Hilltop Holdings Inc.
Form 10-Q
November 05, 2015
Table of Contents

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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 September 30, 2015

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

200 Crescent Court, Suite 1330

Dallas, TX	75201
(Address of principal executive offices)	(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 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 smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

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 Act). Yes No

The number of shares of the registrant's common stock outstanding at November 5, 2015 was 98,895,584.

Table of Contents

HILLTOP HOLDINGS INC.

FORM 10-Q

FOR THE QUARTER ENDED SEPTEMBER 30, 2015

TABLE OF CONTENTS

Table of Contents

HILLTOP HOLDINGS INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(in thousands, except share and per share data)

(Unaudited)

	September 30, 2015	December 31, 2014
Assets		
Cash and due from banks	$ 526,692	$ 782,473
Federal funds sold	24,861	30,602
Securities purchased under agreements to resell	83,889	—
Assets segregated for regulatory purposes	228,251	76,013
Securities:		
Trading, at fair value	292,418	65,717
Available for sale, at fair value (amortized cost of $719,212 and $924,755, respectively)	726,132	925,535
Held to maturity, at amortized cost (fair value of $308,031 and $118,345, respectively)	305,316	118,209
	1,323,866	1,109,461
Loans held for sale	1,354,107	1,309,693
Non-covered loans, net of unearned income	4,999,529	3,920,476
Allowance for non-covered loan losses	(42,989)	(37,041)
Non-covered loans, net	4,956,540	3,883,435
Covered loans, net of allowance of $1,870 and $4,611, respectively	420,547	638,029
Broker-dealer and clearing organization receivables	2,111,864	167,884
Premises and equipment, net	204,273	206,991
FDIC indemnification asset	92,902	130,437
Covered other real estate owned	106,024	136,945
Other assets	644,916	458,862
Goodwill	251,808	251,808
Other intangible assets, net	58,916	59,783
Total assets	$ 12,389,456	$ 9,242,416
Liabilities and Stockholders' Equity		
Deposits:		
Noninterest-bearing	$ 2,173,890	$ 2,076,385
Interest-bearing	4,646,859	4,293,507
Total deposits	6,820,749	6,369,892

Broker-dealer and clearing organization payables	2,045,604	179,042
Short-term borrowings	910,490	762,696
Securities sold, not yet purchased, at fair value	156,775	48
Notes payable	243,556	56,684
Junior subordinated debentures	67,012	67,012
Other liabilities	428,442	345,803
Total liabilities	10,672,628	7,781,177
Commitments and contingencies (see Notes 13 and 14)		
Stockholders' equity:		
Hilltop stockholders' equity:		
Preferred stock, $0.01 par value, 10,000,000 shares authorized; Series B, liquidation value per share of $1,000; 114,068 shares issued and outstanding at December 31, 2014	—	114,068
Common stock, $0.01 par value, 125,000,000 shares authorized; 98,892,539 and 90,181,888 shares issued and outstanding, respectively	989	902
Additional paid-in capital	1,574,769	1,390,788
Accumulated other comprehensive income	4,592	651
Retained earnings (accumulated deficit)	134,748	(45,957)
Deferred compensation employee stock trust, net	1,182	—
Employee stock trust (29,589 shares, at cost)	(590)	—
Total Hilltop stockholders' equity	1,715,690	1,460,452
Noncontrolling interests	1,138	787
Total stockholders' equity	1,716,828	1,461,239
Total liabilities and stockholders' equity	$ 12,389,456	$ 9,242,416

See accompanying notes.

Table of Contents

HILLTOP HOLDINGS INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share data)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Interest income:				
Loans, including fees	$ 111,315	$ 80,719	$ 295,670	$ 252,667
Securities borrowed	10,116	2,078	29,809	5,420
Securities:				
Taxable	6,262	7,688	19,538	22,894
Tax-exempt	1,683	1,150	4,981	3,579
Other	1,169	1,582	3,878	4,893
Total interest income	130,545	93,217	353,876	289,453
Interest expense:				
Deposits	3,719	4,117	11,934	10,972
Securities loaned	7,110	1,182	21,505	2,947
Short-term borrowings	1,189	667	3,356	1,606
Notes payable	2,524	633	5,482	1,913
Junior subordinated debentures	605	594	1,785	1,765
Other	187	264	544	623
Total interest expense	15,334	7,457	44,606	19,826
Net interest income	115,211	85,760	309,270	269,627
Provision for loan losses	5,593	4,033	8,438	12,808
Net interest income after provision for loan losses	109,618	81,727	300,832	256,819
Noninterest income:				
Net realized gains on securities	—	—	4,403	—
Net gains from sale of loans and other mortgage production income	137,303	108,621	405,023	293,786
Mortgage loan origination fees	22,647	17,593	58,194	46,920
Net insurance premiums earned	41,196	41,821	121,081	122,917
Securities commissions and fees	39,070	6,865	123,201	20,857
Investment and securities advisory fees and commissions	27,667	17,190	82,254	46,797
Bargain purchase gain	—	—	81,289	—
Other	28,586	20,045	75,270	54,239
Total noninterest income	296,469	212,135	950,715	585,516

Noninterest expense:				
Employees' compensation and benefits	200,620	126,472	583,415	357,280
Loss and loss adjustment expenses	17,335	22,629	77,436	76,241
Policy acquisition and other underwriting expenses	11,784	11,571	35,198	34,910
Occupancy and equipment, net	29,341	25,345	89,368	77,445
Other	74,422	68,727	215,878	172,709
Total noninterest expense	333,502	254,744	1,001,295	718,585
Income before income taxes	72,585	39,118	250,252	123,750
Income tax expense	25,338	14,010	58,895	44,658
Net income	47,247	25,108	191,357	79,092
Less: Net income attributable to noncontrolling interest	353	296	1,111	583
Income attributable to Hilltop	46,894	24,812	190,246	78,509
Dividends on preferred stock	—	1,426	1,854	4,278
Income applicable to Hilltop common stockholders	$ 46,894	$ 23,386	$ 188,392	$ 74,231
Earnings per common share:				
Basic	$ 0.47	$ 0.26	$ 1.89	$ 0.82
Diluted	$ 0.47	$ 0.26	$ 1.88	$ 0.82
Weighted average share information:				
Basic	98,676	89,711	99,297	89,709
Diluted	99,556	90,558	100,191	90,570

See accompanying notes.

