

Hilltop Holdings Inc.
Form S-4/A
July 03, 2014

Use these links to rapidly review the document

[TABLE OF CONTENTS](#)

[Index to Consolidated Financial Statements](#)

[TABLE OF CONTENTS](#)

[Table of Contents](#)

As filed with the Securities and Exchange Commission on July 3, 2014

Registration No. 333-196367

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

Amendment No. 1
to

Form S-4

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

Hilltop Holdings Inc.

(Exact name of registrant as specified in its charter)

Maryland

(State or other jurisdiction of
incorporation)

6331

(Primary Standard Industrial
Classification Code Number)

200 Crescent Court, Suite 1330

Dallas, Texas 75201

(214) 855-2177

(Address, including zip code, and telephone number, including
area code, of registrant's principal executive offices)

84-1477939

(I.R.S. Employer
Identification Number)

**Corey G. Prestidge
General Counsel and Secretary
200 Crescent Court, Suite 1330
Dallas, Texas 75201
(214) 855-2177**

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(Name, address, including zip code, and telephone number, including area code, of agent for service)

David E. Shapiro
Gordon S. Moodie
Wachtell, Lipton, Rosen & Katz
51 West 52nd Street
New York, NY 10019
(212) 403-1000

With copies to:
Allen R. Tubb
Executive Vice President,
General Counsel and Secretary
SWS Group, Inc.
1201 Elm Street, Suite 3500
Dallas, TX 75270
(214) 859-1800

George R. Bason, Jr.
H. Oliver Smith
William L. Taylor
Davis Polk & Wardwell LLP
450 Lexington Avenue
New York, NY 10017
(212) 450-4000

Approximate date of commencement of the proposed sale of the securities to the public:
As soon as practicable after this Registration Statement becomes effective and upon consummation of the transactions described herein.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act of 1933, as amended, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

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

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

(Do not check if a smaller reporting company)

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such dates as the Commission, acting pursuant to said Section 8(a), may determine.

Table of Contents

Information contained herein is subject to completion or amendment. A registration statement relating to these securities has been filed with the SEC. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This document shall not constitute an offer to sell or the solicitation of any offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

MERGER PROPOSED YOUR VOTE IS VERY IMPORTANT

Dear Stockholder,

On March 31, 2014, SWS Group, Inc. ("SWS") agreed to merge with and into Peruna LLC, a wholly owned subsidiary of Hilltop Holdings Inc. ("Hilltop") with Peruna LLC surviving the merger as a wholly owned subsidiary of Hilltop. We are sending you this proxy statement/prospectus to invite you to attend a special meeting of SWS stockholders being held to vote on the merger agreement and to ask you to vote at the special meeting in favor of the merger agreement.

In the merger, each share of SWS common stock will be converted into the right to receive (i) 0.2496 shares of Hilltop common stock, par value \$0.01 per share, and (ii) \$1.94 in cash. **The value of the merger consideration will fluctuate with the market price of Hilltop common stock, and will not be known at the time you vote on the merger.** Hilltop common stock is currently quoted on the New York Stock Exchange under the symbol "HTH." On July 2, 2014, the last practicable trading day before the date of this proxy statement/prospectus, the merger consideration of \$1.94 in cash and 0.2496 Hilltop shares represented approximately \$7.27 in value for each share of SWS common stock. **We urge you to obtain current market quotations for Hilltop common stock.**

Based on the current number of shares of SWS common stock outstanding and reserved for issuance under employee benefit plans, Hilltop expects to issue approximately 10.3 million shares of common stock, par value \$0.01 per share, to SWS stockholders in the aggregate upon completion of the merger. Based on these numbers, upon completion of the merger, current SWS stockholders would own approximately 10% of the common stock of Hilltop immediately following the merger. However, any increase or decrease in the number of shares of SWS common stock outstanding that occurs for any reason prior to the completion of the merger would cause the actual number of shares issued upon completion of the merger to change.

SWS will hold a special meeting of its stockholders in connection with the merger. SWS stockholders will be asked to vote to approve the merger agreement and related matters as described in this proxy statement/prospectus. We cannot complete the merger unless the stockholders of SWS approve the proposal. An affirmative vote of a majority of the outstanding shares of SWS common stock entitled to vote as of the record date is required to adopt the merger agreement.

The special meeting of the stockholders of SWS will be held at _____, at _____, local time, on _____, 2014.

The SWS board of directors (other than Messrs. Gerald J. Ford and J. Taylor Crandall, who recused themselves), upon the unanimous recommendation of the special committee of the SWS board of directors, has determined that the merger agreement and the transactions contemplated thereby, including the merger, are advisable and fair to and in the best interests of the SWS stockholders (other than Hilltop), and recommends that the SWS stockholders adopt the merger agreement.

The obligations of Hilltop and SWS to complete the merger are subject to the satisfaction or waiver of several conditions set forth in the merger agreement. More information about Hilltop, SWS, the special meeting, the merger agreement and the merger is contained in this proxy statement/prospectus. SWS encourages you to read the entire proxy statement/prospectus carefully, including the section entitled "Risk Factors" beginning on page 32. You can also obtain information about SWS and Hilltop from documents that each has filed with the Securities and Exchange Commission (see the section entitled "Where You Can Find More Information").

James H. Ross
President and Chief Executive Officer
SWS Group, Inc.

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Neither the Securities and Exchange Commission nor any state securities commission or bank regulatory agency has approved or disapproved of the merger or the Hilltop common stock to be issued under this proxy statement/prospectus or the other transactions described in this proxy statement/prospectus or passed upon the accuracy or adequacy of this proxy statement/prospectus. Any representation to the contrary is a criminal offense.

The securities to be issued in the merger are not savings and deposit accounts and are not insured by the Federal Deposit Insurance Corporation, or any other governmental agency.

The date of this proxy statement/prospectus is _____, 2014, and it is first being mailed or otherwise delivered to SWS stockholders on or about _____, 2014.

Table of Contents

**NOTICE OF SPECIAL MEETING OF STOCKHOLDERS
TO BE HELD ON _____, 2014**

To the stockholders of SWS Group, Inc.:

On _____, 2014, SWS Group, Inc. ("SWS") will hold a special meeting of stockholders in _____ at _____, local time, at _____, to consider and vote upon the following matters:

a proposal to adopt and approve the Agreement and Plan of Merger, dated as of March 31, 2014, by and among Hilltop Holdings Inc., Peruna LLC, a wholly owned subsidiary of Hilltop, and SWS (the "merger proposal");

a proposal to approve, on a non-binding, advisory basis, compensation that may be paid or would be payable to SWS's named executive officers in connection with the merger (the "compensation proposal"); and

a proposal to approve the adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies, in the event that there are not sufficient votes at the time of the special meeting to approve the merger proposal (the "adjournment proposal").

The approval by SWS stockholders of the merger proposal is required for the completion of the merger described in this proxy statement/prospectus.

SWS will transact no other business at the SWS special meeting except such business as may properly be brought before the SWS special meeting or any adjournment or postponement thereof. Please refer to elsewhere in this proxy statement/prospectus for further information with respect to the business to be transacted at the SWS special meeting.

The SWS board of directors has fixed the close of business on _____, 2014, as the record date for the SWS special meeting. Only SWS stockholders of record at that time are entitled to notice of, and to vote at, the special meeting, or any adjournment or postponement of the special meeting.

Approval of the merger proposal requires the affirmative vote of a majority of the shares of SWS common stock outstanding on the record date for the SWS special meeting. Approval of the compensation proposal and the adjournment proposal require, in each case, the affirmative vote of a majority of the shares of SWS common stock represented in person or by proxy at the SWS special meeting and entitled to vote on such proposal.

Your vote is important. Whether or not you plan to attend the SWS special meeting, we urge you to vote your shares as promptly as possible by (1) accessing the internet site listed on your proxy card, (2) calling the toll-free number listed on your proxy card, or (3) signing and returning the enclosed proxy card in the postage-paid envelope provided, so that your shares may be represented and voted at the SWS special meeting. You may revoke your proxy at any time before the vote at the special meeting by following the procedures outlined in this proxy statement/prospectus. If your shares are held in the name of a bank, broker or other nominee, please follow the voting instructions furnished by the record holder.

The SWS board of directors (other than Messrs. Gerald J. Ford and J. Taylor Crandall, who recused themselves), upon the unanimous recommendation of the special committee of the SWS board of directors, has approved and adopted the merger agreement, has determined that the merger agreement and the transactions contemplated thereby, including the merger, are advisable and fair to and in the best interests of the SWS stockholders, and recommends that SWS stockholders vote "FOR" the merger proposal, "FOR" the compensation proposal and "FOR" the adjournment proposal.

This proxy statement/prospectus provides a detailed description of the special meeting, the merger, the documents related to the merger and other related matters. We urge you to read this proxy statement/prospectus and its annexes carefully and in their entirety.

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By Order of the Board of Directors

Allen R. Tubb

Executive Vice President, General Counsel and Secretary

Dallas, Texas

, 2014

Table of Contents

REFERENCES TO ADDITIONAL INFORMATION

This proxy statement/prospectus incorporates by reference important business and financial information about SWS from documents that are not included in or delivered with this proxy statement/prospectus. You can obtain documents incorporated by reference in this proxy statement/prospectus, other than certain exhibits to those documents, free of charge through the Securities and Exchange Commission website (<http://www.sec.gov>) or by requesting them in writing or by telephone from SWS at the following address:

SWS Group, Inc.
1201 Elm Street, Suite 3500
Dallas, Texas 75270
Attention: Investor Relations
Telephone: (214) 859-1800

You will not be charged for any of these documents that you request. SWS stockholders requesting documents should do so by _____, 2014, in order to receive them before the special meeting.

Hilltop is not currently eligible under the SEC's rules to incorporate by reference documents into this proxy statement/prospectus. Accordingly, much of the information that SWS has incorporated by reference, such as the description of its business, management's discussion and analysis of financial condition and results of operations, and its consolidated financial statements, is, with respect to Hilltop, fully set forth in this proxy statement/prospectus, principally in the section entitled "Information About the Companies Hilltop" beginning on page 66 and the Hilltop consolidated financial statements beginning on page F-1.

You should rely only on the information contained in or incorporated by reference into this proxy statement/prospectus. No one has been authorized to provide you with information that is different from that contained in, or incorporated by reference into, this proxy statement/prospectus. This proxy statement/prospectus is dated _____, 2014, and you should assume that the information in this proxy statement/prospectus is accurate only as of such date. Neither the mailing of this proxy statement/prospectus to SWS stockholders nor the issuance by Hilltop of shares of Hilltop common stock in connection with the merger will create any implication to the contrary.

This proxy statement/prospectus does not constitute an offer to sell, or a solicitation of an offer to buy any securities, or the solicitation of a proxy, in any jurisdiction to or from any person to whom it is unlawful to make any such offer or solicitation in such jurisdiction. Except where the context otherwise indicates, information contained in this proxy statement/prospectus regarding SWS has been provided by SWS and information contained in this proxy statement/prospectus regarding Hilltop has been provided by Hilltop.

See "Where You Can Find More Information" included elsewhere in this proxy statement/prospectus.

Table of Contents

TABLE OF CONTENTS

	Page
<u>QUESTIONS AND ANSWERS</u>	iv
<u>SUMMARY</u>	1
<u>The Companies</u>	1
<u>Risk Factors</u>	1
<u>The Merger</u>	2
<u>Recommendation of the SWS Board of Directors</u>	2
<u>Opinion of Financial Advisor to the Special Committee</u>	2
<u>What Holders of SWS Equity-Based Awards Will Receive</u>	3
<u>SWS Will Hold Its Special Meeting on _____, 2014</u>	3
<u>Hilltop's Relationship with SWS</u>	4
<u>The Oak Hill Letter Agreement</u>	5
<u>The Merger is Intended to Be Tax-Free to Holders of SWS Common Stock as to the Shares of Hilltop Common Stock They Receive</u>	5
<u>Interests of SWS Directors and Executive Officers in the Merger</u>	5
<u>Appraisal/Dissenters' Rights</u>	7
<u>Regulatory Approvals Required for the Merger</u>	7
<u>No Solicitation</u>	8
<u>Conditions that Must be Satisfied or Waived for the Merger to Occur</u>	8
<u>Termination of the Merger Agreement</u>	8
<u>Expenses and Termination Fees</u>	9
<u>The Rights of SWS Stockholders Will Change as a Result of the Merger</u>	10
<u>Litigation Relating to the Merger</u>	10
<u>SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA FOR HILLTOP</u>	11
<u>SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA FOR SWS</u>	14
<u>HILLTOP HOLDINGS INC. UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION</u>	15
<u>UNAUDITED COMPARATIVE PER SHARE DATA</u>	30
<u>COMPARATIVE MARKET PRICES AND DIVIDENDS</u>	31
<u>RISK FACTORS</u>	32
<u>Risk Factors Relating to the Merger</u>	32
<u>Risk Factors Relating to Hilltop's Business</u>	39
<u>Risks Related to Hilltop's Substantial Cash Position and Related Strategies for its Use</u>	55
<u>Risks Related to Hilltop's Common Stock</u>	56
<u>FORWARD LOOKING STATEMENTS</u>	60
<u>THE SWS SPECIAL MEETING</u>	62
<u>Matters to be Considered</u>	62
<u>Proxies</u>	62
<u>Participants in the SWS 401(k) Plan</u>	63
<u>Solicitation of Proxies</u>	63
<u>Record Date</u>	63
<u>Quorum</u>	63
<u>Vote Required</u>	63
<u>Shares Held by Officers and Directors</u>	64
<u>Shares Held by Hilltop</u>	64
<u>Recommendation of the SWS Board of Directors</u>	64
<u>Attending the Special Meeting</u>	65
<u>Delivery of Proxy Materials</u>	65
<u>Appraisal/Dissenter's Rights</u>	65

