

Hilltop Holdings Inc. Q2 2024 Earnings Presentation

July 26, 2024

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 our 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, we do not assume any duty to update forward-looking statements. Such forward-looking statements include, but are not limited to, statements concerning such things as our outlook, our business strategy, our financial condition, our efforts to make strategic acquisitions, our liquidity and sources of funding, market trends, operations and business, the impact of natural disasters or public health emergencies, information technology expenses, capital levels, mortgage servicing rights ("MSR") assets, stock repurchases, dividend payments, expectations concerning mortgage loan origination volume, servicer advances and interest rate compression, expected levels of refinancing as a percentage of total loan origination volume, projected losses on mortgage loans originated, total expenses, anticipated changes in our revenue, earnings, or taxes, the effects of government regulation applicable to our operations, the appropriateness of, and changes in, our allowance for credit losses and provision for (reversal of) credit losses, future benchmark rates and economic growth, anticipated investment yields, expected accretion of discount on loans in future periods, the collectability of loans, cybersecurity incidents, the outcome of litigation, and our 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," "building," "could," "estimates," "expects," "forecasts," "goal," "guidance," "intends," "may," "might," "outlook," "plan," "probable," "projects," "seeks," "should," "target," "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) disruptions to the economy and the U.S. banking system caused by recent bank failures, risks associated with uninsured deposits and responsive measures by federal or state governments or banking regulators, including increases in the cost of our deposit insurance assessments; (ii) the credit risks of lending activities, including our ability to estimate credit losses and increases to the allowance for credit losses, as well as the effects of changes in the level of, and trends in, loan delinquencies and write-offs; (iii) effectiveness of our data security controls in the face of cyber attacks; (iv) changes in general economic, market and business conditions in areas or markets where we compete, including changes in the price of crude oil; (v) risks associated with concentration in real estate related loans; (vi) changes in the interest rate environment; (vii) the effects of our indebtedness on our ability to manage our business successfully, including the restrictions imposed by the indenture governing our indebtedness; (viii) 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; (ix) cost and availability of capital; (x) changes in key management; (xi) competition in our banking, broker-dealer and mortgage origination segments from other banks and financial institutions, as well as investment banking and financial advisory firms, mortgage bankers, asset-based non-bank lenders and government agencies; (xii) legal and regulatory proceedings; (xiii) risks associated with merger and acquisition integration; (xiv) legal, reputational, and financial risks resulting from cybersecurity incidents and (xv) our ability to use excess capital in an effective manner. For further discussion of such factors, see the risk factors described in our most recent Annual Report on Form 10-K, and subsequent Quarterly Reports on Form 10-Q and other reports, that we have filed with the Securities and Exchange Commission. All forward-looking statements are qualified in their entirety by this cautionary statement.

The information contained herein speaks only as of the particular date or dates included in the accompanying slides. Hilltop Holdings does not undertake an obligation to, and disclaims any duty to, update any of the information herein.

Investor Highlights – Q2 2024

Net Income \$20.3 MM	EPS – Diluted \$0.31	ROAA ¹ 0.59%	ROAE 3.84%
	<ul style="list-style-type: none"> PlainsCapital Bank generated \$32.8 million in pre-tax income during Q2 2024 Bank net interest margin of 3.10% increased 10 basis points from Q1 2024, primarily driven by the repricing of the loan portfolio and the return of higher cost brokered deposits Average Bank loans HFI² increased from Q1 2024 by \$44 million, or 0.6%, while loan yields of 6.11% increased by 10 basis points from Q1 2024 Average Bank deposits decreased from Q1 2024 by \$247 million, or 2.3%. During the quarter, the Bank returned \$151 million in brokered deposits. Total cost of deposits at the Bank was 2.80% during the period, a 2-basis point increase from Q1 2024 		
	<ul style="list-style-type: none"> PrimeLending generated \$1.4 million in pre-tax income during Q2 2024 Gain-on-sale of loans sold to third parties of 233 basis points increased by 12 basis points from Q1 2024, partially offset by lower origination fees which decreased 13 basis points from Q1 2024 Origination volume increased \$703 million, or 42%, from Q1 2024, and decreased \$72 million, or 3%, from Q2 2023 Non-interest expense at PrimeLending declined by \$11.7 million, or 12%, from Q2 2023, including a \$1.4 million reduction in variable compensation. Expenses other than variable compensation declined by \$10.3 million, or 17%, during the same period, reflecting management's ongoing efforts to resize the business to align with the current environment 		
	<ul style="list-style-type: none"> HilltopSecurities generated pre-tax income of \$7.2 million during Q2 2024 on total net revenue of \$104.3 million for a pre-tax margin of 6.9% Structured Finance generated \$15.4 million in net revenue primarily from mortgage trading that benefited from certain states' support of their Down Payment Assistance programs 		

Notes:

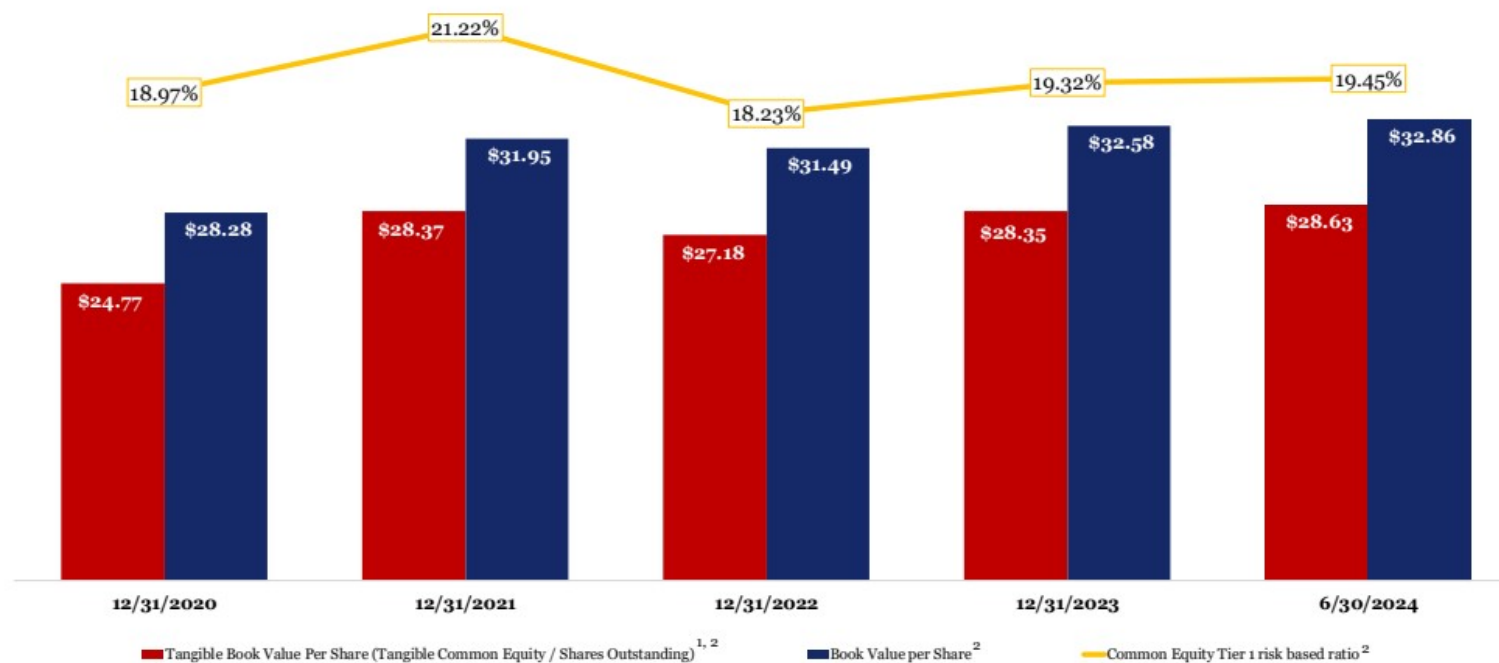
(1) Return on average assets is defined as consolidated net income before noncontrolling interest divided by average assets.

(2) Average Bank Loans HFI reflect consolidated loans held for investment excluding margin loans from the Broker-Dealer business.

Capital Highlights – Q2 2024

- During Q2 2024, Hilltop returned \$21 million to shareholders through dividends (\$11.1 million) and share repurchases (\$9.9 million)

Capital Management and Tangible Book Value Growth



Notes:

- (1) Tangible common equity and tangible book value per common share (TBVPS) are non-GAAP financial measures. For a reconciliation of tangible common equity and tangible book value per share to the nearest GAAP measure, see the appendix.
- (2) At period end.

Hilltop Holdings – Financial Summary

\$ in Millions, except EPS					
Income Statement and Key Metrics	Q2 2024	Q1 2024	QoQ%	Q2 2023	YoY%
Net interest income	\$103.7	\$103.6	0%	\$118.3	(12%)
Noninterest income	193.3	181.6	6%	190.7	1%
Noninterest expenses	256.5	250.0	3%	267.0	(4%)
Efficiency ratio	86.4%	87.7%		86.4%	
Pre-provision net revenue¹	40.5	35.2	15%	41.9	(3%)
Net charge-offs	\$0.1	\$4.3		\$2.9	
Net ACL build (release)	10.9	(7.2)		12.0	
Provision for (reversal of) credit losses	10.9	(2.9)	NR	14.8	NR
Income before income taxes	29.6	38.1	(22%)	27.1	9%
Net income	22.9	29.5	(22%)	19.9	15%
Minority interest	2.6	1.9	35%	1.8	42%
Income attributable to Hilltop	\$20.3	\$27.7	(27%)	\$18.1	12%
Return on average assets	0.59%	0.74%		0.47%	
Return on average equity	3.84%	5.23%		3.53%	
EPS - Diluted	\$0.31	\$0.42	(26%)	\$0.28	12%
EOP Shares outstanding (in thousands)	64,953	65,267	(0%)	65,071	(0%)
EOP Assets	15,620	16,210	(4%)	17,138	(9%)
EOP Loans HFI, net	8,058	7,958	1%	8,245	(2%)
EOP Deposits	10,374	10,884	(5%)	11,164	(7%)

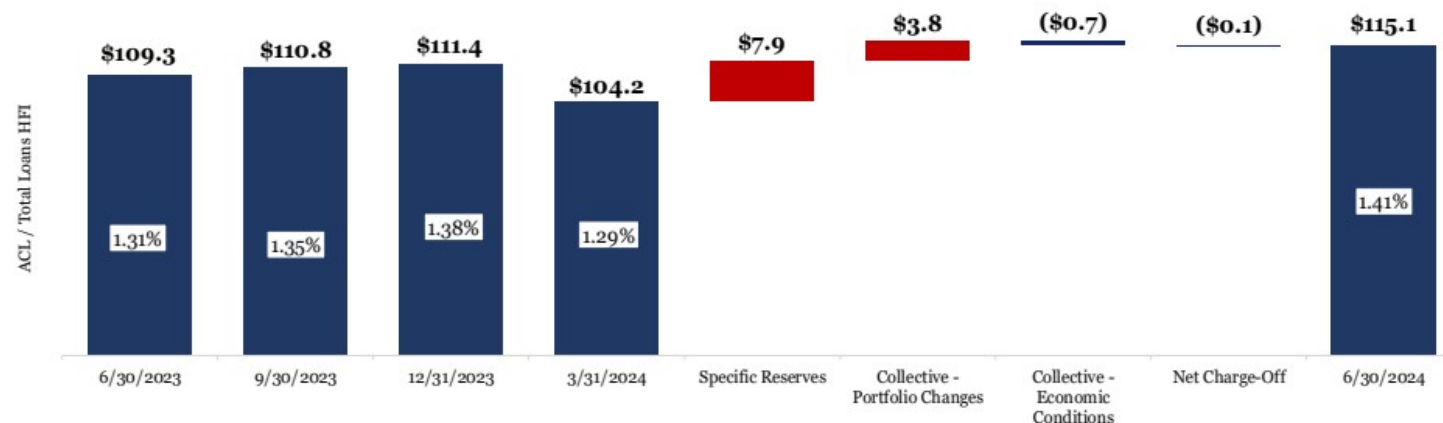
Notes:

(1) Pre-provision net revenue is calculated as the sum of net interest income and noninterest income less noninterest expense (except provision for loan losses).