Table of Contents

HILLTOP HOLDINGS INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net income	$ 47,247	$ 25,108	$ 191,357	$ 79,092
Other comprehensive income (loss):				
Net unrealized gains (losses) on securities available for sale, net of tax of $3,222, $(656), $3,847 and $16,565, respectively	5,697	(1,226)	6,755	31,136
Reclassification adjustment for gains included in net income, net of tax of $(1,589)	—	—	(2,814)	—
Comprehensive income	52,944	23,882	195,298	110,228
Less: comprehensive income attributable to noncontrolling interest	353	296	1,111	583
Comprehensive income applicable to Hilltop	$ 52,591	$ 23,586	$ 194,187	$ 109,645

See accompanying notes.

Table of Contents

HILLTOP HOLDINGS INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS’ EQUITY

(in thousands)

(Unaudited)

ock	Common Stock		Additional	Accumulated Other	Retained Earnings	Deferred Compensation Employee	Employee Stock Trust		Total Hilltop
			Paid-in	Comprehensive	(Accumulated	Stock Trust,			Stockholders
mount	Shares	Amount	Capital	Income (Loss)	Deficit)	Net	Shares	Amount	Equity
114,068	90,176	$ 902	$ 1,388,641	$ (34,863)	$ (157,607)	$ —	—	$ —	$ 1,311,141
—	—	—	—	—	78,509	—	—	—	78,509
—	—	—	—	31,136	—	—	—	—	31,136
—	—	—	3,316	—	—	—	—	—	3,316
—	7	—	162	—	—	—	—	—	162
—	(3)	—	(12)	—	—	—	—	—	(12)
—	—	—	(4,278)	—	—	—	—	—	(4,278)
—	—	—	3,001	—	—	—	—	—	3,001
—	—	—	—	—	—	—	—	—	—
114,068	90,180	$ 902	$ 1,390,830	$ (3,727)	$ (79,098)	$ —	—	$ —	$ 1,422,975
114,068	90,182	$ 902	$ 1,390,788	$ 651	$ (45,957)	$ —	—	$ —	$ 1,460,452

—	—	—	—	—	190,246	—	—	—	190,246
—	—	—	—	3,941	—	—	—	—	3,941
—	10,113	101	199,932	—	—	—	—	—	200,033
—	—	—	6,220	—	—	—	—	—	6,220
—	8	—	173	—	—	—	—	—	173
—	(19)	—	(17)	—	—	—	—	—	(17)
—	—	—	—	—	(1,854)	—	—	—	(1,854)
(114,068)	—	—	—	—	—	—	—	—	(114,068)
—	(1,391)	(14)	(22,327)	—	(7,687)	—	—	—	(30,028)
—	—	—	—	—	—	1,182	30	(590)	592
—	—	—	—	—	—	—	—	—	—
—	98,893	$ 989	$ 1,574,769	$ 4,592	$ 134,748	$ 1,182	30	$ (590)	$ 1,715,690

See accompanying notes.

Table of Contents

HILLTOP HOLDINGS INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(Unaudited)

	Nine Months Ended September 30,	
	2015	2014
Operating Activities		
Net income	$ 191,357	$ 79,092
Adjustments to reconcile net income to net cash used in operating activities:		
Provision for loan losses	8,438	12,808
Depreciation, amortization and accretion, net	(67,557)	(63,367)
Net realized gains on securities	(4,403)	—
Bargain purchase gain	(81,289)	—
Deferred income taxes	11,459	6,418
Other, net	(91)	16,669
Net change in securities purchased under agreements to resell	(39,148)	—
Net change in assets segregated for regulatory purposes	29,372	(29,503)
Net change in trading securities	39,367	(7,256)
Net change in broker-dealer and clearing organization receivables	(680,699)	(164,497)
Net change in FDIC Indemnification Asset	38,561	41,175
Net change in other assets	(90,417)	(51,865)
Net change in broker-dealer and clearing organization payables	708,838	261,206
Net change in other liabilities	3,138	30,303
Net gains from sales of loans	(405,023)	(293,786)
Loans originated for sale	(10,628,783)	(7,954,706)
Proceeds from loans sold	10,965,234	8,067,301
Net cash used in operating activities	(1,646)	(50,008)
Investing Activities		
Proceeds from maturities and principal reductions of securities held to maturity	51,838	2,821
Proceeds from sales, maturities and principal reductions of securities available for sale	599,737	152,537
Purchases of securities held to maturity	(167,284)	(123,021)
Purchases of securities available for sale	(22,769)	(48,730)
Net change in loans	16,205	106,335
Purchases of premises and equipment and other assets	(23,410)	(32,581)
Proceeds from sales of premises and equipment and other real estate owned	94,680	55,097
Proceeds from redemption of bank owned life insurance	822	—

Net cash paid for Federal Home Loan Bank and Federal Reserve Bank stock	(9,292)	(28,383)
Net cash from acquisition	41,097	—
Net cash provided by investing activities	581,624	84,075
Financing Activities		
Net change in deposits	(788,907)	(633,685)
Net change in short-term borrowings	(16,446)	503,897
Proceeds from notes payable	150,078	2,000
Payments on notes payable	(37,787)	(2,643)
Redemption of preferred stock	(114,068)	—
Payments to repurchase common stock	(30,028)	—
Dividends paid on preferred stock	(3,280)	(4,194)
Net cash distributed to noncontrolling interest	(760)	(595)
Other, net	(302)	2,718
Net cash used in financing activities	(841,500)	(132,502)
Net change in cash and cash equivalents	(261,522)	(98,435)
Cash and cash equivalents, beginning of period	813,075	746,023
Cash and cash equivalents, end of period	$ 551,553	$ 647,588
Supplemental Disclosures of Cash Flow Information		
Cash paid for interest	$ 41,368	$ 20,935
Cash paid for income taxes, net of refunds	$ 112,282	$ 19,893
Supplemental Schedule of Non-Cash Activities		
Conversion of loans to other real estate owned	$ 45,996	$ 44,815
Common stock issued in acquisition	$ 200,626	$ —

See accompanying notes.