Table of Contents

	Page
<u>PROPOSALS SUBMITTED TO SWS STOCKHOLDERS</u>	<u>67</u>
<u>Adoption and Approval of the Merger Agreement (Proposal 1)</u>	<u>67</u>
<u>Non-Binding Advisory Vote Approving Compensation (Proposal 2)</u>	<u>67</u>
<u>Approval of the Adjournment or Postponement of the SWS Special Meeting (Proposal 3)</u>	<u>68</u>
<u>INFORMATION ABOUT THE COMPANIES HILLTOP</u>	<u>69</u>
<u>Business</u>	<u>69</u>
<u>Properties</u>	<u>106</u>
<u>Legal Proceedings</u>	<u>107</u>
<u>Market for Hilltop's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.</u>	<u>107</u>
<u>Selected Financial Data</u>	<u>109</u>
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations.</u>	<u>109</u>
<u>Quantitative and Qualitative Disclosures About Market Risk.</u>	<u>175</u>
<u>Financial Statements and Supplementary Data.</u>	<u>180</u>
<u>Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.</u>	<u>180</u>
<u>Directors, Executive Officers and Corporate Governance.</u>	<u>180</u>
<u>Compensation Discussion and Analysis</u>	<u>198</u>
<u>Executive Compensation</u>	<u>211</u>
<u>Certain Relationships and Related Party Transactions</u>	<u>226</u>
<u>Principal Stockholders of Hilltop</u>	<u>230</u>
<u>Security Ownership of Hilltop Management</u>	<u>230</u>
<u>INFORMATION ABOUT THE COMPANIES SWS</u>	<u>233</u>
<u>INFORMATION ABOUT THE COMPANIES PERUNA LLC</u>	<u>233</u>
<u>THE MERGER</u>	<u>234</u>
<u>Terms of the Merger</u>	<u>234</u>
<u>Background of the Merger</u>	<u>234</u>
<u>SWS's Reasons for the Merger</u>	<u>248</u>
<u>Hilltop's Reasons for the Merger</u>	<u>253</u>
<u>Opinion of Sandler O'Neill & Partners, L.P.</u>	<u>253</u>
<u>Certain SWS Prospective Financial Information</u>	<u>264</u>
<u>Public Trading Markets</u>	<u>267</u>
<u>Appraisal / Dissenters' Rights</u>	<u>267</u>
<u>Regulatory Approvals Required for the Merger</u>	<u>270</u>
<u>Interests of SWS Directors and Executive Officers in the Merger</u>	<u>272</u>
<u>Indemnification of SWS Directors and Officers and Continuation of Directors' and Officers' Insurance</u>	<u>277</u>
<u>Hilltop's Relationship with SWS</u>	<u>277</u>
<u>Oak Hill Letter Agreement</u>	<u>278</u>
<u>Litigation Relating to the Merger</u>	<u>278</u>
<u>THE MERGER AGREEMENT</u>	<u>280</u>
<u>Structure of the Merger</u>	<u>280</u>
<u>Treatment of SWS Restricted Shares and Deferred Shares</u>	<u>281</u>
<u>Treatment of Warrants</u>	<u>281</u>
<u>Closing of the Merger</u>	<u>281</u>
<u>Hilltop Board of Directors Following Completion of the Merger</u>	<u>282</u>
<u>Conversion of Shares; Exchange of Certificates</u>	<u>282</u>
<u>Representations and Warranties</u>	<u>283</u>
<u>Covenants and Agreements</u>	<u>285</u>
<u>No Solicitation</u>	<u>289</u>
<u>Change in Recommendation</u>	<u>290</u>

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Table of Contents

	Page
<u>Conditions to Completion of the Merger</u>	<u>291</u>
<u>Termination of the Merger Agreement</u>	<u>292</u>
<u>Termination Fee</u>	<u>292</u>
<u>Effect of Termination</u>	<u>293</u>
<u>Expenses and Fees</u>	<u>293</u>
<u>Amendment, Waiver and Extension of the Merger Agreement</u>	<u>293</u>
<u>ACCOUNTING TREATMENT OF THE MERGER</u>	<u>293</u>
<u>UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE MERGER</u>	<u>294</u>
<u>DESCRIPTION OF HILLTOP CAPITAL STOCK</u>	<u>298</u>
<u>Authorized Capital Stock</u>	<u>298</u>
<u>Common Stock</u>	<u>298</u>
<u>Preferred Stock</u>	<u>299</u>
<u>Listing</u>	<u>300</u>
<u>COMPARISON OF STOCKHOLDERS' RIGHTS</u>	<u>301</u>
<u>LEGAL MATTERS</u>	<u>313</u>
<u>EXPERTS</u>	<u>313</u>
<u>OTHER MATTERS</u>	<u>313</u>
<u>DEADLINE FOR SUBMITTING STOCKHOLDER PROPOSALS</u>	<u>313</u>
<u>STOCKHOLDERS SHARING AN ADDRESS</u>	<u>314</u>
<u>WHERE YOU CAN FIND MORE INFORMATION</u>	<u>315</u>
<u>Financial Statements</u>	
	<u>F-1</u>
<u>Annex A Agreement and Plan of Merger, Dated as of March 31, 2014, by and among SWS Group, Inc., Hilltop Holdings Inc. and Peruna LLC</u>	<u>A-1</u>
<u>Annex B Opinion of Sandler O'Neill & Partners, L.P.</u>	<u>B-1</u>
<u>Annex C Section 262 of the General Corporation Law of the State of Delaware</u>	<u>C-1</u>
<u>Part II Information Not Required in Prospectus</u>	<u>II-1</u>
<u>Exhibit Index</u>	<u>i</u>

Table of Contents

QUESTIONS AND ANSWERS

The following are answers to certain questions that you may have regarding the SWS special meeting. We urge you to read carefully the remainder of this proxy statement/prospectus because the information in this section may not provide all the information that might be important to you in determining how to vote. Additional important information is also contained in the annexes to, and the documents incorporated by reference into, this proxy statement/prospectus. See "Where You Can Find More Information" included elsewhere in this proxy statement/prospectus.

Q:
What is the merger?

A:
Hilltop and SWS have entered into an Agreement and Plan of Merger, dated as of March 31, 2014 (which we refer to as the "merger agreement"). Under the merger agreement, SWS will be merged with and into Hilltop's wholly owned subsidiary, Peruna LLC (which we refer to as the "merger"). Peruna LLC will be the surviving entity in the merger. Immediately following the completion of the merger, SWS's wholly owned bank subsidiary, Southwest Securities, FSB, will merge with and into Hilltop's wholly owned bank subsidiary, PlainsCapital Bank (which we refer to as the "bank merger"). PlainsCapital Bank will be the surviving bank in the bank merger. A copy of the merger agreement is included as Annex A to this proxy statement/prospectus. The merger cannot be completed unless, among other things, SWS stockholders approve the merger proposal to approve the merger agreement.

Q:
Why am I receiving this document?

A:
This document is a proxy statement of SWS to solicit proxies from its stockholders in connection with their vote to approve and adopt the merger agreement, and certain related matters. In addition, this document constitutes a prospectus for SWS stockholders because Hilltop is offering shares of its common stock to be issued in partial exchange for shares of SWS common stock in the merger.

Q:
What are holders of SWS common stock being asked to vote on?

A:
SWS stockholders are being asked to vote on a proposal to approve and adopt the merger agreement (the "merger proposal"), a proposal to approve, on a non-binding, advisory basis, compensation that may be paid or would be payable to SWS's named executive officers in connection with the merger (the "compensation proposal"), and a proposal to approve the adjournment of the SWS special meeting, if necessary or appropriate, to solicit additional proxies in the event that there are not sufficient votes at the time of the special meeting to approve the merger proposal (the "adjournment proposal").

Q:
What will holders of SWS common stock receive in the merger?

A:
If the merger is completed, holders of SWS common stock will receive (i) 0.2496 shares of Hilltop common stock and (ii) \$1.94 in cash for each share of SWS common stock that they hold immediately prior to the merger. No fractional shares of Hilltop common stock will be issued in connection with the merger. A holder of SWS common stock who otherwise would have received a fraction of a share of Hilltop common stock will instead receive an amount in cash reflecting the market value of the fractional share of Hilltop common stock based upon the average of the high and low sales prices of Hilltop common stock on the New York Stock Exchange on each of the five consecutive trading days ending on the trading day that is two trading days prior to the closing date of the merger.

Table of Contents

Q: Will the value of the merger consideration change between the date of this proxy statement/prospectus and the time the merger is completed?

A: Because the number of shares of Hilltop common stock that SWS stockholders will receive for each share of SWS common stock as the stock component of the merger consideration is fixed, the value of the merger consideration may fluctuate between the date of this proxy statement/prospectus and the SWS special meeting, and between the special meeting and the completion of the merger, based upon the market value for Hilltop common stock. In the merger, SWS stockholders will receive cash and a fraction of a share of Hilltop common stock for each share of SWS common stock they hold. Any fluctuation in the market price of Hilltop stock will change the value of the shares of Hilltop common stock that SWS stockholders will receive.

Q: How will the merger affect outstanding SWS restricted shares and deferred shares?

A: *Restricted Shares.* Each restricted share of SWS common stock granted prior to the date of the merger agreement will vest in full at the effective time of the merger, and the holders of such restricted shares will be entitled to receive the merger consideration for each such share on the same basis as SWS stockholders generally, less applicable withholding taxes, which will be withheld first from the cash portion of the merger consideration payable in respect of each such share. As of June 30, 2014, 417,137 unvested restricted shares of SWS common stock were outstanding. The merger agreement permits SWS to grant, prior to the effective time of the merger, restricted shares of SWS common stock to certain executive officers and key employees, as specified in the merger agreement and as provided under the applicable SWS bonus plans, and to non-employee directors of SWS, in each case, in accordance with the terms set forth in the merger agreement. Any such restricted shares that are granted to executive officers and key employees of SWS will be converted into restricted shares of Hilltop as of the effective time of the merger (with the number of Hilltop shares determined based on the value of the merger consideration), and will be subject to accelerated vesting on termination of employment by the employer without "cause" (as defined in the merger agreement) following the effective time of the merger. It is expected that additional awards of restricted shares of SWS common stock will be awarded to the following SWS non-employee directors: Robert A. Buchholz; Brodie L. Cobb; J. Taylor Crandall; Christie S. Flanagan; Gerald J. Ford; Larry A. Jobe; Tyree B. Miller; Dr. Mike Moses; and Joel T. Williams III; and to the following SWS executive officers and key employees: James H. Ross; Robert A. Chereck; Daniel R. Leland; Richard H. Litton; W. Norman Thompson; Allen R. Tubb; J. Michael Edge; Larry G. Tate; Anton Berends; and Lana Calton. The amount of each individual's award has not been determined at this time. The award to each SWS non-employee director will have a grant date fair market value not exceeding \$35,000. The awards to SWS executive officers and key employees will have an aggregate grant date fair market value not exceeding \$2,750,000 and in no event will exceed 350,000 restricted shares of SWS common stock in total.

Deferred Shares. As of the effective time of the merger, each deferred share of SWS common stock reflected in participant accounts under SWS deferred compensation plans will be converted into 0.3328 of a deferred share of Hilltop common stock (i.e., the sum of the portion of the merger consideration paid in Hilltop common stock and a number of shares of Hilltop common stock with a value as of immediately prior to the date of the merger agreement that is equal to the portion of the merger consideration paid in cash). Following the effective time of the merger, any such deferred shares that are not vested will continue to vest in accordance with the original terms of the SWS deferred shares and will vest in full on termination of employment by the employer without "cause" (as defined in the merger agreement) following the effective time of the merger. Hilltop deferred shares will be distributed in accordance with the terms of the applicable plan and the participants' individual elections. As of June 30, 2014, 310,941 deferred shares of SWS common stock were outstanding.

Table of Contents

For more information about these restricted and deferred shares, see "The Merger Interests of SWS Directors and Executive Officers in the Merger".

Q: What interests do SWS's directors and executive officers have in the merger that are different from, or in addition to, those of SWS stockholders generally?

A: SWS stockholders should be aware that SWS's directors and executive officers have interests in the merger that are different from, or in addition to, those of SWS stockholders generally. These interests may create potential conflicts of interest. SWS's board of directors was aware of these interests and considered these interests, among other matters, when making its decision to approve the merger agreement, and in recommending that SWS stockholders vote in favor of approving the merger proposal and the compensation proposal. For purposes of the SWS agreements and plans described below, the completion of the transactions contemplated by the merger agreement will constitute a change of control. These interests include the following:

All outstanding restricted shares of SWS common stock granted prior to the date of the merger agreement will vest in full in connection with the merger and each holder will receive the merger consideration in exchange for each such restricted share. In addition, the vesting of outstanding deferred shares of SWS common stock will accelerate in full on termination of employment by the employer without "cause" (as defined in the merger agreement) following the effective time of the merger. The estimated value of such accelerated vesting of the restricted and deferred shares currently held by the executive officers in aggregate is \$2,860,893. For the estimated value of such accelerated vesting for each individual executive officer, see "The Merger Interests of SWS Directors and Executive Officers in the Merger";

Between the date of the merger agreement and the effective time of the merger, SWS may grant certain executive officers and key employees of SWS, as specified in the merger agreement, additional restricted shares of SWS common stock, as provided under the applicable SWS bonus plans and otherwise in the ordinary course of business and consistent with past practice, with an aggregate grant date value not to exceed \$2,750,000 and in an aggregate number of shares not to exceed 350,000, which will be converted into restricted shares of Hilltop as of the effective time of the merger, and will be subject to accelerated vesting on termination of employment by the employer without "cause" (as defined in the merger agreement) following the effective time of the merger;

Between the date of the merger agreement and the effective time of the merger, SWS may grant non-employee directors of SWS additional restricted shares of SWS common stock in the ordinary course of business consistent with past practice with a grant date value not to exceed \$35,000 per director;

Executive officers and other employees of SWS are entitled to cash severance in accordance with SWS's severance practice on termination of employment by the employer without "cause" (as defined in the merger agreement) at any time on or prior to December 31, 2015. The estimated value of such cash severance for the executive officers in aggregate is \$816,154. For the estimated value of such cash severance for each individual executive officer, see "The Merger Interests of SWS Directors and Executive Officers in the Merger";

SWS may provide cash retention and/or severance payments (in addition to the severance payments described above) to its executive officers (and other employees) in an aggregate amount not to exceed \$5 million in accordance with the terms of the merger agreement. The allocation and other terms of any such payments will be mutually agreed between

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Table of Contents

Hilltop and SWS. As of the date of this proxy statement/prospectus, none of the executive officers of SWS have been granted any such retention or severance payments; and

Each of Hilltop and Peruna LLC has agreed to indemnify and advance expenses to each present and former director, officer and employee of SWS and its subsidiaries (when acting in such capacity) to the fullest extent permitted by law for any acts arising out of or pertaining to matters occurring at or existing prior to the closing of the merger. Hilltop will also provide director and officer liability insurance with respect to claims arising from facts or events occurring before the completion of the merger or, at SWS's option, SWS may purchase a "tail" policy for directors' and officers' liability insurance.

Messrs. Gerald J. Ford and J. Taylor Crandall are members of the SWS board of directors appointed by Hilltop and Oak Hill, respectively. Messrs. Ford and Crandall recused themselves from the vote of the SWS board of directors with respect to the approval and adoption of the merger agreement and the transactions contemplated thereby, including the merger. The decisions by the SWS Board that are described in this proxy statement/prospectus were all taken by unanimous vote of those directors who voted.

For more information about the interests that SWS's directors and executive officers have in the merger, see "The Merger Interests of SWS Directors and Executive Officers in the Merger".

Q:
When do you expect to complete the merger?

A:
We expect to complete the merger prior to the end of 2014. However, we cannot assure you when or if the merger will occur. We must, among other things, first obtain the required approval of SWS stockholders at the SWS special meeting and the required regulatory approvals described below in "The Merger Regulatory Approvals Required for the Merger" and satisfy certain other closing conditions.