Hilltop Holdings – Allowance for Credit Losses

Allowance for Credit Losses at Period End

(\$ in millions)



Commentary

- Applied Moody's Analytics June 2024 single macroeconomic alternative (S7) scenario for economic forecast
- Reserve builds driven by increases in specific reserves and net portfolio changes
- ACL % of Loans HFI excluding broker-dealer margin loans and mortgage warehouse loans equated to 1.52% as of June 30, 2024

6/30/24 Reserve Composition

(\$ in millions)	ACL	ACL/Loans HFI
Commercial real estate		
Non-owner occupied	\$37.3	1.86%
Owner occupied	\$32.8	2.22%
Commercial and industrial	\$28.7	2.04%
Construction and land development	\$7.6	0.88%
1-4 family residential	\$7.9	0.45%
Consumer	\$0.5	2.00%
Broker-dealer	\$0.1	0.02%
Mortgage warehouse lending	\$0.1	0.05%
Total	\$115.1	1.41%

Hilltop Holdings – Net Interest Income & Margin

Net Interest Income

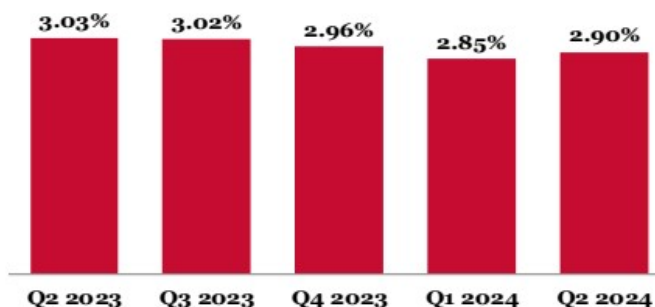
(\$ in millions)



Quarter-over-Quarter Net Interest Margin

Q1 2024	2.85%
Cost of Interest-Bearing Deposits	0.10%
Loan Yields	0.05%
Cash	(0.08%)
Other	(0.02%)
Q2 2024	2.90%

Net Interest Margin



Key Drivers & Statistics

	Q2'23	Q1'24	Q2'24
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(\$ in millions, except as noted)

HTH Consolidated

Average Earning Assets (\$B)	\$15.7	\$14.6	\$14.3
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Banking

Accretion Income	\$3.3	\$1.3	\$2.0
Loans HFI (Avg. Balance)	\$7,865	\$7,704	\$7,748
Deposit (Avg. Balance)	\$11,280	\$10,761	\$10,514
Cash and Due (Avg. Balance)	\$1,797	\$1,539	\$1,127

Mortgage

Loans Held for Sale (period end)	\$1,333	\$811	\$1,263
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Hilltop Holdings – Q2 2024 Liquidity Update

Available Liquidity ¹

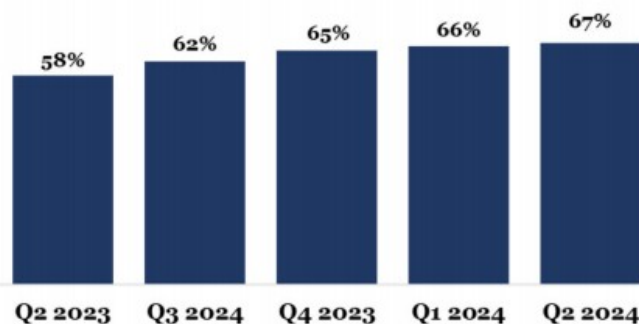
(\$ in millions, at period end)

FHLB Capacity	\$ 4,386
Investment Portfolio (available)	1,446
Fed Deposits (excess daily requirements)	626
Total	\$ 6,458
Available liquidity from Fed discount window	148
Total available Liquidity	\$ 6,606

Current Themes

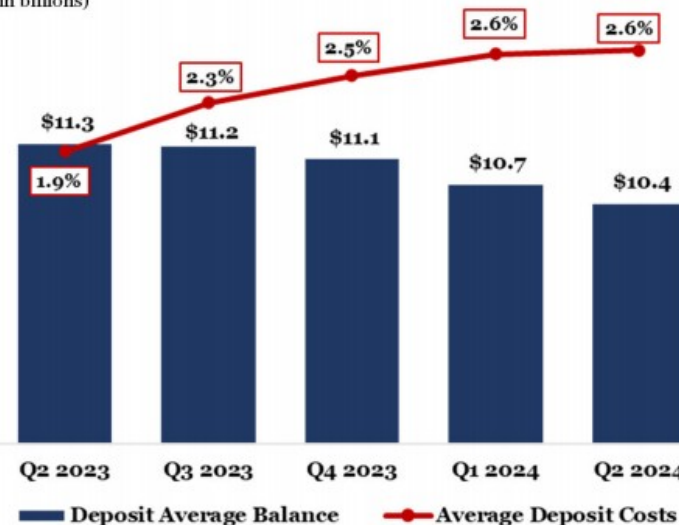
- Available liquidity equated to \$6.6 billion at June 30, 2024
- Total uninsured deposits were \$4.8 billion, or approximately 46% of total deposits. Uninsured deposits, excluding collateralized deposits of \$325.4 million, were \$4.5 billion, or approximately 43% of total deposits

Through the Cycle Interest-Bearing Deposit Beta ²



Deposit Average Balance and Costs

(\$ in billions)



Notes:

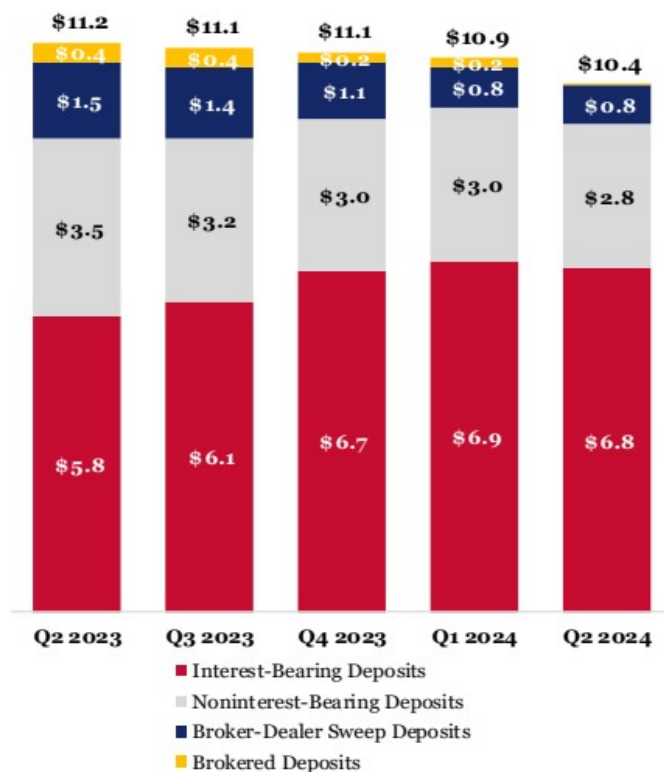
(1) Available liquidity is net of utilization.

(2) Deposit beta on PlainsCapital Bank deposits excluding HTS sweep and brokered deposits.

Hilltop Holdings – Deposits

Deposit Mix at Period End

(\$ in billions)



Notes:

The sum of the period amounts may not equal the total amounts due to rounding.

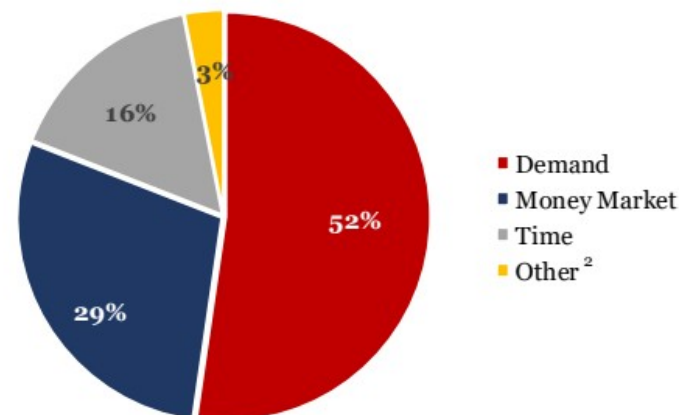
(1) Annualized.

(2) Other includes savings and broker deposits.

Key Drivers & Statistics

	Q2'23	Q1'24	Q2'24
Average Deposits (\$B)	\$11.3	\$10.7	\$10.4
Cost of Interest-Bearing Deposits ¹	2.84%	3.58%	3.59%
Cost of Total Deposits ¹	1.95%	2.59%	2.62%

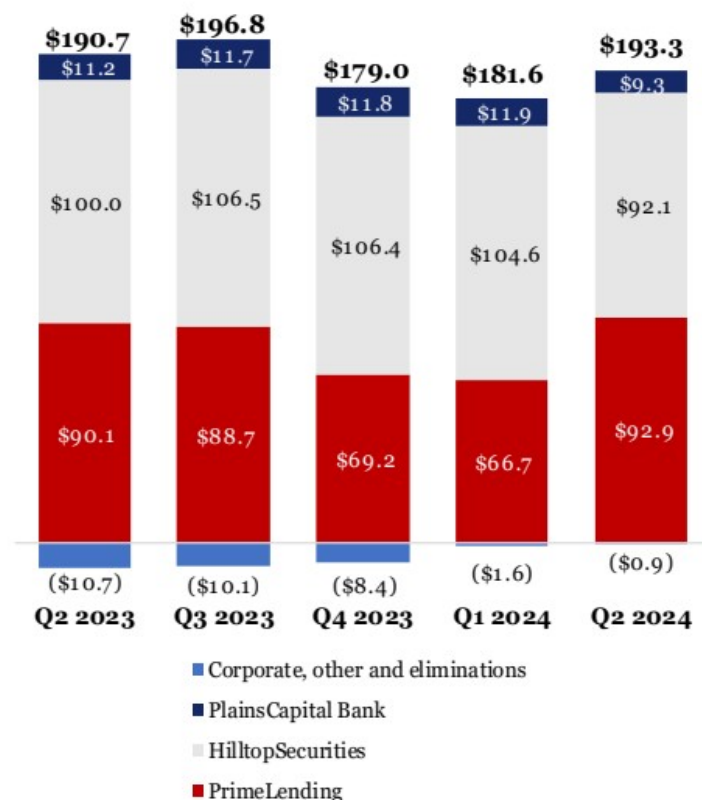
Interest-Bearing Deposits by Type at 6/30/2024



Hilltop Holdings – Noninterest Income

Noninterest Income

(\$ in millions)



Year-over-Year Noninterest Income (\$ in millions)

Q2 2023	\$190.7
Mortgage Production Income & Fees	2.9
Other Income	(0.2)
Q2 2024	\$193.3