Table of Contents

Hilltop Holdings Inc. and Subsidiaries

Notes to Consolidated Financial Statements

(Unaudited)

1. Summary of Significant Accounting and Reporting Policies

Nature of Operations

Hilltop Holdings Inc. (“Hilltop” and, collectively with its subsidiaries, the “Company”) is a financial holding company registered under the Bank Holding Company Act of 1956, as amended by the Gramm-Leach-Bliley Act of 1999. The Company’s primary line of business is to provide business and consumer banking services from offices located throughout Texas through PlainsCapital Bank (the “Bank”). In addition, the Company provides an array of financial products and services through its broker-dealer, mortgage origination and insurance subsidiaries.

The Company provides its products and services through three primary operating subsidiaries, PlainsCapital Corporation (“PlainsCapital”), Hilltop Securities Holdings LLC (“Securities Holdings”) and National Lloyds Corporation (“NLC”). PlainsCapital is a financial holding company, headquartered in Dallas, Texas, that provides, through its subsidiaries, traditional banking services, wealth and investment management and treasury management primarily in Texas and residential mortgage lending throughout the United States. Securities Holdings 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 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.

On January 1, 2015, Hilltop completed its acquisition of SWS Group, Inc. (“SWS”) in a stock and cash transaction (the "SWS Merger"), whereby SWS’s broker-dealer subsidiaries, Southwest Securities, Inc. and SWS Financial Services, Inc., became subsidiaries of Securities Holdings, a wholly owned subsidiary of Hilltop initially formed for the purpose of facilitating this transaction, and SWS’s banking subsidiary, Southwest Securities, FSB (“SWS FSB”), was merged into the Bank, an indirect wholly owned subsidiary of Hilltop. As a result of the SWS Merger, each outstanding share of SWS common stock was converted into the right to receive 0.2496 shares of Hilltop common stock and $1.94 in cash, equating to $6.92 per share based on Hilltop’s closing price on December 31, 2014 and resulting in an aggregate purchase price of $349.1 million, consisting of 10.1 million shares of common stock, $78.2 million in cash and $70.3 million associated with Hilltop’s existing investment in SWS common stock. Additionally, due to appraisal rights proceedings filed in connection with the SWS Merger, the merger consideration is subject to change, and is therefore, preliminary as of the date of this report. Based on purchase date valuations, the fair value of the assets acquired was

$3.3 billion, including $707.5 million in securities, $863.8 million in non-covered loans and $1.2 billion in broker-dealer and clearing organization receivables. The fair value of liabilities assumed was $2.9 billion, consisting primarily of deposits of $1.3 billion and $1.1 billion in broker-dealer and clearing organization payables. On October 5, 2015, Southwest Securities, Inc. and SWS Financial Services, Inc. were renamed “Hilltop Securities Inc.” (“Hilltop Securities”) and “Hilltop Securities Independent Network Inc.” (“HTS Independent Network”), respectively.

Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States (“GAAP”), and in conformity with the rules and regulations of the Securities and Exchange Commission (the “SEC”). In the opinion of management, these financial statements contain all adjustments necessary for a fair statement of the results of the interim periods presented. Accordingly, the financial statements do not include all of the information and footnotes required by GAAP for complete financial statements and should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2014 (“2014 Form 10-K”). Results for interim periods are not necessarily indicative of results to be expected for a full year or any future period.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

Table of Contents

Actual results could differ from those estimates. Estimates regarding the allowance for loan losses, the fair values of financial instruments, the amounts receivable from the Federal Deposit Insurance Corporation (the “FDIC”) under loss-share agreements (the “FDIC Indemnification Asset”), reserves for losses and loss adjustment expenses, the mortgage loan indemnification liability, and the potential impairment of assets are particularly subject to change. The Company has applied its critical accounting policies and estimation methods consistently in all periods presented in these consolidated financial statements.

The operations of SWS were included in the Company’s operating results beginning January 1, 2015 and such operations included a preliminary bargain purchase gain of $82.8 million as disclosed in the Company’s Quarterly Report on Form 10-Q filed with the SEC on May 6, 2015. In accordance with the Business Combinations Topic of the Accounting Standards Codification (“ASC”), during the quarter ended June 30, 2015, the estimated fair value of the customer relationship intangible asset acquired as of January 1, 2015 was adjusted downward as a result of management’s review and approval of certain key assumptions that existed as of January 1, 2015. Additionally, during the quarter ended September 30, 2015, the estimated fair value of deferred tax assets acquired as of January 1, 2015 was adjusted upward as a result of management’s review and filing of SWS’s consolidated federal tax return for the year ended December 31, 2014. These adjustments resulted in a net decrease in the preliminary bargain purchase gain associated with the SWS Merger to $81.3 million. This change is reflected in the consolidated statements of operations within noninterest income during the nine months ended September 30, 2015. In the aggregate, these adjustments to the preliminary bargain purchase gain decreased net income for the three months ended March 31, 2015 by $1.5 million as compared with amounts previously reported in the Company’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2015. Additionally, certain amounts previously reported in the Company’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2015 within the consolidated balance sheet as of March 31, 2015, and the related statements of comprehensive income, stockholders’ equity and cash flows for the three months ended March 31, 2015, as well as the notes to the consolidated financial statements, will be revised in future filings.