Q:
What happens if the merger is not completed?

A:
If the merger is not completed, shares of Hilltop common stock will not be issued, and holders of SWS common stock will not receive any consideration for their shares, in connection with the merger. Instead, SWS will remain an independent company and its common stock will continue to be listed and traded on the New York Stock Exchange. Under specified circumstances in connection with the termination of the merger agreement, including circumstances involving a change in recommendation by the SWS board of directors, SWS may be required to pay Hilltop a termination fee of \$8 million. See "The Merger Agreement Termination Fee".

Q:
When and where is the SWS special meeting?

A:
The SWS special meeting will be held at _____, on _____, 2014 at _____ local time.

Q:
How do I vote?

A:
If you are a stockholder of record of SWS as of the record date for the SWS special meeting you may vote by:

accessing the Internet website specified on your proxy card;

calling the toll-free number specified on your proxy card; or

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signing the enclosed proxy card and returning it in the postage-paid envelope provided.

After you have carefully read this proxy statement/prospectus in its entirety and have decided how you wish to vote your shares, please vote your shares promptly. You may also cast your vote

vii

Table of Contents

in person at the SWS special meeting. If you hold SWS common stock in "street name" through a bank, broker or other nominee, please follow the voting instructions provided by your bank, broker or other nominee to ensure that your shares are represented at the special meeting. Stockholders that hold shares through a bank, broker, or other nominee who wish to vote at the SWS special meeting will need to obtain a "legal proxy" from the record holder.

Q: How do I vote if I own shares through the SWS Group, Inc. 401(k) Profit Sharing Plan (the "SWS 401(k) Plan")?

A: You will be given the opportunity to instruct the trustee of the SWS 401(k) Plan how to vote the shares that you hold in your account. In accordance with the terms of the plan, if you fail to instruct the plan trustee how to vote your plan shares, the trustee will generally vote your plan shares in the same proportion as the shares voted pursuant to the instructions of participants who timely give such instructions.

Q: Why is my vote important?

A: If you do not vote, it will be more difficult to obtain the necessary quorum to hold the SWS special meeting. In addition, we cannot complete the merger without obtaining the necessary vote of SWS stockholders in favor of the merger proposal.

Q: How does the SWS board of directors recommend that I vote?

A: The SWS board of directors (other than Messrs. Gerald J. Ford and J. Taylor Crandall, who recused themselves), upon the unanimous recommendation of the special committee of the SWS board of directors (the "Special Committee"), recommends that you vote "FOR" the merger proposal, "FOR" the compensation proposal and "FOR" the adjournment proposal.

Q: What constitutes a quorum for the SWS special meeting?

A: The presence at the special meeting, in person or by proxy, of holders of a majority of the outstanding shares of SWS common stock entitled to vote at the SWS special meeting will constitute a quorum for the transaction of business. Abstentions and broker non-votes will be included in determining the number of shares present at the meeting for the purpose of determining the presence of a quorum. A broker non-vote occurs under stock exchange rules when a broker is not permitted to vote on a matter without instructions from the beneficial owner of the shares and no instructions are given.

Q: What is the vote required to approve each proposal at the SWS special meeting?

A: Approval of the merger proposal requires the affirmative vote of a majority of the shares of SWS common stock outstanding on the record date for the SWS special meeting. Approval of the compensation proposal and the adjournment proposal require, in each case, the affirmative vote of a majority of the shares of SWS common stock represented in person or by proxy at the SWS special meeting and entitled to vote on such proposal. As of the date of this proxy statement/prospectus, Hilltop owns 1,475,387 shares of SWS common stock, or approximately 4.5% of the currently outstanding SWS common shares, and an additional 8,695,652 shares of SWS are issuable to Hilltop upon exercise of its warrant, equivalent to total beneficial ownership of approximately 24.4% on an as-converted basis.

Table of Contents

- Q: What impact will my vote on the compensation proposal have on the compensation payable to SWS's named executive officers in connection with the merger?**
- A: The vote on the compensation proposal is a vote separate and apart from the vote to approve the merger agreement. You may vote for the compensation proposal and against the merger proposal, and vice versa. Because the vote on the compensation proposal is advisory only, it will not be binding on SWS or Hilltop. Accordingly, because SWS is contractually obligated to pay the compensation, if the merger is completed, the compensation is payable to the named executive officers of SWS, subject only to the conditions applicable thereto, regardless of the outcome of the advisory (non-binding) vote. SWS is seeking your approval of the compensation, on an advisory (non-binding) basis, in order to comply with the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 and related SEC rules.
- Q: If my shares are held in "street name" by my broker, will my broker automatically vote my shares for me?**
- A: No. Your broker cannot vote your shares without instructions from you. You should instruct your broker as to how to vote your shares, following the directions your broker provides to you. Please check the voting form used by your broker. Without instructions, your shares will not be voted, which will have the effect described below.
- Q: What should I do if I hold my shares of SWS common stock in book-entry form?**
- A: You are not required to take any special additional action to receive the merger consideration if your shares of SWS common stock are held in book-entry form. Book-entry shares will be treated the same way as stock certificates.
- Q: What if I abstain from voting or fail to instruct my broker?**
- A: If you are a holder of SWS common stock and you abstain from voting or fail to instruct your broker to vote your shares, it will have the same effect as a vote against the merger proposal. An abstention or broker non-vote will have no effect on the compensation proposal or the adjournment proposal.
- Q: Can I attend the SWS special meeting and vote my shares in person?**
- A: Yes. All SWS stockholders, including stockholders of record and stockholders who hold their shares through banks, brokers, nominees or any other holder of record, are invited to attend the SWS special meeting. Holders of record of SWS common stock can vote in person at the SWS special meeting. If you are not a stockholder of record, you must obtain a proxy, executed in your favor, from the record holder of your shares, such as a broker, bank or other nominee, to be able to vote in person at the special meeting. If you plan to attend the SWS special meeting, you must hold your shares in your own name or have a statement from your bank, broker or other record holder confirming your ownership of shares as of the record date for the SWS special meeting. In addition, you must bring a form of personal photo identification with you in order to be admitted. SWS reserves the right to refuse admittance to anyone without proper proof of share ownership or without proper photo identification. The use of cameras, sound recording equipment, communications devices or any similar equipment during the SWS special meeting is prohibited without SWS's express written consent.
- Regardless of whether you plan to attend the SWS special meeting, we recommend that you vote your shares early by Internet, telephone or mail to ensure that a quorum exists at the SWS special meeting and to ensure that your vote will be counted if you later choose not to attend the SWS

Table of Contents

special meeting. You may revoke any previously submitted proxy and vote your shares in person at the SWS special meeting.

Q: What do I do if I want to change or revoke my vote?

A: You may revoke your proxy and change your vote at any time before the SWS special meeting, or earlier deadline specified in the proxy card, by voting again via the Internet or by telephone (only your latest Internet or telephone proxy submitted prior to the special meeting will be counted), by signing and returning a new proxy card or voting instruction form with a later date, or by attending the special meeting and voting in person. Your attendance at the special meeting, however, will not automatically revoke your proxy unless you vote again at the special meeting. We provide additional information on changing your vote under the headings "The SWS Special Meeting Proxies" included elsewhere in this proxy statement/prospectus.

Q: Am I entitled to exercise appraisal / dissenters' rights as an SWS stockholder?

A: Yes. Section 262 of the Delaware General Corporation Law ("DGCL") provides holders of shares of SWS common stock with the right to dissent from the merger and seek appraisal of their shares of SWS common stock in accordance with Delaware law. A holder of shares of SWS common stock who properly seeks appraisal and complies with the applicable requirements under Delaware law, referred to as a dissenting stockholder, will forego the merger consideration and instead receive a cash payment equal to the fair value of such stockholder's shares of SWS common stock in connection with the merger. Fair value will be determined by the Delaware Court of Chancery following an appraisal proceeding. Dissenting stockholders will not know the appraised fair value at the time such holders must elect whether to seek appraisal. The ultimate amount dissenting stockholders receive in an appraisal proceeding may be more or less than, or the same as, the amount such holders would have received under the merger agreement.

To seek appraisal, a stockholder of SWS must strictly comply with all of the procedures required under Delaware law, including:

delivering a written demand for appraisal to SWS before the vote is taken on the merger agreement at the SWS special meeting;

not voting in favor of the merger proposal; and

continuing to hold its shares of common stock through the effective time of the merger.

In connection with the foregoing, SWS stockholders who wish to seek appraisal should note that:

if you return a signed proxy without voting instructions, your proxy will be voted as recommended by the SWS board of directors and you may lose dissenters' rights;

if you return a signed proxy with instructions to vote "FOR" the merger agreement, your shares will be voted in favor of the merger agreement and you will lose dissenters' rights; and

if you wish to dissent and you execute and return a proxy, you must specify that your shares are to be either voted "AGAINST" or "ABSTAIN" with respect to approval of the merger.

Failure to follow exactly the procedures specified under Delaware law will result in the loss of appraisal rights.

For a further description of the appraisal rights available to SWS stockholders and procedures required to exercise appraisal rights, see the section entitled "The Merger Appraisal/Dissenters' Rights" included elsewhere in this joint proxy statement/prospectus and the provisions of the DGCL that grant appraisal rights and govern such procedures which are attached as Annex C to this document. If a

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stockholder of SWS holds shares of SWS common stock through a bank,

x

Table of Contents

brokerage firm or other nominee and the SWS stockholder wishes to exercise appraisal rights, such stockholder should consult with such stockholder's bank, brokerage firm or nominee. In view of the complexity of Delaware law, SWS stockholders who may wish to pursue appraisal rights should consult their legal and financial advisors promptly.

Q: Should I send in my SWS stock certificates now?

A: No. SWS stockholders with shares represented by stock certificates should not send SWS stock certificates with their proxy cards. After the merger is completed, holders of SWS common stock certificates or shares of SWS common stock held in book-entry form will be mailed a transmittal form with instructions on how to exchange their SWS stock certificates or book-entry shares for the merger consideration.

Q: Will SWS be required to submit the proposal to approve the merger agreement to its stockholders even if SWS's board of directors has withdrawn, modified or qualified its recommendation?

A: Yes. Unless the merger agreement is terminated before the SWS special meeting, SWS is required to submit the proposal to approve the merger agreement to its stockholders even if SWS's board of directors has withdrawn, modified or qualified its recommendation.

Q: What if I cannot find my stock certificates?

A: There will be a procedure for you to receive the merger consideration in the merger, even if you have lost one or more of your SWS stock certificates. This procedure, however, may take time to complete. In order to ensure that you will be able to receive the merger consideration promptly after the merger is completed, if you cannot locate your SWS stock certificates after looking for them carefully, we urge you to contact the SWS transfer agent, Computershare Trust Company, as soon as possible and follow the procedure they explain to you for replacing your SWS stock certificates. Computershare Trust Company can be reached at (303) 262-0600, or you can write to them at the following address:

Computershare Trust Company
350 Indiana Street
Suite 800
Golden, CO 80401
(303) 262-0600

Q: What should I do if I receive more than one set of voting materials?

A: SWS stockholders may receive more than one set of voting materials, including multiple copies of this proxy statement/prospectus and multiple proxy cards or voting instruction cards. For example, if you hold shares of SWS common stock in more than one brokerage account, you will receive a separate voting instruction card for each brokerage account in which you hold such shares. If you are a holder of record of SWS common stock and your shares are registered in more than one name, you will receive more than one proxy card. Please complete, sign, date and return each proxy card and voting instruction card that you receive or otherwise follow the voting instructions set forth in this proxy statement/prospectus in respect of all shares held to ensure that you vote every share of SWS common stock that you own.

Q: Will U.S. taxpayers be taxed on the Hilltop common stock and/or cash received in the merger?

A: The merger is intended to qualify as a "reorganization" within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended (the "Code"), and it is a condition to the respective obligations of Hilltop and SWS to complete the merger that each of Hilltop and SWS

Table of Contents

receives a legal opinion to that effect. Accordingly, an SWS common stockholder generally will recognize gain, but not loss, in an amount equal to the lesser of (1) the amount of gain realized (i.e., the excess of the sum of the amount of cash and the fair market value of the shares of Hilltop common stock received pursuant to the merger over that holder's adjusted tax basis in its shares of SWS common stock surrendered) and (2) the amount of cash received pursuant to the merger. Further, a holder of shares of SWS common stock generally will recognize gain or loss with respect to cash received instead of fractional shares of Hilltop common stock that the SWS common stockholder would otherwise be entitled to receive. For further information, please refer to "United States Federal Income Tax Consequences of the Merger." The U.S. federal income tax consequences described above may not apply to all holders of SWS common stock. Your tax consequences will depend on your individual situation. Accordingly, we strongly urge you to consult your independent tax advisor for a full understanding of the particular tax consequences of the merger to you.

Q:
What is Hilltop's current relationship with SWS?

A:
In March 2011, Hilltop, Oak Hill Capital Partners III, L.P. ("OHCP") and Oak Hill Capital Management Partners III, L.P. (collectively with OHCP, "Oak Hill") entered into a Funding Agreement (the "Funding Agreement") with SWS. On July 29, 2011, after receipt of regulatory and SWS stockholder approval, SWS completed the following transactions contemplated by the Funding Agreement:

entered into a \$100,000,000, five-year, unsecured loan comprised of equal commitments from each of Hilltop and Oak Hill under the terms of a credit agreement (the "Credit Agreement");

issued warrants to each of Hilltop and Oak Hill for the purchase of up to 8,695,652 shares of SWS's common stock exercisable for five years from the date of issuance at a fixed exercise price of \$5.75 per share, subject to anti-dilution adjustments; and

granted each of Hilltop and Oak Hill certain rights, including registration rights, preemptive rights, and the right for each to appoint one person to the board of directors of SWS for so long as it owns 9.9% or more of all of the outstanding shares of SWS's common stock or securities convertible into at least 9.9% of SWS's outstanding common stock.

In addition to the 8,695,652 shares of SWS issuable to Hilltop upon exercise of its warrant, Hilltop holds an additional 1,475,387 shares of SWS common stock as of the date of this proxy statement/prospectus, equivalent to 4.5% beneficial ownership of the currently outstanding shares of SWS common stock and 24.4% beneficial ownership of the outstanding shares of SWS common stock if Hilltop's warrant were fully exercised. At the closing of the merger, Hilltop's warrant to acquire SWS common stock, if outstanding, will be cancelled. Mr. Gerald J. Ford, who is Chairman of Hilltop's board of directors, currently serves as Hilltop's designee on SWS's board of directors.

In connection with its acquisition of PlainsCapital Corporation in 2012, Hilltop provided certain passivity commitments to the Federal Reserve Board related to SWS. These passivity commitments provide that Hilltop cannot take certain actions, namely exercising any controlling influence over management or policies of SWS, without the prior approval of the Federal Reserve Bank.