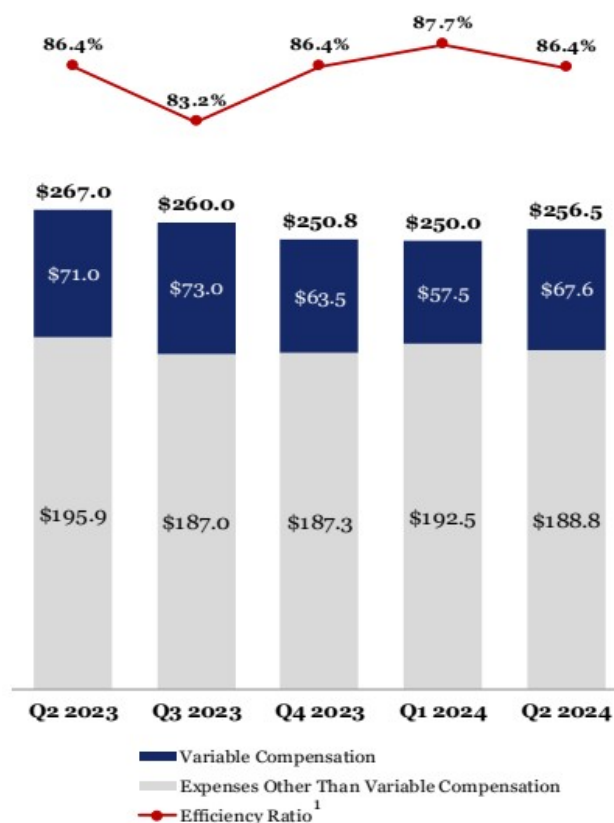
Key Drivers & Statistics

	Q2'23	Q1'24	Q2'24
Broker-Dealer			
TBA Lock Volume (\$mm)	\$1,580	\$614	\$835
Mortgage			
Origination Volume (\$B)	\$2.5	\$1.7	\$2.4
Net gains from mortgage loan sales (bps):			
Loans sold to third parties	207	221	233
Impact of loans sold to bank	(6)	(5)	(5)
As reported	201	216	228

Hilltop Holdings – Noninterest Expenses

Noninterest Expenses

(\$ in millions)



Notes:

(1) Efficiency Ratio is calculated as noninterest expense divided by the sum of net interest income and noninterest income.

Year-over-Year Noninterest Expense (\$ in millions)

Q2 2023	\$267.0
Compensation and Benefits	(6.9)
Occupancy and Equipment	(1.7)
Professional Services	(2.3)
Other Expenses	0.4
Q2 2024	\$256.5

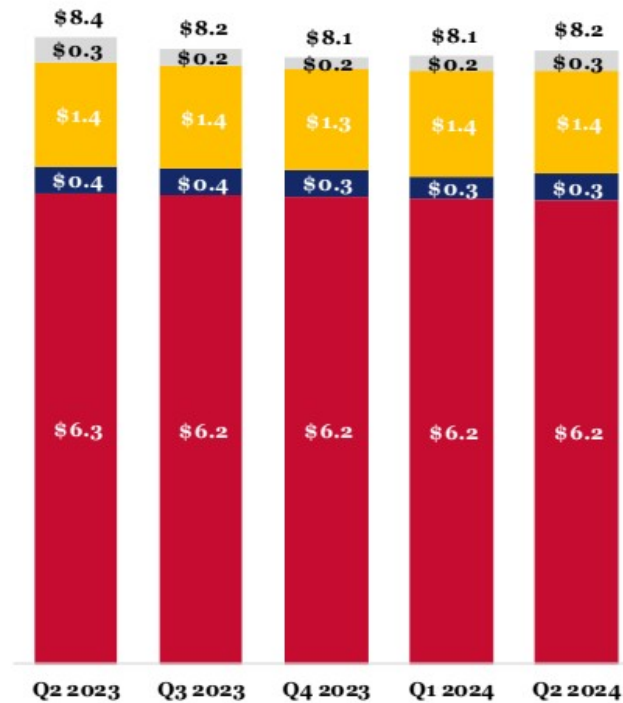
Key Drivers & Statistics

	Q2'23	Q1'24	Q2'24
Banking			
Full-Service Branches	59	57	57
Efficiency Ratio (Bank Only)	51.2%	54.1%	57.0%
Mortgage			
Fixed Expenses (\$mm)	\$57.6	\$49.0	\$43.2
Variable Compensation (\$mm)	\$36.2	\$22.2	\$34.9
Variable Comp / Originated Volume	1.5%	1.3%	1.5%
Broker-Dealer			
Variable Compensation (\$mm)	\$34.8	\$35.3	\$32.7
Compensation / Net Revenue	57.7%	59.4%	63.5%

Hilltop Holdings – Loans

Loan Mix at Period End

(\$ in billions)



- Mortgage Warehouse Lending
- 1 - 4 Family PrimeLending Retained Mortgages¹
- Broker-Dealer Loans
- All Other Loans

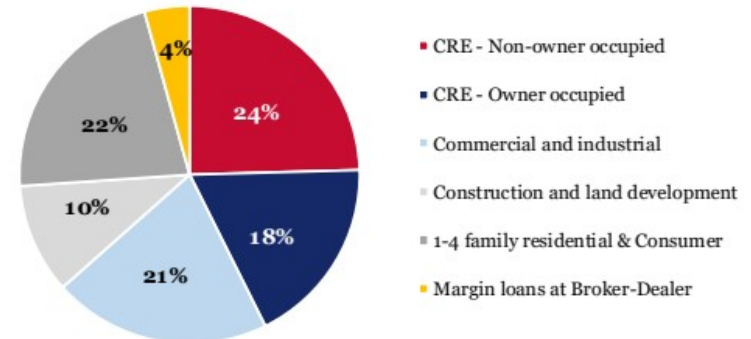
Notes:

(1) 1-4 Family PrimeLending Retained Mortgages are loans purchased at par by PlainsCapital Bank from PrimeLending. These are exclusive of the 1-4 family residential mortgages originated through PlainsCapital Bank. The sum of the period amounts may not equal the total amounts due to rounding.

Key Drivers & Statistics

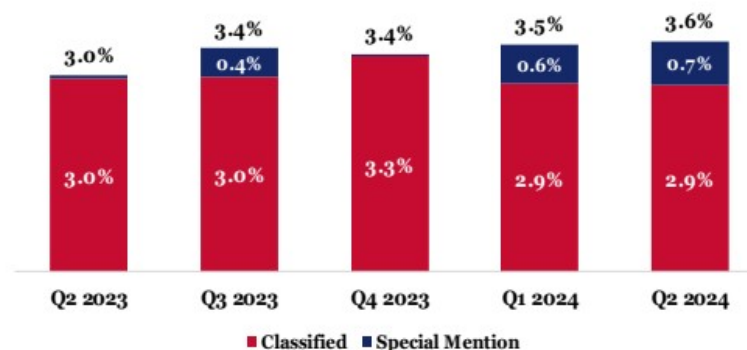
	Q2'23	Q1'24	Q2'24
Average Loans HFI Balance (\$B)	\$8.0	\$7.8	\$7.9
Annualized Loan HFI Yield %	6.21%	6.28%	6.36%