Certain reclassifications have been made to the prior period consolidated financial statements to conform with the current period presentation. Additionally, during the preparation of the condensed consolidated financial statements for the period ended September 30, 2015, the Company determined that its previously reported unaudited consolidated statements of cash flows contained in the previously filed Quarterly Reports on Form 10-Q filed with SEC on May 6, 2015 and July 29, 2015 contained a classification error related to how certain acquired balances related to its acquisition of SWS were reflected. Management has evaluated the quantitative and qualitative impact of the classification error to previously issued unaudited consolidated statements of cash flows and concluded that the previously issued condensed consolidated financial statements were not materially misstated. However, in order to correctly present the cash flow statements, management has elected to revise the unaudited consolidated statements of cash flows for each of the three months ended March 31, 2015 and six months ended June 30, 2015 in its future filings. The correction had no impact on the Company’s financial condition or results of operations for the periods presented. The following table summarizes the revisions made to the Company’s unaudited consolidated statements of cash flows for the noted periods (in thousands).

	Three Months Ended March 31, 2015		Six Months Ended June 30,2015	
		As Revised		As Revised

	As Originally Reported		As Originally Reported	
Operating Activities				
Net change in broker-dealer and clearing organization receivables	$ (1,062,969)	$ (793,613)	$ (929,477)	$ (660,121)
Net change in broker-dealer and clearing organization payables	1,039,786	690,552	1,021,493	672,259
Net cash provided by (used in) operating activities	(38,766)	(118,644)	26,540	(53,338)
Investing Activities				
Net change in loans	267,275	(2,080)	244,681	(24,674)
Net cash provided by investing activities	792,267	522,912	737,291	467,936
Financing Activities				
Net change in deposits	(905,043)	(556,657)	(1,123,301)	(774,068)
Net cash used in financing activities	(858,043)	(508,810)	(971,049)	(621,816)
Net change in cash and cash equivalents	(104,542)	(104,542)	(207,218)	(207,218)

Table of Contents

Hilltop owns 100% of the outstanding stock of PlainsCapital. PlainsCapital owns 100% of the outstanding stock of the Bank and 100% of the membership interest in PlainsCapital Equity, LLC. The Bank owns 100% of the outstanding stock of PrimeLending, a PlainsCapital Company ("PrimeLending") and has a 100% membership interest in PlainsCapital Securities, LLC.

PrimeLending owns a 100% membership interest in PrimeLending Ventures Management, LLC, the controlling and sole managing member of PrimeLending Ventures, LLC ("Ventures").

Hilltop has a 100% membership interest in Securities Holdings, which operates through its wholly-owned subsidiaries, First Southwest Holdings, LLC ("First Southwest"), Hilltop Securities and HTS Independent Network. The principal subsidiaries of First Southwest are First Southwest Company, LLC ("FSC"), a broker-dealer registered with the SEC and the Financial Industry Regulatory Authority ("FINRA") and a member of the New York Stock Exchange ("NYSE"), and First Southwest Asset Management, LLC, a registered investment advisor under the Investment Advisors Act of 1940. Hilltop Securities is a broker-dealer registered with the SEC and FINRA and a member of the NYSE, and HTS Independent Network is an introducing broker-dealer that is also registered with the SEC and FINRA.

Hilltop also owns 100% of NLC, which operates through its wholly owned subsidiaries, National Lloyds Insurance Company ("NLIC") and American Summit Insurance Company ("ASIC").

The consolidated financial statements include the accounts of the above-named entities. All significant intercompany transactions and balances have been eliminated. Noncontrolling interests have been recorded for minority ownership in entities that are not wholly owned and are presented in compliance with the provisions of Noncontrolling Interest in Subsidiary Subsections of the Financial Accounting Standards Board ("FASB") ASC.

PlainsCapital also owns 100% of the outstanding common securities of PCC Statutory Trusts I, II, III and IV (the "Trusts"), which are not included in the consolidated financial statements under the requirements of the Variable Interest Entities Subsections of the ASC, because the primary beneficiaries of the Trusts are not within the consolidated group.

2. Acquisition

SWS Merger

On January 1, 2015, Hilltop completed its acquisition of SWS in a stock and cash transaction as discussed in Note 1 to the consolidated financial statements. The operations of SWS are included in the Company's operating results beginning January 1, 2015. Such operating results include a preliminary bargain purchase gain of $81.3 million and are not necessarily indicative of future operating results. SWS's results of operations prior to the acquisition date are not included in the Company's consolidated operating results.

The SWS Merger was accounted for using the acquisition method of accounting, and accordingly, purchased assets, including identifiable intangible assets, and assumed liabilities were recorded at their respective acquisition date fair values. The components of the consideration paid are shown in the following table (in thousands).

Fair value of preliminary consideration paid:	
Common stock issued	$ 200,626
Cash	78,217
Fair value of Hilltop's existing investment in SWS	70,282
Total preliminary consideration paid	$ 349,125

Table of Contents

The resulting fair values of the identifiable assets acquired, and liabilities assumed, of SWS at January 1, 2015 are summarized in the following table (in thousands).

Cash and due from banks	$ 119,314
Federal funds sold and securities purchased under agreements to resell	44,741
Assets segregated for regulatory purposes	181,610
Securities	707,476
Non-covered loans, net	863,819
Broker-dealer and clearing organization receivables	1,221,793
Other assets	159,906
Total identifiable assets acquired	3,298,659
Deposits	(1,287,509)
Broker-dealer and clearing organization payables	(1,109,978)
Short-term borrowings	(164,240)
Securities sold, not yet purchased, at fair value	(140,409)
Notes payable	(76,643)
Other liabilities	(89,466)
Total liabilities assumed	(2,868,245)
Preliminary estimated bargain purchase gain	(81,289)
	349,125
Less Hilltop existing investment in SWS	(70,282)
Net identifiable assets acquired	$ 278,843

The preliminary bargain purchase gain represents the excess of the estimated fair value of the underlying net tangible assets and intangible assets over the preliminary merger consideration. The SWS Merger was a tax-free reorganization under Section 368(a) of the Internal Revenue Code, therefore no income taxes were recorded in connection with the preliminary bargain purchase gain. The Company used significant estimates and assumptions to value certain identifiable assets acquired and liabilities assumed. The preliminary bargain purchase gain was primarily driven by the Company's ability to realize acquired deferred tax assets through its consolidated core earnings and the decline in the price of the Company's common stock between the date the fixed conversion ratio was agreed upon and the closing date.