The terms of the Credit Agreement include a covenant prohibiting SWS from undergoing a "Fundamental Change," which includes any merger, amalgamation or consolidation, and which SWS would breach by engaging in a merger, amalgamation or consolidation unless compliance were waived by each of Hilltop and Oak Hill. During the parties' negotiations with respect to the merger, Hilltop indicated to SWS that it would not be willing to grant a waiver of this covenant to permit a third party transaction (see "The Merger Background of the Merger"). The Credit Agreement also prohibits SWS from repaying the loan other than following a period during which

Table of Contents

the closing price for SWS common stock exceeds 150% of the exercise price of the warrants (or \$8.625) for twenty out of any thirty consecutive trading days.

Q:
What rights does Oak Hill have in relation to the merger?

A:
Pursuant to a Letter Agreement dated March 31, 2014 between Oak Hill and SWS (the "Oak Hill Letter Agreement"), Oak Hill has agreed with SWS, subject to the terms and conditions of the Oak Hill Letter Agreement, to waive any terms of the Credit Agreement that would cause the merger to result in any default or event of default by SWS under the Credit Agreement.

Pursuant to the Oak Hill Letter Agreement and the merger agreement, at the closing of the merger, Oak Hill will deliver to SWS the certificates evidencing its warrants and any loans of Oak Hill to SWS then outstanding under the Credit Agreement, and SWS will issue and deliver to Oak Hill, in exchange for its warrants and loans, the following consideration: (i) the merger consideration that Oak Hill would have been entitled to receive upon consummation of the merger if its warrants had been exercised immediately prior to the effective time of the merger and (ii) an amount equal to the Applicable Premium (as defined in the Credit Agreement, being a calculation of the present value of all required interest payments due on a loan through its maturity date on the date the loan is repaid) calculated as if the loans held by Oak Hill were prepaid in full as of the closing date of the merger.

Q:
Are there any voting agreements in relation to the merger?

A:
Hilltop has agreed in the merger agreement to vote any shares of SWS that it owns as of the record date for the SWS special meeting (not including unissued shares that would be issuable upon the exercise of all or a portion of Hilltop's warrant) in favor of approval and adoption of the merger agreement. As of the date of this proxy statement/prospectus, Hilltop owns 1,475,387 shares of SWS common stock, or approximately 4.5% of the currently outstanding SWS common shares, excluding the 8,695,652 shares of SWS common stock that are issuable to Hilltop upon exercise of its warrant and the 8,695,652 shares of SWS common stock that are issuable to Oak Hill upon exercise of its warrants. Neither Oak Hill nor, to the knowledge of Hilltop and SWS, any other person has agreed to vote its shares in favor of the merger, and Oak Hill has covenanted in the Oak Hill Letter Agreement not to enter into any voting agreement with Hilltop with respect to the merger.

Q:
Where can I find more information on Hilltop and SWS?

A:
You can find more information about Hilltop and SWS from various sources described in the section of this proxy statement/prospectus entitled "Where You Can Find More Information."

Q:
Whom can I talk to if I have questions?

A:
SWS stockholders should contact SWS by telephone at (214) 859-1800 or _____, SWS's proxy solicitor, collect at _____ or toll-free at _____.

Table of Contents

SUMMARY

This summary highlights selected information from this proxy statement/prospectus and may not contain all of the information that is important to you. To obtain a better understanding of the merger, we urge you to read this entire proxy statement/prospectus carefully, including the annexes, as well as those additional documents to which we refer you. You may obtain the information incorporated by reference into this proxy statement/prospectus by following the instructions in the section of this proxy statement/prospectus entitled "Where You Can Find More Information." Each item in this summary refers to the page of this proxy statement/prospectus beginning on which that subject is described in more detail.

The Companies (page 69)

Hilltop

Hilltop, a Maryland corporation, is a Dallas-based financial holding company with principal executive offices at 200 Crescent Court, Suite 1330, Dallas, Texas 75201. The telephone number of Hilltop's executive offices is (214) 855-2177, and its Internet website address is www.hilltop-holdings.com. Through its wholly owned subsidiary, PlainsCapital Corporation, a regional commercial banking franchise, Hilltop has three operating subsidiaries: PlainsCapital Bank, PrimeLending, and First Southwest. Through Hilltop's other wholly owned subsidiary, National Lloyds Corporation, Hilltop provides property and casualty insurance through two insurance companies, National Lloyds Insurance Company and American Summit Insurance Company.

Hilltop's common stock is listed on the New York Stock Exchange under the symbol "HTH."

SWS

SWS, a Delaware corporation, is a savings and loan holding company with principal executive offices at 1201 Elm Street, Suite 3500, Dallas, Texas 75270. The telephone number of SWS's executive offices is (214) 859-1800, and its Internet website address is www.swsgroupinc.com. SWS is focused on delivering a broad range of investment banking, commercial banking and related financial services to corporate, individual and institutional investors, broker/dealers, governmental entities and financial intermediaries. SWS is the largest full-service brokerage firm headquartered in the Southwestern United States (based on the number of financial advisors). SWS conducts its banking business through its wholly owned subsidiary, Southwest Securities, FSB, a federally chartered savings bank.

SWS's common stock is listed on the New York Stock Exchange under the symbol "SWS."

Peruna LLC

Peruna LLC, a Delaware limited liability company, is a wholly owned subsidiary of Hilltop. Peruna LLC is newly formed, and was organized for the purpose of effecting the merger. Other than those incident to its formation and the matters contemplated by the merger agreement, Peruna LLC has engaged in no business activities to date and it has no material assets or liabilities of any kind.

Risk Factors (page 32)

An investment in shares of Hilltop common stock involves risks, some of which are related to the merger. In considering the merger, you should carefully consider the information about these risks set forth under "Risk Factors," together with the other information included or incorporated by reference or in this proxy statement/prospectus.

Table of Contents

The Merger (page 234)

If the merger is completed, each share of SWS common stock, par value \$0.10 per share, issued and outstanding immediately prior to the completion of the merger will be converted into the right to receive \$1.94 in cash and 0.2496 of a share of Hilltop common stock. We refer to this mix of cash and stock consideration as the merger consideration. No fractional shares of Hilltop common stock will be issued in connection with the merger. A holder of SWS common stock who otherwise would have received a fraction of a share of Hilltop common stock will instead receive an amount in cash rounded to the nearest cent. For example, if you hold 100 shares of SWS common stock, you will receive (i) \$194, (ii) 24 shares of Hilltop common stock and (iii) a cash payment instead of the 0.96 shares of Hilltop common stock that you otherwise would have received.

The value of the merger consideration may fluctuate between the date of the SWS special meeting and the completion of the merger based upon the market value for Hilltop common stock. For information about the historical prices of Hilltop common stock, see "Market Prices and Dividends of Hilltop Common Stock."

The merger agreement governs the merger. The merger agreement is included in this proxy statement/prospectus as Annex A. Please read the merger agreement carefully. All descriptions in this summary and elsewhere in this prospectus of the terms and conditions of the merger are qualified by reference to the merger agreement.

Recommendation of the SWS Board of Directors (page 248)

The SWS board of directors (other than Messrs. Gerald J. Ford and J. Taylor Crandall, who recused themselves), upon the unanimous recommendation of the Special Committee, has determined that the merger agreement and the transactions contemplated thereby, including the merger, are advisable and fair to and in the best interests of the SWS stockholders and has approved the merger and the merger agreement. SWS's board of directors recommends that SWS stockholders vote "FOR" the merger proposal, "FOR" the compensation proposal and "FOR" the adjournment proposal. For the factors considered by SWS's board of directors in reaching its decision to approve the merger agreement, see "The Merger Reasons for the Merger" and "The Merger Recommendation of the SWS Board of Directors."

Opinion of Financial Advisor to the Special Committee (page 253)

On March 31, 2014, Sandler O'Neill & Partners, L.P. ("Sandler O'Neill"), financial advisor to the Special Committee in connection with the merger, rendered its oral opinion to the Special Committee, which was subsequently confirmed in a written opinion dated the same date, that, as of such date and based upon and subject to the various factors, assumptions and any limitations set forth in its written opinion, the merger consideration to be paid to the holders of SWS common stock in the proposed merger was fair, from a financial point of view, to such holders (other than Hilltop).

The full text of Sandler O'Neill's opinion, dated March 31, 2014, is attached as Annex B to this prospectus. You should read the opinion in its entirety for a discussion of, among other things, the assumptions made, procedures followed, matters considered and any limitations on the review undertaken by Sandler O'Neill in rendering its opinion.

Sandler O'Neill's written opinion is addressed to the Special Committee, is directed only to the merger consideration to be paid in the merger, and does not constitute a recommendation to any SWS stockholder as to how such stockholder should vote with respect to the merger or any other matter.

For further information, see "The Merger Opinion of SWS's Financial Advisor."

Table of Contents

What Holders of SWS Equity-Based Awards Will Receive (page 281)

Each restricted share of SWS common stock granted prior to the date of the merger agreement will vest in full at the effective time of the merger, and the holders of such restricted shares will be entitled to receive the merger consideration for each such share on the same basis as SWS stockholders generally, less applicable withholding taxes, which will be withheld first from the cash portion of the merger consideration payable in respect of each such share. As of June 30, 2014, 417,137 restricted shares of SWS common stock were outstanding. The merger agreement permits SWS to grant prior to the effective time of the merger restricted shares of SWS common stock to certain executive officers and key employees, as specified in the merger agreement and as provided under the applicable SWS bonus plans, and to non-employee directors of SWS, in each case, in accordance with the terms set forth in the merger agreement. Any such restricted shares that are granted to executive officers and key employees of SWS will be converted into restricted shares of Hilltop as of the effective time of the merger (with the number of Hilltop shares determined based on the value of the merger consideration) and will be subject to accelerated vesting on termination of employment by the employer without "cause" (as defined in the merger agreement) following the effective time of the merger.

As of the effective time of the merger, each deferred share of SWS common stock reflected in a participant account under SWS deferred compensation plans will be converted into 0.3328 of a deferred share of Hilltop common stock, which is equal to the sum of the portion of the merger consideration paid in Hilltop common stock and a number of shares of Hilltop common stock with a value as of immediately prior to the date of the merger agreement that is equal to the portion of the merger consideration paid in cash. Following the effective time of the merger, any such deferred shares that are not vested will continue to vest in accordance with the original terms of the SWS deferred shares and will vest in full on termination of employment by the employer without "cause" (as defined in the merger agreement) following the effective time of the merger. Hilltop deferred shares will be distributed in accordance with the terms of the applicable plan and the participants' individual elections. As of June 30, 2014, 310,941 deferred shares of SWS common stock were outstanding.

For more information about these restricted and deferred shares, see "The Merger Interests of SWS Directors and Executive Officers in the Merger".

SWS Will Hold Its Special Meeting on _____, 2014 (page 62)

The SWS special meeting will be held on _____, 2014, at _____, local time, at _____. The purpose of the SWS special meeting is to vote on:

a proposal to adopt and approve the merger agreement;

a proposal to approve, on a non-binding, advisory basis, compensation that may be paid or would be payable to SWS's named executive officers that is based on or otherwise relates to the merger; and

a proposal to approve the adjournment of the SWS special meeting, if necessary or appropriate, to solicit additional proxies, in the event that there are not sufficient votes at the time of the SWS special meeting to approve the merger proposal.

Only holders of record of SWS common stock at the close of business on _____, 2014 will be entitled to vote at the SWS special meeting. Each share of SWS common stock is entitled to one vote on each proposal to be considered at the SWS special meeting.

As of the record date for the SWS special meeting, there were _____ shares of SWS common stock outstanding and entitled to vote at the SWS special meeting. As of the record date for the SWS special meeting, to the knowledge of SWS, directors and executive officers of SWS had the right to vote approximately _____ shares of SWS common stock (not including the shares held by Hilltop

Table of Contents

described below), or approximately % of the outstanding shares of SWS common stock entitled to vote at the SWS special meeting. We currently expect that each of these individuals will vote their shares of SWS common stock in favor of the proposals to be presented at the SWS special meeting. In addition, Hilltop holds 1,475,387 shares of SWS common stock as of the date of this proxy statement/prospectus, or approximately 4.5% of the currently outstanding SWS common shares, and an additional 8,695,652 shares of SWS are issuable to Hilltop upon exercise of its warrant. Hilltop has agreed in the merger agreement to vote any shares of SWS that it owns as of the record date for the SWS special meeting (not including unissued shares that would be issuable upon the exercise of all or a portion of Hilltop's warrant) in favor of adoption of the merger agreement.

Approval of the merger proposal requires the affirmative vote of a majority of the shares of SWS common stock outstanding on the record date for the SWS special meeting. Approval of the compensation proposal and the adjournment proposal require, in each case, the affirmative vote of a majority of the shares of SWS common stock represented in person or by proxy at the SWS special meeting and entitled to vote on such proposal.

Hilltop's Relationship with SWS (page 277)

In March 2011, Hilltop, Oak Hill Capital Partners III, L.P. ("OHCP") and Oak Hill Capital Management Partners III, L.P. (collectively with OHCP, "Oak Hill") entered into a Funding Agreement (the "Funding Agreement") with SWS. On July 29, 2011, after receipt of regulatory and SWS stockholder approval, SWS completed the following transactions contemplated by the Funding Agreement:

entered into a \$100,000,000, five-year, unsecured loan comprised of equal commitments from each of Hilltop and Oak Hill under the terms of a credit agreement (the "Credit Agreement");

issued warrants to each of Hilltop and Oak Hill for the purchase of up to 8,695,652 shares of SWS's common stock exercisable for five years from the date of issuance at a fixed exercise price of \$5.75 per share, subject to anti-dilution adjustments; and

granted each of Hilltop and Oak Hill certain rights, including registration rights, preemptive rights, and the right for each to appoint one person to the board of directors of SWS for so long as it owns 9.9% or more of all of the outstanding shares of SWS's common stock or securities convertible into at least 9.9% of SWS's outstanding common stock.

In addition to the 8,695,652 shares of SWS issuable to Hilltop upon exercise of its warrant, Hilltop holds an additional 1,475,387 shares of SWS common stock as of the date of this proxy statement/prospectus, equivalent to 4.5% beneficial ownership of the currently outstanding shares of SWS common stock and 24.4% beneficial ownership of the outstanding shares of SWS common stock if Hilltop's warrant were fully exercised. At the closing of the merger, Hilltop's warrant to acquire SWS common stock, if outstanding, will be cancelled. Mr. Gerald J. Ford, who is Chairman of Hilltop's board of directors, currently serves as Hilltop's designee on SWS's board of directors.

In connection with its acquisition of PlainsCapital Corporation in 2012, Hilltop provided certain passivity commitments to the Federal Reserve Board related to SWS. These passivity commitments provide that Hilltop cannot take certain actions, namely exercising any controlling influence over management or policies of SWS, without the prior approval of the Federal Reserve Bank.

