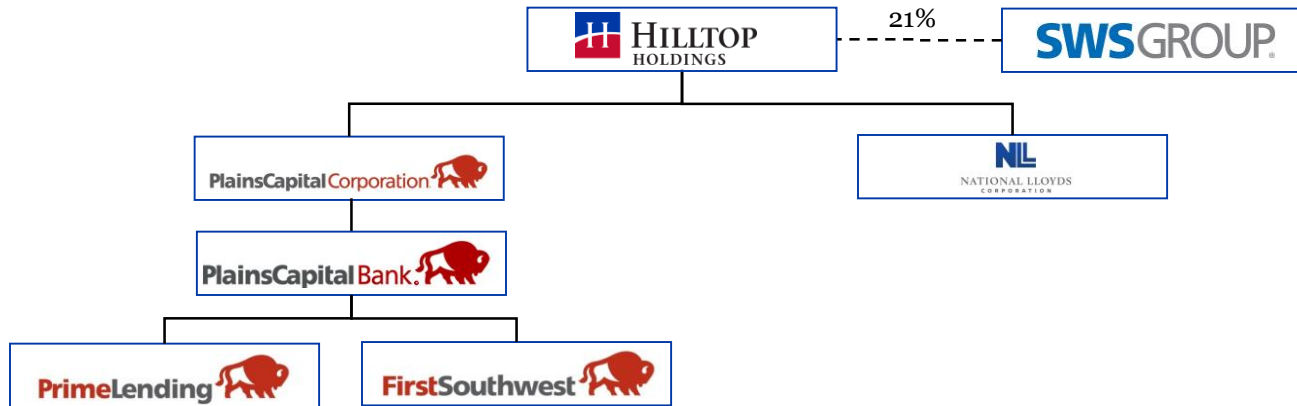
# SWS Acquisition Update

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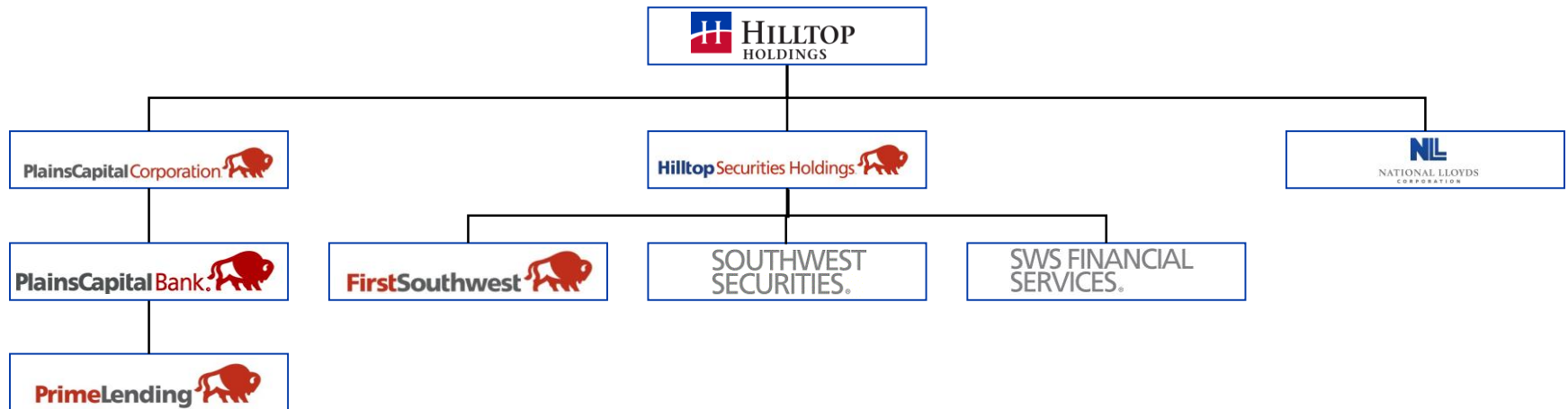
- Acquisition closed on January 1<sup>st</sup>, 2015
- Formed Hilltop Securities Holdings, a new holding company
  - First Southwest and Southwest Securities will run as parallel entities under Hilltop Securities Holdings until final conversion
- Once combined, broker-dealer will led by Hill Feinberg (Chairman/CEO), Jim Ross (Vice Chairman), Bob Peterson (President/COO), John Muschalek (Chief Admin. Officer), Mike Edge (CFO) and Allen Tubb (General Counsel)
- Various committees established to assist in integration efforts (real estate, regulatory, IT, employee, finance)
- Expect full broker-dealer integration to be realized in 18-24 months after systems integration and regulatory approvals
- Immediately following the SWS transaction, SWS Group's banking subsidiary merged into PlainsCapital Bank and brought four new branches, strong core funding (from sweep deposits) and key personnel to PlainsCapital Bank's franchise
  - PlainsCapital Bank to close seven of SWS bank locations (including loan production offices)
    - Closed branches include Albuquerque, Ruidoso, Fort Worth, and El Paso
  - Have already reduced SWS bank balance sheet size significantly through securities sales
  - Bank conversion expected to be completed in Q2 2015