Included within the fair value of other assets in the table above are identifiable intangible assets recorded in connection with the SWS Merger. The allocation to intangible assets is as follows (in thousands).

	Estimated Useful Life (Years)	Gross Intangible Assets
Customer relationships	14	$ 7,300
Core deposits	4	160

	$ 7,460

Transaction and integration-related expenses associated with the SWS Merger of $2.8 million and $0.3 million during the three months ended September 30, 2015 and 2014, respectively, and $17.2 million and $0.7 million during the nine months ended September 30, 2015 and 2014, respectively, are included in noninterest expense within the consolidated statements of operations. Such expenses were for professional services and other incremental employee and contractual costs associated with the integration of SWS's operations.

In connection with the SWS Merger, Hilltop acquired loans both with and without evidence of credit quality deterioration since origination. The acquired loans were initially recorded at fair value with no carryover of any allowance for loan losses. Acquired loans were segregated between those considered to be purchased credit impaired

Table of Contents

(“PCI”) loans and those without credit impairment at acquisition. The following table presents details on acquired loans at the acquisition date (in thousands).

	Loans, excluding PCI Loans	PCI Loans	Total Loans
Commercial and industrial (1)	$ 447,959	$ 9,850	$ 457,809
Real estate	324,477	62,218	386,695
Construction and land development	14,708	1,391	16,099
Consumer	3,216	—	3,216
Total	$ 790,360	$ 73,459	$ 863,819

(1) Acquired loans include margin loans to customers and correspondents of $269.4 million associated with acquired broker-dealer operations, none of which are PCI loans.

The following table presents information about the PCI loans at acquisition (in thousands).

Contractually required principal and interest payments	$ 120,078
Nonaccretable difference	32,040
Cash flows expected to be collected	88,038
Accretable difference	14,579
Fair value of loans acquired with a deterioration of credit quality	$ 73,459

The following table presents information about the acquired loans without credit impairment at acquisition (in thousands).

Contractually required principal and interest payments	$ 901,672
Contractual cash flows not expected to be collected	39,721
Fair value at acquisition	790,360

Pro Forma Results of Operations

The results of operations acquired in the SWS Merger have been included in the Company's consolidated financial results since January 1, 2015. The following table discloses the impact of SWS on the Company's results of operations. The table presents pro forma results had the SWS Merger taken place on January 1, 2014 and includes the estimated impact of purchase accounting adjustments (in thousands). The purchase accounting adjustments reflect the impact of recording the acquired loans at fair value, including the estimated accretion of the purchase discount on the loan portfolio. Accretion estimates were based on the acquisition date purchase discount on the loan portfolio, as it was not practicable to determine the amount of discount that would have been recorded based on economic conditions that existed on January 1, 2014. The pro forma results do not include any potential operating cost savings as a result of the SWS Merger. Further, certain costs associated with any integration activities are not reflected in the pro forma results. Pro forma results exclude nonrecurring items resulting directly from the SWS Merger that do not have a continuing impact on results of operations. The pro forma results are not necessarily indicative of what would have occurred had the SWS Merger taken place on the indicated date.

	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2014
Net interest income	$ 106,593	$ 322,231
Other revenues	262,960	743,812
Net income	31,636	87,785

Table of Contents

3. Fair Value Measurements

Fair Value Measurements and Disclosures

The Company determines fair values in compliance with The Fair Value Measurements and Disclosures Topic of the ASC (the "Fair Value Topic"). The Fair Value Topic defines fair value, establishes a framework for measuring fair value in GAAP and expands disclosures about fair value measurements. The Fair Value Topic defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The Fair Value Topic assumes that transactions upon which fair value measurements are based occur in the principal market for the asset or liability being measured. Further, fair value measurements made under the Fair Value Topic exclude transaction costs and are not the result of forced transactions.

The Fair Value Topic creates a fair value hierarchy that classifies fair value measurements based upon the inputs used in valuing the assets or liabilities that are the subject of fair value measurements. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs, as indicated below.

- Level 1 Inputs: Unadjusted quoted prices in active markets for identical assets or liabilities that the Company can access at the measurement date.

- Level 2 Inputs: Observable inputs other than Level 1 prices. Level 2 inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (such as interest rates, yield curves, prepayment speeds, default rates, credit risks and loss severities), and inputs that are derived from or corroborated by market data, among others.

- Level 3 Inputs: Unobservable inputs that reflect an entity's own assumptions about the assumptions that market participants would use in pricing the assets or liabilities. Level 3 inputs include pricing models and discounted cash flow techniques, among others.

Fair Value Option

The Company has elected to measure substantially all of PrimeLending's mortgage loans held for sale and retained mortgage servicing rights ("MSR") asset at fair value, under the provisions of the Fair Value Option. The Company elected to apply the provisions of the Fair Value Option to these items so that it would have the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. At September 30, 2015, the aggregate fair value of PrimeLending's mortgage loans held for sale accounted for under the Fair Value Option was $1.31 billion, and the unpaid principal balance of those loans was $1.25 billion. At December 31, 2014, the aggregate fair value of PrimeLending's mortgage loans held for sale accounted for under the Fair Value Option was $1.27 billion, and the unpaid principal balance of those loans was $1.22 billion. The interest component of fair value is reported as interest income on loans in the accompanying consolidated statements of operations.