The terms of the Credit Agreement include a covenant prohibiting SWS from undergoing a "Fundamental Change," which includes any merger, amalgamation or consolidation, and which SWS would breach by engaging in a merger, amalgamation or consolidation unless compliance were waived by each of Hilltop and Oak Hill. During the parties' negotiations with respect to the merger, Hilltop indicated to SWS that it would not be willing to grant a waiver of this covenant to permit a third party transaction (see "The Merger Background of the Merger"). The Credit Agreement also prohibits

Table of Contents

SWS from prepaying the loan other than following a period during which the closing price for SWS common stock exceeds 150% of the exercise price of the warrants (or \$8.625) for twenty out of any thirty consecutive trading days.

The Oak Hill Letter Agreement (page 278)

Pursuant to a Letter Agreement dated March 31, 2014 between Oak Hill and SWS (the "Oak Hill Letter Agreement"), Oak Hill has agreed with SWS, subject to the terms and conditions of the Oak Hill Letter Agreement, to waive any terms of the Credit Agreement that would cause the merger to result in any default or event of default by SWS under the Credit Agreement.

Pursuant to the Oak Hill Letter Agreement and the merger agreement, at the closing of the merger, Oak Hill will deliver to SWS the certificates evidencing its warrants and any loans of Oak Hill to SWS then outstanding under the Credit Agreement, and SWS will issue and deliver to Oak Hill, in exchange for its warrants and loans, the following consideration: (i) the merger consideration that Oak Hill would have been entitled to receive upon consummation of the merger if its warrants had been exercised immediately prior to the effective time of the merger and (ii) an amount equal to the Applicable Premium (as defined in the Credit Agreement, being a calculation of the present value of all required interest payments due on a loan through its maturity date on the date the loan is repaid) calculated as if the loans held by Oak Hill were prepaid in full as of the closing date of the merger.

The Merger is Intended to Be Tax-Free to Holders of SWS Common Stock as to the Shares of Hilltop Common Stock They Receive (page 294)

The merger is intended to qualify as a "reorganization" within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended (the "Code"), and it is a condition to the respective obligations of Hilltop and SWS to complete the merger that each of Hilltop and SWS receives a legal opinion to that effect. Accordingly, an SWS common stockholder generally will recognize gain, but not loss, in an amount equal to the lesser of (1) the amount of gain realized (i.e., the excess of the sum of the amount of cash and the fair market value of the shares of Hilltop common stock received pursuant to the merger over that holder's adjusted tax basis in its shares of SWS common stock surrendered) and (2) the amount of cash received pursuant to the merger. Further, a holder of shares of SWS common stock generally will recognize gain or loss with respect to cash received instead of fractional shares of Hilltop common stock that the SWS common stockholder would otherwise be entitled to receive. For further information, please refer to "United States Federal Income Tax Consequences of the Merger."

The United States federal income tax consequences described above may not apply to all holders of SWS common stock. Your tax consequences will depend on your individual situation. Accordingly, we strongly urge you to consult your tax advisor for a full understanding of the particular tax consequences of the merger to you.

Interests of SWS Directors and Executive Officers in the Merger (page 272)

SWS stockholders should be aware that SWS's directors and executive officers have interests in the merger that are different from, or in addition to, those of SWS stockholders generally. These interests and arrangements may create potential conflicts of interest. SWS's board of directors was aware of these interests and considered these interests, among other matters, when making its decision to approve the merger agreement, and in recommending that SWS stockholders vote in favor of approving the merger proposal and the compensation proposal. For purposes of the SWS agreements and plans

Table of Contents

described below, the completion of the transactions contemplated by the merger agreement will constitute a change of control. These interests include the following:

All outstanding restricted shares of SWS common stock granted prior to the date of the merger agreement will vest in full in connection with the merger and each holder will receive the merger consideration in exchange for each such restricted share. In addition, the vesting of outstanding deferred shares of SWS common stock will accelerate in full on termination of employment by the employer without "cause" (as defined in the merger agreement) following the effective time of the merger;

Between the date of the merger agreement and the effective time of the merger, SWS may grant certain executive officers and key employees of SWS, as specified in the merger agreement, additional restricted shares of SWS common stock, as provided under the applicable SWS bonus plans and otherwise in the ordinary course of business and consistent with past practice, with an aggregate grant date value not to exceed \$2,750,000 and in an aggregate number of shares not to exceed 350,000, which will be converted into restricted shares of Hilltop as of the effective time of the merger (with the number of Hilltop shares determined based on the value of the merger consideration), and will be subject to accelerated vesting on termination of employment by the employer without "cause" (as defined in the merger agreement) following the effective time of the merger;

Between the date of the merger agreement and the effective time of the merger, SWS may grant non-employee directors of SWS additional restricted shares of SWS common stock in the ordinary course of business consistent with past practice with a grant date value not to exceed \$35,000 per director;

Executive officers and other employees of SWS are entitled to cash severance in accordance with SWS's severance practice on termination of employment by the employer without "cause" (as defined in the merger agreement) at any time on or prior to December 31, 2015;

SWS may provide cash retention and/or severance payments (in addition to the severance payments described above) to its executive officers (and other employees) in an aggregate amount not to exceed \$5 million in accordance with the terms of the merger agreement. The allocation and other terms of any such payments will be mutually agreed between Hilltop and SWS. As of the date of this proxy statement/prospectus, none of the executive officers of SWS have been granted any such retention or severance payments; and

Each of Hilltop and Peruna LLC has agreed to indemnify and advance expenses to each present and former director, officer and employee of SWS and its subsidiaries (when acting in such capacity) to the fullest extent permitted by law for any acts arising out of or pertaining to matters occurring at or existing prior to the closing of the merger. Hilltop will also provide director and officer liability insurance with respect to claims arising from facts or events occurring before the completion of the merger or, at SWS's option, SWS may purchase a "tail" policy for directors' and officers' liability insurance.

Messrs. Gerald J. Ford and J. Taylor Crandall are members of the SWS board of directors appointed by Hilltop and Oak Hill, respectively. Messrs. Ford and Crandall recused themselves from the vote of the SWS board of directors with respect to the approval and adoption of the merger agreement and the transactions contemplated thereby, including the merger. The decisions by the SWS Board that are described in this proxy statement/prospectus were all taken by unanimous vote of those directors who voted.

Table of Contents

Appraisal/Dissenters' Rights (page 267)

Section 262 of the DGCL provides holders of shares of SWS common stock with the right to dissent from the merger and seek appraisal of their shares of SWS common stock in accordance with Delaware law. A holder of shares of SWS common stock who properly seeks appraisal and complies with the applicable requirements under Delaware law, referred to as a dissenting stockholder, will forego the merger consideration and instead receive a cash payment equal to the fair value of such stockholder's shares of SWS common stock in connection with the merger. Fair value will be determined by the Delaware Court of Chancery following an appraisal proceeding. Dissenting stockholders will not know the appraised fair value at the time such holders must elect whether to seek appraisal. The ultimate amount dissenting stockholders receive in an appraisal proceeding may be more or less than, or the same as, the amount such holders would have received under the merger agreement.

To seek appraisal, a stockholder of SWS must strictly comply with all of the procedures required under Delaware law, including:

delivering a written demand for appraisal to SWS before the vote is taken on the merger agreement at the SWS special meeting;

not voting in favor of the merger proposal; and

continuing to hold its shares of common stock through the effective time of the merger.

In connection with the foregoing, SWS stockholders who wish to seek appraisal should note that:

if you return a signed proxy without voting instructions, your proxy will be voted as recommended by the SWS board of directors and you may lose dissenters' rights;

if you return a signed proxy with instructions to vote "FOR" the merger agreement, your shares will be voted in favor of the merger agreement and you will lose dissenters' rights; and

if you wish to dissent and you execute and return a proxy, you must specify that your shares are to be either voted "AGAINST" or "ABSTAIN" with respect to approval of the merger.

Failure to follow exactly the procedures specified under Delaware law will result in the loss of appraisal rights.

For a further description of the appraisal rights available to SWS stockholders and procedures required to exercise appraisal rights, see the section entitled "The Merger Appraisal/Dissenters' Rights" included elsewhere in this joint proxy statement/prospectus and the provisions of the DGCL that grant appraisal rights and govern such procedures which are attached as Annex C to this document. If a stockholder of SWS holds shares of SWS common stock through a bank, brokerage firm or other nominee and the SWS stockholder wishes to exercise appraisal rights, such stockholder should consult with such stockholder's bank, brokerage firm or nominee. In view of the complexity of Delaware law, SWS stockholders who may wish to pursue appraisal rights should consult their legal and financial advisors promptly.

Regulatory Approvals Required for the Merger (page 270)

Hilltop and SWS have agreed to use their reasonable best efforts to obtain all regulatory approvals necessary or advisable to complete the transactions contemplated by the merger agreement, including the merger and the bank merger. These approvals include approvals from the Board of Governors of the Federal Reserve System (the "Federal Reserve Board") and the Texas Department of Banking and the expiration or termination of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act"), among others. Hilltop and SWS have filed,

Table of Contents

or are in the process of filing, applications and notifications to obtain the required regulatory approvals.

We are not aware of any material governmental approvals or actions that are required for completion of the merger other than those described above. It is presently contemplated that if any such additional governmental approvals or actions are required, those approvals or actions will be sought.

Although neither SWS nor Hilltop knows of any reason why these regulatory approvals cannot be obtained in a timely manner, SWS and Hilltop cannot be certain when or if they will be obtained.

No Solicitation (page 289)

The merger agreement contains restrictions on SWS's ability to solicit or engage in discussions or negotiations with any third party regarding a proposal to acquire a significant interest in SWS. Notwithstanding these restrictions, under certain limited circumstances, the board of directors of SWS may respond to an unsolicited proposal and may change or withdraw its recommendation with respect to a "superior proposal" (as defined in the section entitled "The Merger Agreement No Solicitation").

Conditions that Must be Satisfied or Waived for the Merger to Occur (page 291)

Currently, we expect to complete the merger by the end of 2014. As more fully described in this proxy statement/prospectus and in the merger agreement, the completion of the merger depends on a number of conditions being satisfied or, where legally permissible, waived. These conditions include (1) approval of the merger proposal by SWS stockholders, (2) authorization for listing on the NYSE of the shares of Hilltop common stock to be issued in the merger, (3) the receipt of required regulatory approvals (including approvals of the Federal Reserve Board and the Texas Department of Banking and the expiration or termination of the waiting period under the HSR Act), (4) effectiveness of the registration statement of which this proxy statement/prospectus is a part and the absence of any stop order or threat of any stop order by the SEC, (5) the absence of any order, injunction or other legal restraint preventing the completion of the merger or making the completion of the merger illegal, (6) subject to the materiality standards provided in the merger agreement, the accuracy of the representations and warranties of Hilltop and SWS, (7) performance in all material respects by each of Hilltop and SWS of its obligations under the merger agreement and (8) receipt by each of Hilltop and SWS of an opinion from its counsel as to certain tax matters. In addition, Hilltop's obligation to complete the merger is further conditioned on the fact that there shall not be any regulatory changes, in connection with the grant of a requisite regulatory approval, which impose or would result in the imposition of a materially burdensome regulatory condition.

We cannot be certain when, or if, the conditions to the merger will be satisfied or waived, or that the merger will be completed. For a further discussion of the conditions to the completion of the merger, see "The Merger Agreement Conditions to Completion of the Merger."

Termination of the Merger Agreement (page 292)

Either party may terminate the merger agreement prior to completion of the merger in the following circumstances:

a governmental entity that must grant a required regulatory approval has denied approval and such denial has become final, or an injunction or legal prohibition against the transaction becomes final and nonappealable;

Table of Contents

the merger has not been consummated by March 31, 2015 unless the failure of the merger to be completed by such date is due to the failure of the party seeking to terminate the merger agreement to perform or observe its covenants and agreements under the merger agreement;

the other party breaches any of its covenants or agreements under the merger agreement in a manner that would cause the closing conditions not to be satisfied and which is not cured 30 days following written notice of the breach (provided that the terminating party is not also in material breach of any of its obligations under the merger agreement); or

the special meeting of the SWS stockholders shall have concluded without the approval of the merger proposal.

In addition, Hilltop may terminate the merger agreement in the following circumstances:

prior to obtaining SWS stockholder approval, SWS's board of directors changes its recommendation with respect to the merger;

prior to obtaining SWS stockholder approval, SWS is in material breach of its non-solicitation obligations or its obligations regarding soliciting stockholder approval for the merger; or

prior to completion of the merger, if any governmental entity that must grant a requisite regulatory approval imposes a materially burdensome regulatory condition and there is no meaningful possibility such condition can be revised prior to March 31, 2015 unless the failure to obtain such approval without a materially burdensome regulatory condition is due to any breach by Hilltop of the merger agreement.

Expenses and Termination Fees (page 293)

In general, each of Hilltop and SWS will be responsible for all expenses incurred by it in connection with the negotiation and completion of the transactions contemplated by the merger agreement.

Upon termination of the merger agreement under specified circumstances, SWS may be required to pay Hilltop a termination fee of \$8 million. SWS will be required to pay the termination fee to Hilltop if:

(i)

a third party proposal has been publicly disclosed or made known to SWS management and not withdrawn, or any person has publicly announced or made known to SWS management and not withdrawn at least 10 business days' prior to the stockholder vote an intention to make a third party proposal, and thereafter the agreement is terminated:

by either Hilltop or SWS because the merger has not been consummated by March 31, 2015 (without SWS stockholder approval of the merger proposal having been obtained) or because the SWS stockholders failed to approve the merger proposal at a meeting called for such purpose; or

by Hilltop for SWS's willful breach of any of its covenants or agreements under the merger agreement, which breach would cause certain closing conditions not to be satisfied and which is not cured during the applicable cure period;

and, within 12 months of termination SWS consummates a third party acquisition or enters into an agreement in respect thereof (provided that the references to "15%" in the definition of third party acquisition shall be replaced with references to "50%" for this purpose); or

(ii)

the merger agreement is terminated by Hilltop prior to the time SWS stockholders have approved the merger proposal because SWS or the board of directors of SWS changes its

Table of Contents

recommendation in favor of the merger, or SWS is in material breach of its non-solicitation obligations or its obligations regarding soliciting stockholder approval of the merger.

The Rights of SWS Stockholders Will Change as a Result of the Merger (page 301)

The rights of SWS stockholders will change as a result of the merger due to differences in Hilltop's and SWS's governing documents and states of incorporation. The rights of SWS stockholders are governed by Delaware law and by SWS's certificate of incorporation and bylaws, each as amended to date. Upon the completion of the merger, SWS stockholders will become stockholders of Hilltop and the rights of former SWS stockholders will therefore be governed by Maryland law and Hilltop's charter and bylaws as then in effect.