Gross Loans HFI by Type at 6/30/24



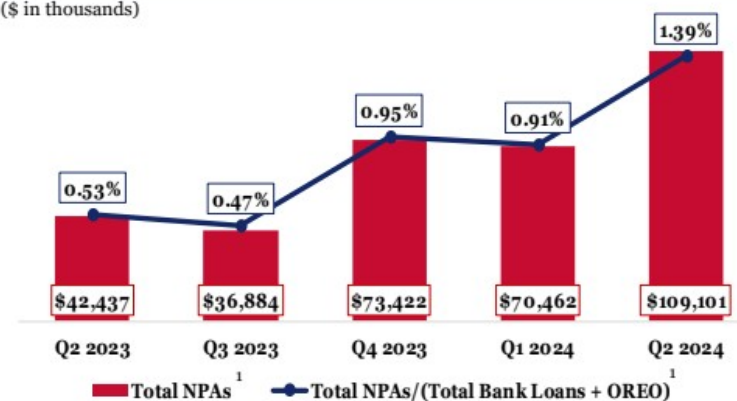
Hilltop Holdings – Asset Quality

Criticized Loans as a % of Bank Loans



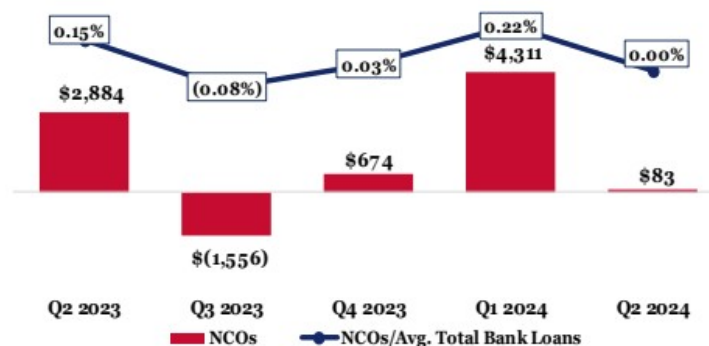
Non-Performing Assets

(\$ in thousands)

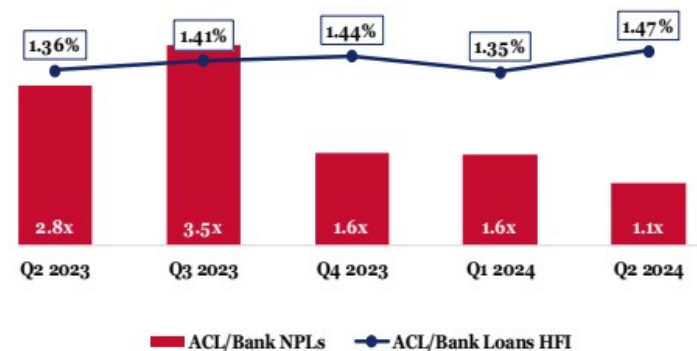


Net Charge-Offs (Recoveries)

(\$ in thousands)



Allowance for Credit Losses



Notes: The sum of the period amounts may not equal the total amounts due to rounding. Figures represent Bank asset quality metrics only (excludes Loans HFS and Broker Dealer Margin Loans).

(1) Total NPAs included non-accrual loans, OREO and other repossessed assets.

Hilltop Holdings – 2024 Outlook

	Outlook
Loan Growth (Full year average HFI loan growth)	<ul style="list-style-type: none"> Full year average Bank loans (excluding retained mortgages and mortgage warehouse lending) remain stable with prior year levels Expect to retain \$0 – \$20 million per month of originated mortgages
Deposit Growth (Full year average deposit growth)	<ul style="list-style-type: none"> Expecting decline of 0% – 3% driven by elevated market pricing and competition (excluding brokered deposit and Broker Dealer sweep deposits) Migration of NIB deposits expected to continue into IB products Expecting NIB to comprise 25% – 28% of total deposits at year-end 2024
Net Interest Income	<ul style="list-style-type: none"> NII decline of 6% – 10% driven by higher average deposits costs in 2024 Outlook assumes Fed Funds rates remain stable until the fourth quarter (market dependent)
Noninterest Income	<ul style="list-style-type: none"> Mortgage origination noninterest income – expected to remain relatively stable with prior year Mortgage origination volume \$8 – \$10 billion Broker Dealer fees decrease 0% – 5%
Noninterest Expense	<ul style="list-style-type: none"> Non-variable expenses decline 1% – 3% Variable expenses to follow revenue contribution from fee businesses
Provision Expense / (Reversal)	<ul style="list-style-type: none"> Full year provision / average loans HFI: 20 – 40 basis points
Effective Tax Rate (GAAP)	<ul style="list-style-type: none"> 22% – 24% full year basis

Appendix

Non-GAAP to GAAP Reconciliation and Management's Explanation of Non-GAAP Financial Measures

Tangible Common Equity is a non-GAAP financial measure. Tangible common equity is defined as our total stockholders' equity, excluding preferred stock, reduced by goodwill and other intangible assets. This is a measure used by management, investors and analysts to assess use of equity.

Tangible book value per share, or TBVPS, is a non-GAAP financial measure. TBVPS represents Hilltop's tangible common equity at period-end divided by common shares outstanding at period-end. This is a measure used by management, investors and analysts to assess use of equity.