On October 2, 2014, Hilltop exercised its warrant to purchase 8,695,652 shares of SWS common stock at an exercise price of $5.75 per share (the "SWS Warrant") and paid the aggregate exercise price by the automatic elimination of the $50.0 million aggregate principal amount note due to Hilltop under its credit agreement with SWS. Following the exercise of the SWS Warrant, Hilltop owned approximately 21% of the outstanding shares of SWS common stock as of October 2, 2014. Contemporaneous with the exercise of the SWS Warrant, Hilltop changed the accounting method for its investment in SWS common stock and elected to account for its investment in accordance with the provisions of the Fair Value Option as permitted by GAAP. Hilltop had previously accounted for its investment in SWS common stock as an available for sale security. Under the Fair Value Option, Hilltop's investment in SWS common stock is recorded at fair value effective October 2, 2014, with changes in fair value being recorded in other noninterest income within the consolidated statements of operations rather than as a component of other comprehensive income. At December 31, 2014, the fair value of Hilltop's investment in SWS common stock was $70.3 million and is included in other assets within the consolidated balance sheet.

Table of Contents

The Company holds a number of financial instruments that are measured at fair value on a recurring basis, either by the application of the Fair Value Option or other authoritative pronouncements. The fair values of those instruments are determined primarily using Level 2 inputs. Those inputs include quotes from mortgage loan investors and derivatives dealers and data from independent pricing services.

The following tables present information regarding financial assets and liabilities measured at fair value on a recurring basis (in thousands).

September 30, 2015	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
Trading securities	$ 9,748	$ 282,669	$ 1	$ 292,418
Available for sale securities	17,456	708,676	—	726,132
Loans held for sale	—	1,278,950	26,704	1,305,654
Derivative assets	—	77,587	—	77,587
MSR asset	—	—	47,527	47,527
Trading liabilities	41,792	114,983	—	156,775
Derivative liabilities	—	42,340	—	42,340

December 31, 2014	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
Trading securities	$ 39	$ 65,678	$ —	$ 65,717
Available for sale securities	13,762	911,773	—	925,535
Loans held for sale	—	1,263,135	9,017	1,272,152
Derivative assets	—	23,805	—	23,805
MSR asset	—	—	36,155	36,155
Investment in SWS common stock	70,282	—	—	70,282
Trading liabilities	—	48	—	48
Derivative liabilities	—	12,849	—	12,849

Table of Contents

The following tables include a rollforward for those financial instruments measured at fair value using Level 3 inputs (in thousands).

				Total Gains or Losses (Realized or Unrealized)		
	Balance at Beginning of Period	Purchases/ Additions	Sales/ Reductions	Included in Net Income	Included in Other Comprehensive Income (Loss)	Balance at End of Period
Three months ended September 30, 2015						
Trading securities	$ 16	$ —	$ —	$ (15)	$ —	$ 1
Loans held for sale	19,123	11,466	(2,769)	(1,116)	—	26,704
MSR asset	44,985	11,025	—	(8,483)	—	47,527
Total	$ 64,124	$ 22,491	$ (2,769)	$ (9,614)	$ —	$ 74,232
Nine months ended September 30, 2015						
Trading securities	$ —	$ 7,301	$ (3,397)	$ (3,903)	$ —	$ 1
Loans held for sale	9,017	40,075	(12,493)	(9,895)	—	26,704
MSR asset	36,155	23,121	—	(11,749)	—	47,527
Total	$ 45,172	$ 70,497	$ (15,890)	$ (25,547)	$ —	$ 74,232
Three months ended September 30, 2014						
Available for sale securities	$ 63,819	$ —	$ —	$ 639	$ (3,175)	$ 61,283
Loans held for sale	10,409	6,110	(1,600)	(1,156)	—	13,763
MSR asset	35,877	18,982	(11,387)	(1,565)	—	41,907
Derivative liabilities	(6,300)	(177)	—	(350)	—	(6,827)
Total	$ 103,805	$ 24,915	$ (12,987)	$ (2,432)	$ (3,175)	$ 110,126
Nine months ended September 30, 2014						
Available for sale securities	$ 60,053	$ —	$ —	$ 1,848	$ (618)	$ 61,283
Loans held for sale	27,729	16,531	(31,203)	706	—	13,763
MSR asset	20,149	33,790	(11,387)	(645)	—	41,907
Derivative liabilities	(5,600)	(177)	—	(1,050)	—	(6,827)
Total	$ 102,331	$ 50,144	$ (42,590)	$ 859	$ (618)	$ 110,126

All net realized and unrealized gains (losses) in the table above are reflected in the accompanying consolidated financial statements. The available for sale securities noted in the table above reflect Hilltop's note receivable from SWS and the SWS Warrant, which, as previously discussed, Hilltop exercised in full on October 2, 2014. Hilltop paid the aggregate exercise price for the SWS Warrant by the automatic elimination of the $50.0 million aggregate principal amount note due to Hilltop under the credit agreement.

For Level 3 financial instruments measured at fair value on a recurring basis at September 30, 2015, the significant unobservable inputs used in the fair value measurements were as follows.

Financial instrument	Valuation Technique	Unobservable Input	Range (Weighted-Average)
Trading securities	Discounted cash flow	Discount rate	8 - 17 % (10 %)
Loans held for sale	Discounted cash flow / Market comparable	Projected price	93 - 95 % (94 %)
MSR asset	Discounted cash flow	Constant prepayment rate	13.68 %
		Discount rate	10.93 %

The fair value of certain loans held for sale that cannot be sold through normal sale channels or are non-performing is measured using unobservable inputs. The fair value of such loans is generally based upon estimates of expected cash flows using unobservable inputs, including listing prices of comparable assets, uncorroborated expert opinions, and/or management's knowledge of underlying collateral.

Table of Contents

Trading securities include corporate debt securities that are valued using a discounted cash flow model with observable market data; however, due to the distressed nature of these bonds, the Company has determined that these securities should be valued as a Level 3 financial instrument.