See "Comparison of Stockholders' Rights" included elsewhere in this proxy statement/prospectus for a description of the material differences in stockholders rights under each of the Hilltop and SWS governing documents and under Maryland and Delaware law.

Litigation Relating to the Merger (page 278)

Each of Hilltop, Peruna LLC, SWS and the individual members of the board of directors of SWS have been named as defendants in two purported shareholder class action lawsuits arising out of the merger. Both lawsuits were filed in Delaware Chancery Court (*Joseph Arceri v. SWS Group, Inc. et al* and *Chaile Steinberg v. SWS Group, Inc. et al* filed April 8, 2014 and April 11, 2014, respectively). The lawsuits allege claims for breach of fiduciary duty by the individual directors of SWS, and claims against Hilltop for aiding and abetting that breach of fiduciary duty. Both actions seek to enjoin the merger. Hilltop and SWS believe that the claims are without merit and each intends to vigorously defend against these actions.

Table of Contents

SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA FOR HILLTOP

Set forth below is certain consolidated financial data of Hilltop as of and for the years ended December 31, 2009 through December 31, 2013 and as of and for the three months ended March 31, 2014 and 2013. The results of operations for the three months ended March 31, 2014 and 2013 are not necessarily indicative of the results of operations for the full year or any other interim period. Hilltop management prepared the unaudited consolidated information as of and for the three months ended March 31, 2014 and 2013 on the same basis as it prepared Hilltop's audited consolidated financial statements as of and for the year ended December 31, 2013. In the opinion of Hilltop management, this information reflects all adjustments, consisting of only normal recurring adjustments, necessary for a fair statement of this data for those dates. You should read Hilltop's selected historical financial data, together with the notes thereto, in conjunction with the more detailed information contained in Hilltop's consolidated financial statements and related notes and "Information About the Companies Hilltop Management's Discussion and Analysis of Financial Condition and Results of Operations" included in this proxy statement/prospectus. Hilltop's operating results for 2012 include the results from the operations acquired in Hilltop's acquisition of PlainsCapital Corporation for the month of December 2012 and the operations acquired in Hilltop's acquisition of First National bank are included

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Table of Contents

in Hilltop's operating results beginning September 14, 2013 (dollars in thousands, except per share data and weighted average shares outstanding).

	Three Months Ended March 31,			Year Ended December 31,			
	2014	2013	2013	2012	2011	2010	2009
(Unaudited)							
Statement of Operations Data:							
Total interest income	\$ 91,828	\$ 74,604	\$ 329,075	\$ 39,038	\$ 11,049	\$ 8,154	\$ 6,866
Total interest expense	6,407	7,343	32,874	10,196	8,985	8,971	9,668
Net interest income (loss)	85,421	67,261	296,201	28,842	2,064	(817)	(2,802)
Provision for loan losses	3,242	13,005	37,158	3,800			
Net interest income (loss) after provision for loan losses	82,179	54,256	259,043	25,042	2,064	(817)	(2,802)
Total noninterest income	170,100	213,278	850,085	224,232	141,650	124,073	122,377
Total noninterest expense	212,629	214,991	911,735	255,517	155,254	124,811	123,036
Income (loss) before income taxes	39,650	52,543	197,393	(6,243)	(11,540)	(1,555)	(3,461)
Income tax expense (benefit)	14,354	19,170	70,684	(1,145)	(5,009)	(1,007)	(1,349)
Net income (loss)	25,296	33,373	126,709	(5,098)	(6,531)	(548)	(2,112)
Less: Net income attributable to noncontrolling interest	110	300	1,367	494			
Income (loss) attributable to Hilltop	25,186	33,073	125,342	(5,592)	(6,531)	(548)	(2,112)
Dividends on preferred stock and other(1)	1,426	703	4,327	259		12,939	10,313
Income (loss) applicable to Hilltop common stockholders	\$ 23,760	\$ 32,370	\$ 121,015	\$ (5,851)	\$ (6,531)	\$ (13,487)	\$ (12,425)
Per Share Data:							
Net income (loss) basic	\$ 0.26	\$ 0.39	\$ 1.43	\$ (0.10)	\$ (0.12)	\$ (0.24)	\$ (0.22)
Weighted average shares outstanding basic	89,707	83,487	84,382	58,754	56,499	56,492	56,474
Net income (loss) diluted	\$ 0.26	\$ 0.39	\$ 1.40	\$ (0.10)	\$ (0.12)	\$ (0.24)	\$ (0.22)
Weighted average shares outstanding diluted	90,585	83,743	90,331	58,754	56,499	56,492	56,474
Book value per common share	\$ 13.76	\$ 12.74	\$ 13.27	\$ 12.34	\$ 11.60	\$ 11.56	\$ 11.77
Tangible book value per common share	\$ 10.21	\$ 8.83	\$ 9.70	\$ 8.37	\$ 11.01	\$ 10.95	\$ 11.13
Balance Sheet Data:							
Total assets	\$9,033,432	\$7,216,910	\$8,904,122	\$7,286,865	\$925,425	\$939,641	\$1,040,752
Cash and due from banks	889,950	588,838	713,099	722,039	578,520	649,439	790,013
Securities	1,329,690	1,207,274	1,261,989	1,081,066	224,200	148,965	129,968
Loans held for sale	887,200	1,242,322	1,089,039	1,401,507			
Non-covered loans, net of unearned income	3,646,946	3,248,367	3,514,646	3,152,396			
Covered loans	909,783		1,006,369				
Allowance for loan losses	(37,310)	(16,637)	(34,302)	(3,409)			
Goodwill and other intangible assets, net	319,916	326,860	322,729	331,508	33,062	34,587	36,229
Total deposits	6,663,176	4,758,438	6,722,918	4,700,461			
Notes payable	55,465	140,747	56,327	141,539	131,450	138,350	138,350

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Junior subordinated debentures	67,012	67,012	67,012	67,012			
Total stockholders' equity	1,355,213	1,178,585	1,311,922	1,146,550	655,383	653,055	783,777
Performance Ratios(2):							
Return on average stockholders' equity	7.65%	11.46%	10.48%	-0.62%			
Return on average assets	1.14%	1.87%	1.66%	-0.08%			
Net interest margin (taxable equivalent)(3)	4.62%	4.35%	4.47%	4.64%			
Efficiency ratio(4)(5)(6)	63.34%	38.41%	42.58%	NM			
Asset Quality Ratios(2):							
Total nonperforming assets to total loans and other real estate(5)	4.14%	0.35%	3.70%	NM			
Allowance for loan losses to nonperforming loans(5)	100.83%	489.18%	136.39%	NM			
Allowance for loan losses to total loans(5)	0.82%	0.51%	0.76%	NM			
Net charge-offs to average loans outstanding(5)	0.02%	-0.03%	0.18%	NM			
Capital Ratios:							
Equity to assets ratio	14.99%	16.32%	14.73%	15.71%	70.82%	69.50%	75.31%
Tangible common equity to tangible assets	10.56%	10.69%	10.19%	10.05%	69.74%	68.33%	62.56%
Regulatory Capital Ratios(2):							
Hilltop Leverage ratio(7)	13.12%	13.39%	12.81%	13.08%			
Hilltop Tier 1 risk-based capital ratio	18.66%	18.21%	18.53%	17.72%			
Hilltop Total risk-based capital ratio	19.32%	18.58%	19.13%	17.81%			
Bank Leverage ratio(7)	9.53%	9.22%	9.29%	8.84%			
Bank Tier 1 risk-based capital ratio	13.47%	12.21%	13.38%	11.83%			
Bank Total risk-based capital ratio	14.14%	12.59%	14.00%	11.93%			
Other Data(8):							
Net loss and LAE ratio	45.5%	56.5%	70.3%	74.4%	72.2%	60.5%	61.0%
Expense ratio	32.0%	32.2%	32.3%	34.4%	34.0%	36.0%	35.7%
GAAP combined ratio	77.5%	88.7%	102.6%	108.8%	106.2%	96.5%	96.8%
Statutory surplus(9)	\$ 132,286	\$ 124,122	\$ 125,054	\$ 120,319	\$ 118,708	\$ 119,297	\$ 117,063
Statutory premiums to surplus ratio	126.4%	125.9%	130.7%	125.0%	119.4%	102.0%	98.0%

(1) Series A preferred stock was redeemed in September 2010.

(2) Noted measures are typically used for measuring the performance of banking and financial institutions. Our operations prior to the PlainsCapital Merger are limited to our insurance operations. Therefore, noted measures for periods prior to 2012 are not a useful measure and have been excluded.

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Table of Contents

- (3) Taxable equivalent net interest income divided by average interest-earning assets. Our operations prior to the PlainsCapital Merger are limited to our insurance operations. Therefore, noted measure for 2012 reflects the ratio for the month ended December 31, 2012.
- (4) Noninterest expenses divided by the sum of total noninterest income and net interest income for the year.
- (5) Noted measures are typically used for measuring the performance of banking and financial institutions. Our operations prior to the PlainsCapital Merger are limited to our insurance operations. Additionally, noted measure is not meaningful ("NM") in 2012.
- (6) Only considers operations of banking segment.
- (7) Ratio for 2012 was calculated using the average assets for the month of December.
- (8) Only considers operations of insurance segment.
- (9) Statutory surplus includes combined surplus of NLIC and ASIC.

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

Hilltop presents two measures in its selected financial data that are not measures of financial performance recognized by GAAP.

"Tangible book value per common share" is defined as total stockholders' equity, excluding preferred stock, reduced by goodwill and other intangible assets, divided by total common shares outstanding. "Tangible common stockholders' equity to tangible assets" is defined as total stockholders' equity, excluding preferred stock, reduced by goodwill and other intangible assets divided by total assets reduced by goodwill and other intangible assets.

These measures are important to investors interested in changes from period to period in tangible common equity per share exclusive of changes in intangible assets. For companies such as Hilltop that have engaged in business combinations, purchase accounting can result in the recording of significant amounts of goodwill and other intangible assets related to those transactions.

You should not view this disclosure as a substitute for results determined in accordance with GAAP, and this disclosure is not necessarily comparable to that of other companies that use non-GAAP measures. The following table reconciles these Hilltop non-GAAP financial measures to the most comparable GAAP financial measures, "book value per common share" and "Hilltop stockholders' equity to total assets" (dollars in thousands, except per share data).

	March 31,		December 31,				
	2014	2013	2013	2012	2011	2010	2009
Book value per common share	\$ 13.76	\$ 12.74	\$ 13.27	\$ 12.34	\$ 11.60	\$ 11.56	\$ 11.77
Effect of goodwill and intangible assets per share	\$ (3.55)	\$ (3.91)	\$ (3.57)	\$ (3.97)	\$ (0.59)	\$ (0.61)	\$ (0.64)
Tangible book value per common share	\$ 10.21	\$ 8.83	\$ 9.70	\$ 8.37	\$ 11.01	\$ 10.95	\$ 11.13
Hilltop stockholders' equity	\$ 1,354,497	\$ 1,177,809	\$ 1,311,141	\$ 1,144,496	\$ 655,383	\$ 653,055	\$ 783,777
Less: preferred stock	114,068	114,068	114,068	114,068			119,108
Less: goodwill and intangible assets, net	319,916	326,860	322,729	331,508	33,062	34,587	36,229
Tangible common equity	920,513	736,881	874,344	698,920	622,321	618,468	628,440
Total assets							

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	9,033,432	7,216,910	8,904,122	7,286,865	925,425	939,641	1,040,752
Less: goodwill and intangible assets, net	319,916	326,860	322,729	331,508	33,062	34,587	36,229
Tangible assets	8,713,516	6,890,050	8,581,393	6,955,357	892,363	905,054	1,004,523
Equity to assets	14.99%	16.32%	14.73%	15.71%	70.82%	69.50%	75.31%
Tangible common equity to tangible assets	10.56%	10.69%	10.19%	10.05%	69.74%	68.33%	62.56%

Table of Contents**SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA FOR SWS**

The following table sets forth the selected historical consolidated financial data for SWS. The selected consolidated financial data as of and for the fiscal years ended June 30, 2013, June 29, 2012, June 24, 2011, June 25, 2010 and June 26, 2009 have been derived from the audited financial statements of SWS for the fiscal years 2009-2013. The selected consolidated financial data as of and for the nine-month periods ended March 31, 2014 and March 29, 2013 have been derived from unaudited consolidated financial statements and, in the opinion of SWS management, include all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of the financial position, results of operations and cash flows. You should not take historical results as necessarily indicative of the results that may be expected for the entire fiscal year ending June 30, 2014. You should not assume the historical results for any past periods indicate results for any future period.

You should read this selected consolidated financial data in conjunction with the audited consolidated financial statements and related notes thereto included in SWS's Annual Report on Form 10-K for the fiscal year ended June 30, 2013 and the unaudited consolidated financial statements and related notes thereto included in SWS's Quarterly Report on Form 10-Q for the period ended March 31, 2014. Please see the section of this proxy statement/prospectus entitled "Where You Can Find More Information."

	Nine Months Ended		Fiscal Year Ended				
	March 31, 2014	March 29, 2013(4)	June 30, 2013	June 29, 2012	June 24, 2011	June 25, 2010	June 26, 2009
(In thousands, except ratios and per share amounts)							
Consolidated Operating Results:							
Total revenue	\$ 237,466	\$ 249,536	\$ 318,114	\$ 353,741	\$ 389,819	\$ 422,227	\$ 485,677
Net revenue(1)	203,155	216,208	271,653	293,423	342,064	366,971	381,621
Net income (loss)	(6,774)	(993)	(33,445)	(4,729)	(23,203)	(2,893)	23,631
Earnings (loss) per share basic(2)							
Net income (loss)	\$ (0.21)	\$ (0.03)	\$ (1.02)	\$ (0.14)	\$ (0.71)	\$ (0.10)	\$ 0.86
Earnings (loss) per share diluted(2)							
Net income (loss)	\$ (0.21)	\$ (0.03)	\$ (1.02)	\$ (0.14)	\$ (0.71)	\$ (0.10)	\$ 0.86
Weighted average shares outstanding basic(2)	32,988	32,858	32,870	32,650	32,515	30,253	27,429
Weighted average shares outstanding diluted(2)	32,988	32,858	32,870	32,650	32,515	30,253	27,509
Cash dividends declared per common share	\$	\$	\$	\$	\$ 0.12	\$ 0.36	\$ 0.36
Consolidated Financial Condition:							
Total assets	\$ 4,050,226	\$ 3,996,485	\$ 3,780,373	\$ 3,546,843	\$ 3,802,157	\$ 4,530,691	\$ 4,199,039
Long-term debt(3)	168,840	125,014	165,181	138,450	86,247	99,107	111,913
Stockholders' equity	307,060	354,311	315,286	355,702	357,469	383,394	340,357
Shares outstanding	32,754	32,641	32,629	32,576	32,285	32,342	27,263
Book value per common share	\$ 9.37	\$ 10.85	\$ 9.66	\$ 10.92	\$ 11.07	\$ 11.85	\$ 12.48
Bank Performance Ratios:							
Return on assets	0.4%	0.2%	0.5%	0.2%	(2.1)%	(0.8)%	0.2%
Return on equity	3.3%	1.4%	3.5%	1.5%	(21.4)%	(9.1)%	2.6%
Equity to assets ratio	13.3%	13.0%	13.1%	12.0%	9.7%	9.2%	8.5%

- (1) Net revenue is equal to total revenues less interest expense.
- (2) Unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents (paid or unpaid) are treated as participating securities and are factored into the calculation of Earnings per Share ("EPS"), except in periods with a net loss, when they are excluded.
- (3) Includes FHLB advances with maturities in excess of one year and for fiscal year 2013 and 2012 and the nine months ended March 31, 2014 and March 29, 2013, includes the \$100.0 million Credit Agreement with Hilltop and Oak Hill net of a \$16.9 million, \$20.9 million, \$13.5 million and \$18.0 million discount at June 30, 2013, June 29, 2012, March 31, 2014 and March 29, 2013, respectively.