# Summary Organizational Structure Change

As of December 31, 2014



As of January 1, 2015



# Pro Forma Summary Balance Sheet

	Historical		Pro Forma Adjustments	Pro Forma Combined
	Hilltop	SWS		
<b>Assets:</b>				
Cash and fed funds	\$ 813,075	\$ 163,279	\$ (83,086)	\$ 893,268
Assets segregated for regulatory purposes	-	181,610	-	181,610
Total securities	1,109,461	707,233	243	1,816,937
Loans held for sale	1,309,693	-	-	1,309,693
Loans, net	4,521,464	889,635	(34,857)	5,376,242
Broker-dealer and clearing organization receivables	167,884	1,261,022	-	1,428,906
Premises and equipment, net	206,991	14,170	(3,000)	218,161
Other assets	802,257	54,388	(30,078)	826,567
Goodwill and other intangible assets, net	311,591	7,552	6,448	325,591
Total assets	<u>\$ 9,242,416</u>	<u>\$ 3,278,889</u>	<u>\$ (144,330)</u>	<u>\$ 12,376,975</u>
<b>Liabilities:</b>				
Deposits	\$ 6,369,892	\$ 1,287,394	\$ -	\$ 7,657,286
Broker-dealer and clearing organization payables	179,042	1,113,075	-	1,292,117
Short-term borrowings	387,696	164,240	-	551,936
Advances from Federal Home Loan Bank	375,000	73,418	3,225	451,643
Notes payable	56,684	11,297	(11,297)	56,684
Junior subordinated debentures	67,012	-	-	67,012
Other liabilities	345,851	218,844	(2,433)	562,262
Total liabilities	<u>7,781,177</u>	<u>2,868,268</u>	<u>(10,505)</u>	<u>10,638,940</u>
<b>Stockholders' Equity:</b>				
Preferred equity	114,068	-	-	114,068
Common equity	1,346,384	410,621	(133,825)	1,623,180
Total stockholders' equity	1,460,452	410,621	(133,825)	1,737,248
Noncontrolling interest	787	-	-	787
Total liabilities and stockholders' equity	<u>\$ 9,242,416</u>	<u>\$ 3,278,889</u>	<u>\$ (144,330)</u>	<u>\$ 12,376,975</u>

- Pro forma for SWS transaction balance sheet is as of Dec. 31, 2014 and includes mark to market and transaction adjustments
- Merger consideration of \$349.0 million, includes issuance of 10.0 million shares of Hilltop stock, \$78.2 million of cash and \$70.3 million existing HTH investment in SWS
- Mark on loans of approximately \$42 million
- Expected loan accretion of approximately \$8.4 million in Year 1
- Bargain purchase gain currently estimated at approximately \$80 million
- In 2015, we expect to take several charges related to FSW/SWS integration

Source: Hilltop Holdings 8-K filed 2/26/15

Note: Because of (i) the short time period since the acquisition date and (ii) the work of third party specialists engaged to assist in valuing certain assets and liabilities, along with management's review and approval, not being complete, Hilltop used significant estimates and assumptions to value certain identifiable assets acquired and liabilities assumed in the SWS transaction

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# Questions?