The MSR asset, which is included in other assets within the Company's consolidated balance sheets, is valued by projecting net servicing cash flows, which are then discounted to estimate the fair value. The fair value of the MSR asset is impacted by a variety of factors. Prepayment rates and discount rates, the most significant unobservable inputs, are discussed further in Note 7 to the consolidated financial statements.

The Company had no transfers between Levels 1 and 2 during the periods presented.

The following table presents the changes in fair value for instruments that are reported at fair value under the Fair Value Option (in thousands).

	Three Months Ended September 30, 2015			Three Months Ended September 30, 2014		
	Net Gains (Losses)	Other Noninterest Income	Total Changes in Fair Value	Net Gains (Losses)	Other Noninterest Income	Total Changes in Fair Value
Loans held for sale	$ 18,531	$ —	$ 18,531	$ (15,250)	$ —	$ (15,250)
MSR asset	(8,483)	—	(8,483)	(1,565)	—	(1,565)

	Nine Months Ended September 30, 2015			Nine Months Ended September 30, 2014		
	Net Gains (Losses)	Other Noninterest Income	Total Changes in Fair Value	Net Gains (Losses)	Other Noninterest Income	Total Changes in Fair Value
Loans held for sale	$ 2,773	$ —	$ 2,773	$ 24,918	$ —	$ 24,918
MSR asset	(11,749)	—	(11,749)	(645)	—	(645)

The Company also determines the fair value of certain assets and liabilities on a non-recurring basis. In particular, the fair value of all of the assets acquired and liabilities assumed in the SWS Merger was determined at the acquisition date. In addition, facts and circumstances may dictate a fair value measurement when there is evidence of impairment.

Assets and liabilities measured on a non-recurring basis include the items discussed below.

Impaired Loans — The Company reports impaired loans based on the underlying fair value of the collateral through specific allowances within the allowance for loan losses. PCI loans with a fair value of $172.9 million, $822.8 million and $73.5 million were acquired by the Company upon completion of the merger with PlainsCapital (the “PlainsCapital Merger”), the FDIC-assisted transaction (the “FNB Transaction”) whereby the Bank acquired certain assets and assumed certain liabilities of First National Bank (“FNB”) and the SWS Merger, respectively (collectively, the “Bank Transactions”). Substantially all PCI loans acquired in the FNB Transaction are covered by FDIC loss-share agreements. The fair value of PCI loans was determined using Level 3 inputs, including estimates of expected cash flows that incorporated significant unobservable inputs regarding default rates, loss severity rates assuming default, prepayment speeds on acquired loans accounted for in pools (“Pooled Loans”), and estimated collateral values.

At September 30, 2015, estimates for these significant unobservable inputs were as follows.

	PCI Loans PlainsCapital Merger		FNB Transaction		SWS Merger	
Weighted average default rate	54	%	54	%	54	%
Weighted average loss severity rate	51	%	38	%	38	%
Weighted average prepayment speed	0	%	6	%	1	%

At September 30, 2015, the resulting weighted average expected loss on PCI loans associated with the PlainsCapital Merger, FNB Transaction and SWS Merger was 28%, 21% and 20%, respectively.

The Company obtains updated appraisals of the fair value of collateral securing impaired collateral dependent loans at least annually, in accordance with regulatory guidelines. The Company also reviews the fair value of such collateral on a quarterly basis. If the quarterly review indicates that the fair value of the collateral may have deteriorated, the Company

Table of Contents

orders an updated appraisal of the fair value of the collateral. Because the Company obtains updated appraisals when evidence of a decline in the fair value of collateral exists, it typically does not adjust appraised values.

Other Real Estate Owned — The Company reports other real estate owned ("OREO") at fair value less estimated cost to sell. Any excess of recorded investment over fair value, less cost to sell, is charged against either the allowance for loan losses or the related PCI pool discount when property is initially transferred to OREO. Subsequent to the initial transfer to OREO, downward valuation adjustments are charged against earnings. The Company determines fair value primarily using independent appraisals of OREO properties. The resulting fair value measurements are classified as Level 2 or Level 3 inputs, depending upon the extent to which unobservable inputs determine the fair value measurement. The Company considers a number of factors in determining the extent to which specific fair value measurements utilize unobservable inputs, including, but not limited to, the inherent subjectivity in appraisals, the length of time elapsed since the receipt of independent market price or appraised value, and current market conditions. At September 30, 2015, the most significant unobservable input used in the determination of fair value of OREO was a discount to independent appraisals for estimated holding periods of OREO properties. Such discount was 1% per month for estimated holding periods of 6 to 24 months. Level 3 inputs were used to determine the initial fair value at acquisition of a large group of smaller balance properties that were acquired in the FNB Transaction. In the FNB Transaction, the Bank acquired OREO of $135.2 million, all of which is covered by FDIC loss-share agreements. At September 30, 2015 and December 31, 2014, the estimated fair value of covered OREO was $106.0 million and $136.9 million, respectively, and the underlying fair value measurements utilize Level 2 and Level 3 inputs. The fair value of non-covered OREO at September 30, 2015 and December 31, 2014 was $0.5 million and $0.8 million, respectively, and is included in other assets within the consolidated balance sheets. Level 3 inputs were used to determine the initial fair value at acquisition of properties totaling $5.6 million that were acquired in the SWS Merger. During the reported periods, all fair value measurements for non-covered OREO subsequent to initial recognition utilized Level 2 inputs.

The following table presents information regarding certain assets and liabilities measured at fair value on a non-recurring basis for which a change in fair value has been recorded during reporting periods subsequent to initial recognition (in thousands).