(4) The Bank's performance ratios are for the period ended March 29, 2013.

Table of Contents

**HILLTOP HOLDINGS INC. UNAUDITED PRO FORMA CONDENSED
COMBINED FINANCIAL INFORMATION**

The following unaudited pro forma condensed combined financial statements show the impact on the separate historical financial statements of Hilltop and SWS after giving effect to the merger and the assumptions and adjustments described in the accompanying notes to the unaudited pro forma condensed combined financial statements. The following unaudited pro forma condensed combined statements of income and accompanying notes exclude the impact on Hilltop's historical statements of income of the assumption of substantially all of the liabilities, including all of the deposits, and acquisition of substantially all of the assets by PlainsCapital Bank (the "Bank"), a wholly owned subsidiary of Hilltop, of Edinburg, Texas-based First National Bank ("FNB") from the Federal Deposit Insurance Corporation (the "FDIC"), as receiver, on September 13, 2013 (the "FNB Transaction"). Pursuant to the Purchase and Assumption Agreement (the "P&A Agreement"), the Bank and the FDIC entered into loss-share agreements whereby the FDIC agreed to share in the losses of certain covered loans and covered other real estate owned that the Bank acquired. Due to the nature and magnitude of the FNB Transaction, coupled with the federal assistance and protection resulting from the FDIC loss-share agreements, historical financial information of FNB is not relevant to future operations. Hilltop has omitted certain historical financial information and the related pro forma financial information of FNB pursuant to the guidance provided in Staff Accounting Bulletin Topic 1.K, Financial Statements of Acquired Troubled Financial Institutions ("SAB 1:K"), and a request for relief granted by the SEC. SAB 1:K provides relief from the requirements of Rule 3-05 of Regulation S-X in certain instances, such as the FNB Transaction, where a registrant engages in an acquisition of a significant amount of assets of a troubled financial institution for which audited financial statements are not reasonably available and in which federal assistance is so persuasive as to substantially reduce the relevance of such information to an assessment of future operations.

The unaudited pro forma condensed combined balance sheet of Hilltop combines the historical balance sheets of Hilltop and SWS as of March 31, 2014 as if the merger of SWS with and into Hilltop's wholly owned subsidiary, Peruna LLC (the "SWS Merger") had occurred on March 31, 2014. The unaudited pro forma condensed combined statements of income for the year ended December 31, 2013 and the three months ended March 31, 2014 are presented as if the SWS Merger had occurred on January 1, 2013. Hilltop and SWS have different fiscal year-ends. Therefore, the unaudited pro forma condensed combined statement of income for the year ended December 31, 2013 combines the audited results of Hilltop for the year ended December 31, 2013 with the unaudited results of SWS for the six months ended June 30, 2013 and the six months ended December 31, 2013. The historical consolidated financial information has been adjusted to reflect factually supportable items that are directly attributable to the SWS Merger, and with respect to the statements of income only, expected to have a continuing impact on consolidated results of operations.

The unaudited pro forma condensed combined financial information has been prepared using the acquisition method of accounting for business combinations under accounting principles generally accepted in the United States. Hilltop is the acquirer for accounting purposes. Hilltop has not had sufficient time to completely evaluate the significant assets and liabilities to be acquired in the SWS Merger. Accordingly, the unaudited pro forma adjustments related to SWS, including the allocations of the purchase price, are preliminary and have been made solely for the purpose of providing unaudited pro forma combined financial information.

A final determination of the merger consideration and fair values of SWS's assets and liabilities, which cannot be made prior to the completion of the merger, will be based on the actual tangible and intangible assets and liabilities of SWS that exist as of the date of completion of the transaction. Consequently, amounts preliminarily allocated to bargain purchase gain and identifiable intangibles could change significantly from those allocations used in the unaudited pro forma condensed combined

Table of Contents

financial statements presented below and could result in a material change in amortization of acquired intangible assets.

In connection with the plan to integrate the operations of Hilltop and SWS following the completion of the SWS Merger, Hilltop anticipates that nonrecurring charges, such as costs associated with systems implementation, employee retention and severance agreements, and other costs related to exit or disposal activities, could be incurred. Hilltop is not able to determine the timing, nature, and amount of these charges as of the date of this proxy statement/prospectus. However, these charges could affect the results of operations of Hilltop and SWS, as well as those of the combined company as a result of the transaction, in the period in which they are recorded. Therefore, the unaudited pro forma condensed combined financial statements do not include the effects of the costs associated with any restructuring or integration activities resulting from the transactions, as they are nonrecurring in nature and not factually supportable at the time that the unaudited pro forma condensed combined financial statements were prepared. We estimate transaction-related expenses aggregating approximately \$8.0 million will be incurred by Hilltop and SWS as a part of the SWS Merger for advisors, counsel and other third-parties. These transaction-related expenses are not included in the unaudited pro forma condensed combined statements of income.

Pursuant to the Funding Agreement, SWS entered into a \$50.0 million unsecured loan with Oak Hill and warrants to purchase up to 8,695,652 shares of SWS common stock. The unaudited pro forma condensed combined financial statements include the effects of Oak Hill exercising its warrants prior to the closing of the SWS Merger, the effect of which is provided for in the Oak Hill Letter Agreement. The Credit Agreement governing the unsecured loan provides that upon prepayment of the unsecured loan, Oak Hill is entitled to a make-whole interest payment equal to the present value of all required interest payments due on the loan from the date the loan is repaid through its maturity date. Therefore, the unaudited pro forma condensed combined balance sheet includes the effects of an estimated make-whole interest payment by SWS of \$8.0 million to Oak Hill prior to the closing of the SWS Merger. This make-whole interest payment has been excluded from the unaudited pro forma condensed combined statements of income, as it represents a nonrecurring item that does not have a continuing impact on results of operations.

The actual amounts recorded as of the completion of the SWS Merger may differ materially from the information presented in these unaudited pro forma condensed combined financial statements as a result of:

changes in the trading price for Hilltop's common stock;

net cash used or generated in SWS's operations between the signing of the merger agreement and completion of the merger;

the timing of the completion of the merger;

other changes in SWS's net assets that occur prior to completion of the merger, which could cause material differences in the information presented below; and

changes in the financial results of the combined company, which could cause material changes in the information presented below.

The unaudited pro forma condensed combined financial statements are provided for informational purposes only. The unaudited pro forma condensed combined financial statements are not necessarily, and should not be assumed to be, an indication of the results that would have been achieved had the transaction been completed as of the dates indicated or that may be achieved in the future. The preparation of the unaudited pro forma condensed combined financial statements and related

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Table of Contents

adjustments require management to make certain assumptions and estimates. The unaudited pro forma condensed combined financial statements should be read together with:

the accompanying notes to the unaudited pro forma condensed combined financial statements;

Hilltop's separate audited historical consolidated financial statements and accompanying notes as of and for the year ended December 31, 2013, included in this proxy statement/prospectus beginning on page F-1;

Hilltop's separate unaudited historical consolidated interim financial statements and accompanying notes as of and for the three months ended March 31, 2014 included in this proxy statement/prospectus beginning on page F-94;

Audited Statement of Assets Acquired and Liabilities Assumed by the Bank related to the FNB Transaction at September 13, 2013 and the accompanying notes thereto, included in this proxy statement/prospectus beginning on page F-154;

SWS's separate audited historical consolidated financial statements and accompanying notes as of and for the year ended June 30, 2013, incorporated by reference into this proxy statement/prospectus;

SWS's separate unaudited historical consolidated interim financial statements and accompanying notes as of and for the three and nine months ended March 31, 2014, incorporated by reference into this proxy statement/prospectus; and

other information pertaining to Hilltop and SWS contained in or, with respect to SWS, incorporated by reference into this proxy statement/prospectus. See "Selected Historical Consolidated Financial Data for Hilltop" and "Selected Historical Consolidated Financial Data for SWS" included elsewhere in this proxy statement/prospectus.

Table of Contents

**HILLTOP HOLDINGS INC. UNAUDITED PRO FORMA CONDENSED COMBINED
BALANCE SHEET AS OF MARCH 31, 2014**

	Historical		Pro Forma	Pro Forma	
	Hilltop	SWS	Adjustments	Combined	Notes
	(in thousands)				
Assets:					
Cash and due from banks	\$ 889,950	\$ 87,763	\$ (94,158)	\$ 883,555	A
Federal funds sold and securities purchased under agreements to resell	27,460	97,504		124,964	
Assets segregated for regulatory purposes		189,961		189,961	
Securities:					
Trading	53,350	288,969		342,319	
Available for sale	1,245,359	575,679	(75,135)	1,745,903	B
Held to maturity	30,981	13,553	346	44,880	C
Total securities	1,329,690	878,201	(74,789)	2,133,102	
Loans held for sale	887,200			887,200	
Non-covered loans, net of unearned income and allowance for non-covered loan losses	3,612,301	822,079	(20,393)	4,413,987	D
Covered loans, net	909,783			909,783	
Broker-dealer and clearing organization receivables	174,442	1,869,238		2,043,680	
Insurance premiums receivable	26,234			26,234	
Deferred policy acquisition costs	21,096			21,096	
Premises and equipment, net	202,155	16,955	(3,000)	216,110	E
FDIC indemnification asset	188,736			188,736	
Covered other real estate owned	152,310			152,310	
Mortgage servicing rights	29,939			29,939	
Other assets	262,220	80,973	6,892	350,085	F
Goodwill	251,808	7,552	(7,552)	251,808	G
Other intangible assets, net	68,108		10,000	78,108	H
Total assets	\$ 9,033,432	\$ 4,050,226	\$ (183,000)	\$ 12,900,658	
Liabilities:					
Deposits	\$ 6,663,176	\$ 1,355,095	\$ (15,301)	\$ 8,002,970	I
Broker-dealer and clearing organization payables	161,888	1,795,811		1,957,699	
Reserve for losses and loss adjustment expenses	28,258			28,258	
Unearned insurance premiums	89,646			89,646	
Short-term borrowings	491,406	119,961		611,367	
Advances from Federal Home Loan Bank		92,430	1,458	93,888	J
Notes payable	55,465	86,537	(86,537)	55,465	K
Junior subordinated debentures	67,012			67,012	
Stock purchase warrants		31,033	(31,033)		L
Other liabilities	121,368	262,299	4,700	388,367	M
Total liabilities	7,678,219	3,743,166	(126,713)	11,294,672	

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Stockholders' Equity:

Preferred stock	114,068			114,068	
Common stock	902	3,331	(3,230)	1,003	N
Additional paid-in capital	1,388,002	324,221	(85,118)	1,627,105	O
Accumulated other comprehensive loss	(16,054)	(7,331)	(538)	(23,923)	P
Accumulated deficit	(132,421)	(10,134)	29,572	(112,983)	Q
Deferred compensation, net		3,176	(3,176)		R
Treasury stock		(6,203)	6,203		S
Total stockholders' equity before noncontrolling interest	1,354,497	307,060	(56,287)	1,605,270	
Noncontrolling interest	716			716	
Total stockholders' equity	1,355,213	307,060	(56,287)	1,605,986	
Total liabilities and stockholders' equity	\$ 9,033,432	\$ 4,050,226	\$ (183,000)	\$ 12,900,658	

See accompanying Notes to Unaudited Pro Forma Condensed Combined Financial Statements

Table of Contents

**HILLTOP HOLDINGS INC. UNAUDITED PRO FORMA CONDENSED COMBINED
STATEMENT OF INCOME FOR THE THREE MONTHS ENDED MARCH 31, 2014**

	Historical Hilltop	SWS	Pro Forma Adjustments	Pro Forma Combined	Notes
(in thousands, except per share data)					
Interest income:					
Loans, including fees	\$ 79,744	\$ 6,255	\$ 694	\$ 86,693	T
Investment and other interest income	12,084	16,018	(1,612)	26,490	U
Total interest income	91,828	22,273	(918)	113,183	
Interest expense:					
Deposits	3,759	112		3,871	
Short-term borrowings	395	610		1,005	
Notes payable	648	3,310	(3,310)	648	V
Junior subordinated debentures	584			584	
Other	1,021	7,782		8,803	
Total interest expense	6,407	11,814	(3,310)	14,911	
Net interest income	85,421	10,459	2,392	98,272	
Provision for (recapture of) loan losses	3,242	(1,578)		1,664	
Net interest income after provision for (recapture of) loan losses	82,179	12,037	2,392	96,608	
Noninterest income:					
Net gains from sale of loans and other mortgage production income	79,111			79,111	
Mortgage loan origination fees	12,344			12,344	
Net insurance premiums earned	40,319			40,319	
Investment and securities advisory fees and commissions	21,335	42,121		63,456	
Other	16,991	6,349	6,745	30,085	X
Total noninterest income	170,100	48,470	6,745	225,315	
Noninterest expense:					
Employees' compensation and benefits	106,429	48,753		155,182	
Loss and loss adjustment expenses	18,337			18,337	
Policy acquisition and other underwriting expenses	11,687			11,687	
Occupancy & equipment	26,338	7,676	(150)	33,864	Z
Other	49,838	12,249	408	62,495	AA
Total noninterest expense	212,629	68,678	258	281,565	
Income (loss) before income taxes	39,650	(8,171)	8,879	40,358	
Income tax expense	14,354	586	3,108	18,048	AB

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Net income (loss)	25,296	(8,757)	5,771	22,310
Less: Net income attributable to noncontrolling interest	110			110
Less: Dividends on preferred stock	1,426			1,426

Income (loss) applicable to common stockholders \$ 23,760 \$ (8,757) \$ 5,771 \$ 20,774

Earnings (loss) per common share:				
Basic	\$ 0.26	\$ (0.27)		\$ 0.21
Diluted	\$ 0.26	\$ (0.27)		\$ 0.21