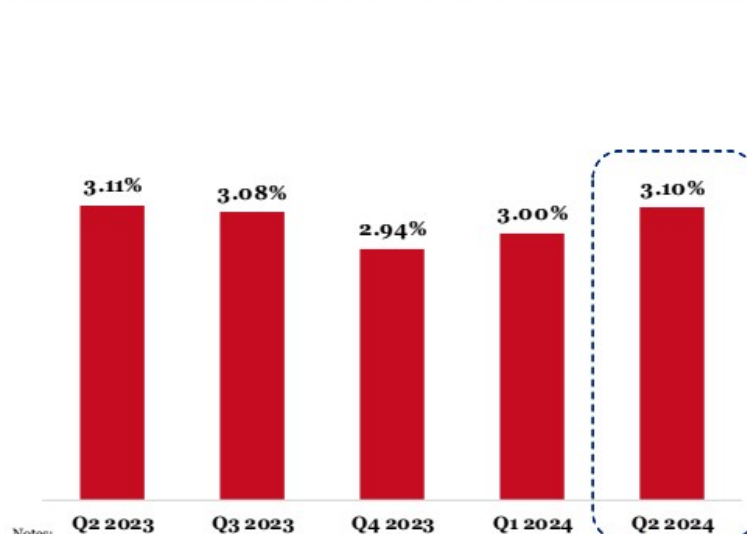
Hilltop Consolidated					
Reconciliation of Tangible Common Equity and Tangible Book Value Per Share					
(\$ in millions, except per share amounts)	12/31/2020	12/31/2021	12/31/2022	12/31/2023	6/30/2024
Total Stockholders' Equity	\$2,323,939	\$2,522,668	\$2,036,924	\$2,122,967	\$2,134,469
Less:					
Goodwill	267,447	267,447	267,447	267,447	267,447
Other intangible assets, net	20,364	15,284	11,317	8,457	7,429
Tangible Common Equity	\$2,036,128	\$2,239,937	\$1,758,160	\$1,847,063	\$1,859,593
Shares outstanding as of period end	82,185	78,965	64,685	65,153	64,953
Book Value Per Share (Common Stockholder's Equity / Shares Outstanding)	\$28.28	\$31.95	\$31.49	\$32.58	\$32.86
Tangible Book Value Per Share (Tangible Common Equity / Shares Outstanding)	\$24.77	\$28.37	\$27.18	\$28.35	\$28.63

PlainsCapital Bank – Q2 2024 Highlights

Summary Results (\$ in millions)	Q2 2023	Q2 2024
Net Interest Income	\$101.0	\$92.5
Provision for (reversal of) Credit Losses	14.9	11.0
Noninterest Income	11.2	9.3
Noninterest Expense	57.4	58.0
Income Before Taxes	\$39.8	\$32.8

Key Highlights	Q2 2023	Q2 2024
ROAA	0.89%	0.81%
Full Service Branches (period end)	59	57
Net Interest Margin	3.11%	3.10%
Assets (\$B) (period end)	\$13.8	\$12.7

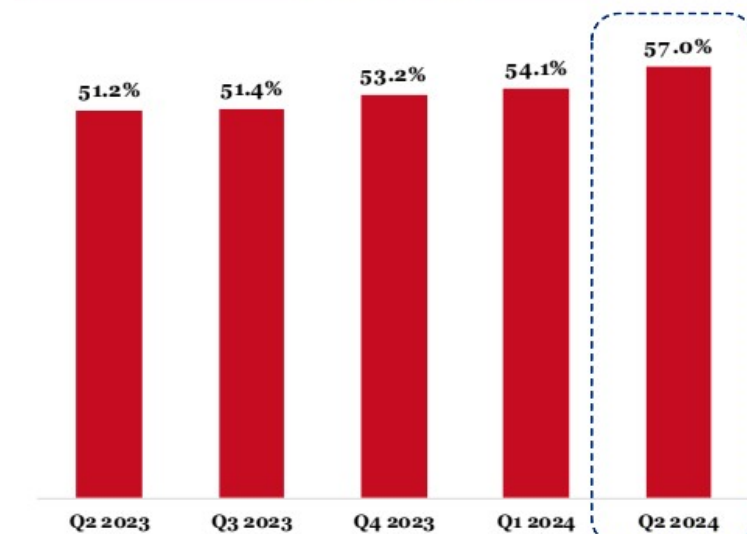
Net Interest Margin



Notes:

(1) Efficiency Ratio is calculated as noninterest expense divided by the sum of net interest income and noninterest income.

Efficiency Ratio¹



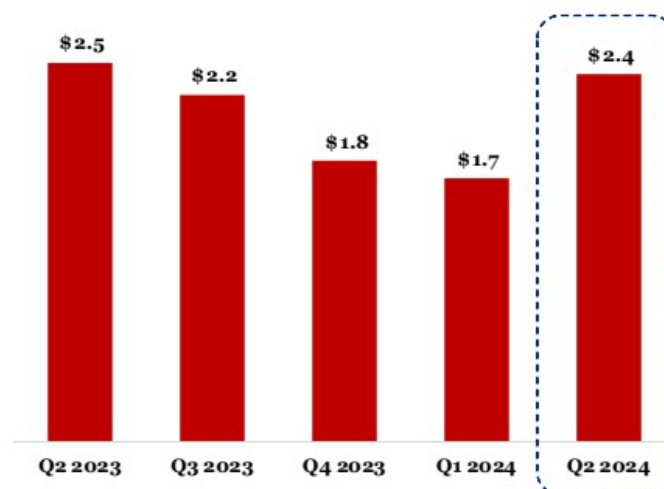
PrimeLending – Q2 2024 Highlights

Summary Results (\$ in millions)	Q2 2023	Q2 2024
Net Interest Income (Expense)	(\$5.9)	(\$4.6)
Noninterest Income	90.1	92.9
Noninterest Expense	98.7	86.9
Income (Loss) Before Taxes	(\$14.5)	\$1.4

Key Highlights	Q2 2023	Q2 2024
Origination Volume (\$mm)	\$2,452	\$2,379
% Purchase	94%	93%
Sales Volume (\$mm)	\$2,116	\$1,839
MSR Asset (\$mm)(period end)	\$95	\$53

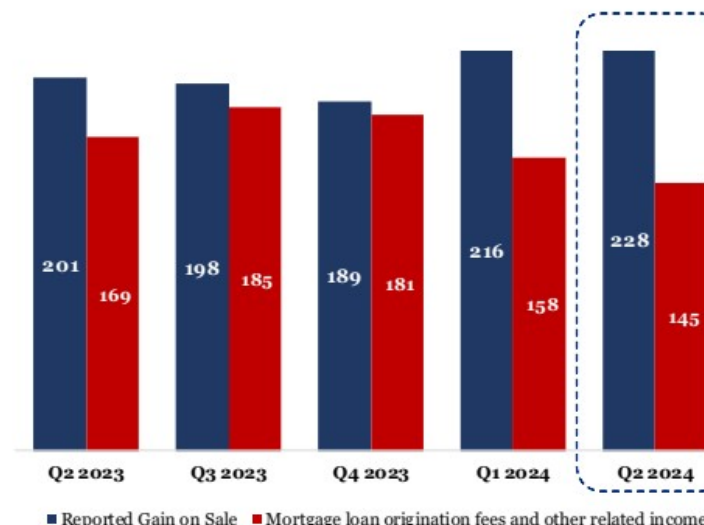
Mortgage Origination Volume

(\$ in billions)



Gain on Sale¹ and Origination Fee Trends

(# in basis points)



Notes:

(1) Gain on Sale calculated as net gains from sale of loans divided by sales volume. Reported Gain on Sale reflects impact of loans retained by PlainsCapital Bank.