	Level 1	Level 2	Level 3	Total	Total Gains (Losses) for the Three Months Ended September 30,		Total Gains (Losses) for the Nine Months Ended September 30,	
September 30, 2015	Inputs	Inputs	Inputs	Fair Value	2015	2014	2015	2014
Non-covered impaired loans	$ —	$ —	$ 62,144	$ 62,144	$ 453	$ (1,714)	$ 224	$ (2,151)
Covered impaired loans	—	—	28,958	28,958	(937)	242	2,712	(2,790)
Non-covered other real	—	—	—	—	—	(210)	(28)	(321)

estate owned								
Covered other real estate owned	—	30,605	—	30,605	(5,370)	(14,440)	(9,428)	(17,399)

The Fair Value of Financial Instruments Subsection of the ASC requires disclosure of the fair value of financial assets and liabilities, including the financial assets and liabilities previously discussed. The methods for determining estimated fair value for financial assets and liabilities is described in detail in Note 3 to the consolidated financial statements included in the Company’s 2014 Form 10-K.

Table of Contents

The following tables present the carrying values and estimated fair values of financial instruments not measured at fair value on either a recurring or non-recurring basis (in thousands).

		Estimated Fair Value			
September 30, 2015	Carrying Amount	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total
Financial assets:					
Cash and cash equivalents	$ 551,553	$ 551,553	$ —	$ —	$ 551,553
Securities purchased under agreements to resell	83,889	—	83,889	—	83,889
Held to maturity securities	305,316	—	308,031	—	308,031
Loans held for sale	48,453	—	48,453	—	48,453
Non-covered loans, net	4,956,540	—	606,293	4,396,423	5,002,716
Covered loans, net	420,547	—	—	569,111	569,111
Broker-dealer and clearing organization receivables	2,111,864	—	2,111,864	—	2,111,864
FDIC indemnification asset	92,902	—	—	92,902	92,902
Other assets	61,606	—	44,950	16,656	61,606
Financial liabilities:					
Deposits	6,820,749	—	6,824,771	—	6,824,771
Broker-dealer and clearing organization payables	2,045,604	—	2,045,604	—	2,045,604
Short-term borrowings	910,490	—	910,490	—	910,490
Debt	310,568	—	303,987	—	303,987
Other liabilities	5,382	—	5,382	—	5,382

		Estimated Fair Value			
December 31, 2014	Carrying Amount	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total
Financial assets:					
Cash and cash equivalents	$ 813,075	$ 813,075	$ —	$ —	$ 813,075

Held to maturity securities	118,209	—	118,345	—	118,345
Loans held for sale	37,541	—	37,541	—	37,541
Non-covered loans, net	3,883,435	—	378,425	3,528,769	3,907,194
Covered loans, net	638,029	—	—	767,751	767,751
Broker-dealer and clearing organization receivables	167,884	—	167,884	—	167,884
FDIC indemnification asset	130,437	—	—	130,437	130,437
Other assets	59,432	—	43,937	15,495	59,432
Financial liabilities:					
Deposits	6,369,892	—	6,365,555	—	6,365,555
Broker-dealer and clearing organization payables	179,042	—	179,042	—	179,042
Short-term borrowings	762,696	—	762,696	—	762,696
Debt	123,696	—	117,028	—	117,028
Other liabilities	2,144	—	2,144	—	2,144

Table of Contents

4. Securities

The fair value of trading securities are summarized as follows (in thousands).

	September 30, 2015	December 31, 2014
U.S. Treasury securities	$ 8,428	$ —
U.S. government agencies:		
Bonds	34,241	—
Residential mortgage-backed securities	24,883	5,126
Commercial mortgage-backed securities	20,765	19,932
Collateralized mortgage obligations	1,557	—
Corporate debt securities	69,787	4
States and political subdivisions	80,161	40,616
Unit investment trusts	34,979	—
Private-label securitized product	16,278	—
Other	1,339	39
Totals	$ 292,418	$ 65,717

FSC, Hilltop Securities and HTS Independent Network (collectively, the “Hilltop Broker-Dealers”) enter into transactions that represent commitments to purchase and deliver securities at prevailing future market prices to facilitate customer transactions and satisfy such commitments. Accordingly, the Hilltop Broker-Dealers’ ultimate obligation may exceed the amount recognized in the financial statements. These securities, which are carried at fair value and reported as securities sold, not yet purchased in the consolidated balance sheet, had a value of $156.8 million at September 30, 2015.

The amortized cost and fair value of available for sale and held to maturity securities are summarized as follows (in thousands).

	Available for Sale			
September 30, 2015	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury securities	$ 19,382	$ 363	$ (4)	$ 19,741
U.S. government agencies:				
Bonds	354,611	1,961	(1,333)	355,239
Residential mortgage-backed securities	36,480	1,189	(14)	37,655

Commercial mortgage-backed securities	9,027	103	(2)	9,128
Collateralized mortgage obligations	60,238	112	(944)	59,406
Corporate debt securities	100,471	4,078	(249)	104,300
States and political subdivisions	120,548	2,310	(366)	122,492
Commercial mortgage-backed securities	579	42	—	621
Equity securities	17,876	460	(786)	17,550
Totals	$ 719,212	$ 10,618	$ (3,698)	$ 726,132

Table of Contents

	Available for Sale			
December 31, 2014	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. Treasury securities	$ 19,382	$ 264	$ (33)	$ 19,613
U.S. government agencies:				
Bonds	522,008	1,749	(7,516)	516,241
Residential mortgage-backed securities	40,171	1,672	—	41,843
Commercial mortgage-backed securities	11,192	—	(137)	11,055
Collateralized mortgage obligations	89,291	133	(2,300)	87,124
Corporate debt securities	93,406	5,125	(59)	98,472
States and political subdivisions	135,419	2,083	(717)	136,785
Commercial mortgage-backed securities	593	47	—	640
Equity securities	13,293	469	—	13,762
Totals	$ 924,755	$ 11,542	$ (10,762)	$ 925,535

	Held to Maturity			
September 30, 2015	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. Treasury securities	$ 50,220	$ 16	$ —	$ 50,236
U.S. government agencies:				
Bonds	22,386	206	—	22,592
Residential mortgage-backed securities	24,529	614	—	25,143
Commercial mortgage-backed securities	12,860	345	—	13,205
Collateralized mortgage obligations	177,968	1,487	(31)	179,424
States and political subdivisions	17,353			