Weighted average share information:				
Basic	89,707	33,020	(22,965)	99,762
Diluted	90,585	33,020	(22,965)	100,640

See accompanying Notes to Unaudited Pro Forma Condensed Combined Financial Statements

Table of Contents

**HILLTOP HOLDINGS INC. UNAUDITED PRO FORMA CONDENSED COMBINED
STATEMENT OF INCOME FOR THE YEAR ENDED DECEMBER 31, 2013**

	Historical		Pro Forma	Pro Forma	
	Hilltop	SWS	Adjustments	Combined	Notes
	(in thousands, except per share data)				
Interest income:					
Loans, including fees	\$ 284,782	\$ 30,298	\$ 3,234	\$ 318,314	T
Investment and other interest income	44,293	60,384	(6,263)	98,414	U
Total interest income	329,075	90,682	(3,029)	416,728	
Interest expense:					
Deposits	14,877	569		15,446	
Short-term borrowings	1,814	2,605		4,419	
Notes payable	10,512	12,827	(12,827)	10,512	V
Junior subordinated debentures	2,409			2,409	
Other	3,262	30,930		34,192	
Total interest expense	32,874	46,931	(12,827)	66,978	
Net interest income	296,201	43,751	9,798	349,750	
Provision for (recapture of) loan losses	37,158	(9,559)		27,599	
Net interest income after provision for (recapture of) loan losses	259,043	53,310	9,798	322,151	
Noninterest income:					
Net realized gains on securities	4,937			4,937	
Net gains from sale of loans and other mortgage production income	457,531			457,531	
Mortgage loan origination fees	79,736			79,736	
Net insurance premiums earned	157,533			157,533	
Investment and securities advisory fees and commissions	93,093	175,639	(2,259)	266,473	W
Bargain purchase gain	12,585			12,585	
Other	44,670	40,236	54	84,960	X
Total noninterest income	850,085	215,875	(2,205)	1,063,755	
Noninterest expense:					
Employees' compensation and benefits	480,496	202,314	(1,627)	681,183	Y
Loss and loss adjustment expenses	110,755			110,755	
Policy acquisition and other underwriting expenses	46,289			46,289	
Occupancy & equipment	86,248	31,499	(727)	117,020	Z
Other	187,947	47,216	1,385	236,548	AA
Total noninterest expense	911,735	281,029	(969)	1,191,795	
Income (loss) before income taxes	197,393	(11,844)	8,562	194,111	
Income tax expense	70,684	24,343	(11,633)	83,394	AB

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Net income (loss)	126,709	(36,187)	20,195	110,717
Less: Net income attributable to noncontrolling interest	1,367			1,367
Less: Dividends on preferred stock	4,327			4,327

Income (loss) applicable to common stockholders \$ 121,015 \$ (36,187) \$ 20,195 \$ 105,023

Earnings (loss) per common share:				
Basic	\$ 1.43	\$ (1.10)		\$ 1.11
Diluted	\$ 1.40	\$ (1.10)		\$ 1.10

Weighted average share information:				
Basic	84,382	32,912	(22,857)	94,437
Diluted	90,331	32,912	(22,857)	100,386

See accompanying Notes to Unaudited Pro Forma Condensed Combined Financial Statements

Table of Contents

NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

1. Basis of Pro Forma Presentation

The unaudited pro forma condensed combined balance sheet as of March 31, 2014 and the unaudited pro forma condensed combined statements of income for the three months ended March 31, 2014 and the year ended December 31, 2013 are based on the historical financial statements of Hilltop Holdings Inc. ("Hilltop") and SWS Group, Inc. ("SWS") after giving effect to the completion of the merger and the assumptions and adjustments described in the accompanying notes. Hilltop and SWS have different fiscal year-ends. Therefore, the unaudited pro forma condensed combined statement of income for the year ended December 31, 2013 combines the audited results of Hilltop for the year ended December 31, 2013 with the unaudited results of SWS for the six months ended June 30, 2013 and the six months ended December 31, 2013. The unaudited pro forma condensed combined financial statements do not reflect cost savings or operating synergies expected to result from the transactions, or the costs to achieve these cost savings or operating synergies, or any anticipated disposition of assets that may result from the integration of the operations of the two companies. The unaudited pro forma condensed combined statements of income do not give effect to the recent acquisition of First National Bank ("FNB") from the Federal Deposit Insurance Corporation (the "FDIC"), as receiver, as further described below.

On September 13, 2013 (the "Bank Closing Date"), PlainsCapital Bank (the "Bank"), a wholly owned subsidiary of Hilltop, assumed substantially all of the liabilities, including all of the deposits, and acquired substantially all of the assets of Edinburg, Texas-based FNB from the FDIC, as receiver, and reopened former FNB branches acquired from the FDIC under the "PlainsCapital Bank" name (the "FNB Transaction"). Pursuant to the Purchase and Assumption Agreement (the "P&A Agreement"), the Bank and the FDIC entered into loss-share agreements whereby the FDIC agreed to share in the losses of certain covered loans and covered other real estate owned ("OREO") that the Bank acquired. The fair market value of the assets acquired was \$2.2 billion, including \$1.1 billion in covered loans, \$286.2 million in securities, \$121.0 million in covered OREO and \$45.9 million in non-covered loans. The Bank also assumed \$2.2 billion in liabilities, consisting primarily of deposits. Due to the nature and magnitude of the FNB Transaction, coupled with the federal assistance and protection resulting from the FDIC loss-share agreements, historical financial information of FNB is not relevant to future operations. Hilltop has omitted certain historical financial information and the related pro forma financial information of FNB pursuant to the guidance provided in Staff Accounting Bulletin Topic 1.K, Financial Statements of Acquired Troubled Financial Institutions ("SAB 1:K"), and a request for relief granted by the SEC. SAB 1:K provides relief from the requirements of Rule 3-05 of Regulation S-X in certain instances, such as the FNB Transaction, where a registrant engages in an acquisition of a significant amount of assets of a troubled financial institution for which audited financial statements are not reasonably available and in which federal assistance is so persuasive as to substantially reduce the relevance of such information to an assessment of future operations.

The SWS Merger will be accounted for under the acquisition method of accounting. In business combination transactions in which the consideration given is not in the form of cash (that is, in the form of non-cash assets, liabilities incurred, or equity interests issued), measurement of the merger consideration is based on the fair value of the consideration given or the fair value of the asset (or net assets) acquired, whichever is more clearly evident and, thus, more reliably measurable.

All of the assets acquired and liabilities assumed in a business combination are recognized at their acquisition-date fair value, while transaction costs and restructuring costs associated with the business combination are expensed as incurred. The bargain purchase gain represents the excess of the preliminary estimated fair value of the underlying net tangible assets and intangible assets over the preliminary estimated merger consideration. Changes in deferred tax asset valuation allowances and income tax uncertainties after the acquisition date generally affect income tax expense. Subsequent to

Table of Contents

the completion of the SWS Merger, Hilltop and SWS will finalize an integration plan, which may affect how the assets acquired, including intangible assets, will be utilized by the combined company. For those assets in the combined company that will be phased out or will no longer be used, additional amortization, depreciation and possibly impairment charges will be recorded after management completes the integration plan.

The unaudited pro forma information is presented solely for informational purposes and is not necessarily indicative of the combined results of operations or financial position that might have been achieved for the periods or dates indicated, nor is it necessarily indicative of the future results of the combined company.

2. Preliminary Estimated Merger Consideration

On March 31, 2014, Hilltop entered into a definitive merger agreement with SWS providing for the merger of SWS with and into Peruna LLC, a wholly owned subsidiary of Hilltop. The merger agreement provides for SWS common stockholders, excluding Hilltop, to receive a total of 10.1 million shares of Hilltop common stock and \$78.2 million in cash for SWS common stock. The value of the per share purchase consideration would be approximately \$7.88 based upon the closing price of Hilltop common stock on March 31, 2014 multiplied by the exchange ratio of 0.2496x and adding the cash portion of the merger consideration of \$1.94 per share (collectively, the "Merger Consideration").

Based on SWS's shares of common stock, equity awards and stock purchase warrants outstanding as of March 31, 2014, and assuming that, as of the closing of the SWS Merger, all equity awards are vested and exercised and all stock purchase warrants are exercised, the preliminary estimated merger consideration is as follows (in thousands).

Preliminary Estimated Merger Consideration

Number of shares of SWS common stock outstanding upon closing of merger	50,459
Less shares held by Hilltop upon closing of merger	(10,171)
Number of shares of SWS common stock to be acquired upon closing of merger	40,288
Multiplied by per share exchange ratio	0.2496x
Number of shares of Hilltop common stock as exchanged	10,055
Multiplied by Hilltop common stock price on March 31, 2014	\$ 23.79
Estimated fair value of Hilltop common stock issued	\$ 239,204
Estimated cash distribution to SWS common stockholders(1)	78,158
Estimated fair value of Hilltop existing investment in SWS	76,552
Total Preliminary Estimated Merger Consideration	\$ 393,914

(1) The estimated cash distribution to SWS common stockholders equals the cash portion of the Merger Consideration of \$1.94, multiplied by 40,288,000 shares of SWS common stock exchanged upon closing of the merger.

3. Preliminary Estimated Merger Consideration Allocation

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Under the acquisition method of accounting, the total merger consideration is allocated to the acquired tangible and intangible assets and assumed liabilities of SWS based on their estimated fair values as of the closing of the SWS Merger. If the fair value of net assets purchased exceeds the merger consideration given, a "bargain purchase gain" is recognized. If the merger consideration given exceeds the fair value of the net assets received, goodwill is recognized.

Table of Contents

The allocation of the estimated merger consideration is preliminary because the proposed merger has not yet been completed. The preliminary allocation is based on estimates, assumptions, valuations, and other studies which have not progressed to a stage where there is sufficient information to make a definitive allocation. Accordingly, the merger consideration allocation and unaudited pro forma adjustments will remain preliminary until Hilltop management determines the final merger consideration and the fair values of assets acquired and liabilities assumed. The final determination of the merger consideration allocation is anticipated to be completed as soon as practicable after the completion of the merger and will be based on the price of Hilltop's common stock immediately prior to the effective time of the SWS Merger. The final amounts allocated to assets acquired and liabilities assumed could differ significantly from the amounts presented in the unaudited pro forma condensed combined financial statements.

The total preliminary estimated merger consideration as shown in the table above is allocated to SWS's tangible and intangible assets and liabilities as of March 31, 2014 based on their preliminary estimated fair values as follows (in thousands).

Preliminary Estimated Merger Consideration Allocation

Cash and due from banks	\$ 75,763
Federal funds sold and securities purchased under agreements to resell	97,504
Assets segregated for regulatory purposes	189,961
Securities	878,547
Non-covered loans, net	801,686
Broker-dealer and clearing organization receivables	1,869,238
Premises and equipment, net	13,955
Other assets	87,662
Deposits	(1,339,794)
Broker-dealer and clearing organization payables	(1,795,811)
Short-term borrowings	(119,961)
Advances from Federal Home Loan Bank	(93,888)
Other liabilities	(266,999)
Intangible assets	10,000
Bargain purchase gain	(13,949)
Preliminary Estimated Merger Consideration	\$ 393,914
Less Hilltop existing investment in SWS	(76,552)
Preliminary Estimated Merger Consideration, excluding Hilltop existing investment in SWS	\$ 317,362

Approximately \$10.0 million has been preliminarily allocated to amortizable intangible assets acquired. The amortization related to the preliminary fair value of net amortizable intangible assets is reflected as a pro forma adjustment to the unaudited pro forma condensed combined financial statements.

Identifiable intangible assets. The preliminary fair values of intangible assets were determined based on the provisions of ASC 805, which defines fair value in accordance with ASC Topic 820, *Fair Value Measurements and Disclosures* ("ASC 820"). ASC 820 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 at the measurement date. Intangible assets were identified that met either the separability

Table of Contents

criterion or the contractual-legal criterion described in ASC 805. The preliminary allocation to intangible assets is as follows (dollars in thousands).

		Estimated Useful Life (Years)	Amortization Method
Customer contracts and relationships	\$ 8,000	10	accelerated
Core deposit intangible	1,000	10	accelerated
Trademarks and trade names	1,000	20	straight-line
Total intangible assets	\$ 10,000		

Bargain Purchase Gain. The bargain purchase gain represents the excess of the preliminary estimated fair value of the underlying net tangible and intangible assets over the preliminary estimated merger consideration. The bargain purchase gain resulting from the SWS Merger is a one-time, extraordinary gain that is not expected to be repeated in future periods. As noted above, the final amounts allocated to assets and liabilities could differ significantly from the amounts presented in the unaudited pro forma condensed combined financial statements. This may cause us to revise our estimates, which could result in the recognition of additional bargain purchase gain, or the recognition of less or no bargain purchase gain, in which case we may be required to record goodwill that would be subject to an ongoing impairment analysis.

4. Preliminary Unaudited Pro Forma and Merger Accounting Adjustments

The unaudited pro forma financial information is not necessarily indicative of what the financial position or operating results actually would have been had the SWS Merger taken place on January 1, 2013, and includes adjustments which are preliminary and may be revised. Such revisions may result in material changes. The financial position shown herein is not necessarily indicative of what the past financial position of the combined companies would have been, nor necessarily indicative of the financial position of the post-merger periods. The unaudited pro forma financial information does not give consideration to the impact of possible expense efficiencies, synergies, strategy modifications, asset dispositions, or other actions that may result from the SWS Merger.

Table of Contents

The following unaudited pro forma adjustments result from accounting for the merger, including the determination of fair value of the assets, liabilities and commitments which Hilltop, as the acquirer for accounting purposes, will acquire from SWS. The descriptions related to these preliminary adjustments are as follows (in thousands).

Balance Sheet

A	Adjustments to cash:		
	To reflect cash used to purchase outstanding shares of SWS	\$	(78,158)
	To reflect cash used to pay estimated transaction costs		(8,000)
	To reflect cash used to pay make-whole interest on note payable by SWS to Oak Hill		(8,000)
		\$	(94,158)
B	Adjustments to available for sale investments:		
	To eliminate Hilltop historical investment in SWS	\$	(76,552)
	To reflect purchase fair value of Hilltop investment in SWS		1,417
		\$	(75,135)
C	Adjustment to held to maturity investments:		
	To reflect estimated fair value at acquisition date	\$	346
D	Adjustment to non-covered loans, net:		
	To reflect estimated fair value at acquisition date	\$	(20,393)
E	Adjustment to premises and equipment, net:		
	To reflect estimated fair value at acquisition date	\$	(3,000)
F	Adjustments to other assets:		
	To reflect deferred tax asset changes resulting from pro forma adjustments	\$	13,432
	To reflect current tax recoverable from estimated transaction costs		1,400
	To reflect deferred tax liability arising from identified intangible assets		(3,500)
	To reflect estimated fair value of other assets at acquisition date		(4,440)