HilltopSecurities – Q2 2024 Highlights

Summary Results (\$ in millions)	Q2 2023	Q2 2024	Key Highlights (\$ in millions)	Q2 2023	Q2 2024
Net Interest Income	\$13.2	\$12.2	Compensation/Net Revenue (%)	57.7%	63.5%
Provision for (Reversal of) Credit Losses	(0.1)	(0.0)	Pre-tax Margin (%)	16.3%	6.9%
Noninterest Income	100.0	92.1	FDIC Insured Balances at PCB (period end)	\$1,464	\$758
Noninterest Expense	94.9	97.1	Other FDIC Insured Balances (period end)	\$639	\$982
Income Before Taxes	\$18.5	\$7.2	Public Finance Offerings	\$12,737	\$15,740
			TBA Lock Volume	\$1,580	\$835

Net Revenues by Business Line		
Key Highlights (\$ in millions)	Q2 2023	Q2 2024
Public Finance Services	\$21.9	\$22.6
Fixed Income Services	17.7	12.3
Wealth Management		
Retail	33.4	31.4
Clearing Services	11.6	11.8
Securities Lending	2.1	1.6
Structured Finance	19.9	15.4
Other	6.6	9.2
Net Revenues	\$113.2	\$104.3

Notes:

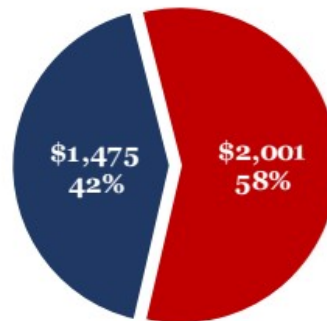
The sum of the period amounts may not equal the total amounts due to rounding. Presented net revenue by business line may differ slightly from 10-Q due to grouping of certain business lines into 'Other'.

Hilltop Holdings – Commercial Real Estate Portfolio

Commercial Real Estate Portfolio

(Ending Balance, \$ in millions)

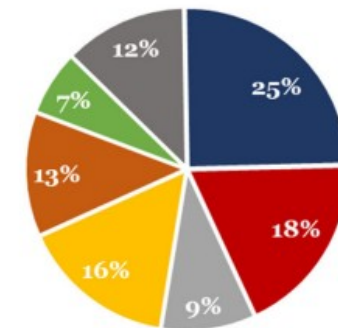
- CRE - Owner Occupied
- CRE - Non-Owner Occupied



Commercial Real Estate – Non-Owner Occupied

(Ending Balance)

- Office
- Retail
- Hotel/Motel
- Multifamily
- Industrial
- Mini-Storage
- Other

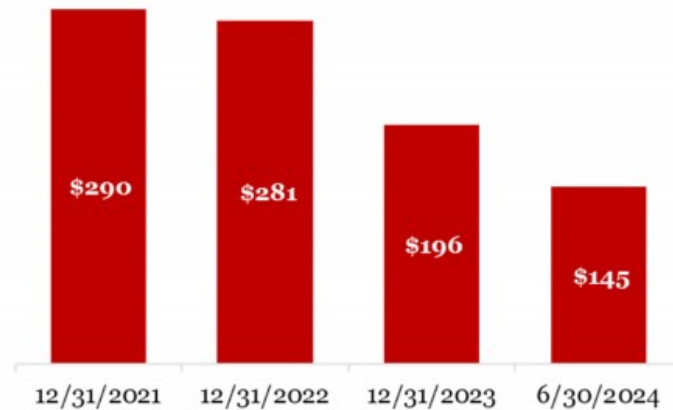


CRE Allowance for Credit Losses (ACL)

\$ in millions	Ending Balance	Allowance for Credit Losses	ACL % Loans	
			6/30/2024	3/31/2024
CRE Non-Owner Occupied Office	\$497.9	\$17.6	3.5%	4.2%
CRE Non-Owner Occupied Retail	\$370.1	\$4.7	1.3%	1.3%
CRE Non-Owner Occupied Office and Retail	\$868.0	\$22.3	2.6%	3.0%
All other CRE Non-Owner Occupied	\$1,133.3	\$15.1	1.3%	1.3%
Total CRE Non-Owner Occupied	\$2,001.3	\$37.3	1.9%	2.0%

Hilltop Holdings – Auto Lending Portfolio

Auto Note Financing Commitments¹



Commentary

- Auto Note Finance committed portfolio balance has been in decline since 2021
 - The impacts of higher interest rates and declining values of used vehicles continue to pressure the portfolio
- Current portfolio comprises 2% of Total Bank Loans HFI
- Allowance for Credit Losses related Specific Reserves increased by \$8.8 million during the second quarter, somewhat offset by \$646 thousand in reductions from the collective reserve
- At June 30, there were four auto note financing relationships totaling \$68.7 million included in non-accrual loans

Auto Lending Allowance for Credit Losses (ACL)

\$ in millions	Ending Balance	Allowance for Credit Losses	ACL as a % of Loan Balance	
			6/30/2024	3/31/2024
Auto Floor Plan Financing	\$15.813	\$0.2	1.4%	1.6%
Auto Note Financing	\$127.302	\$9.2	7.3%	0.8%
Total Auto Lending	\$143.115	\$9.5	6.6%	0.8%

(1) Total exposure net of any SBA guarantee