

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

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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.

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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.

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**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

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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.

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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.

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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.

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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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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

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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.

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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

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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,

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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

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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

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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 _____.

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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.

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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."

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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

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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

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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

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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.

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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,

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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;

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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

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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.

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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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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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- (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.

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**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

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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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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.

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**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

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

	Historical		Pro Forma	Pro Forma	
	Hilltop	SWS	Adjustments	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

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**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

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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

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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.

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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

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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.

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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)
		\$	6,892
G	Adjustment to goodwill:		
	To eliminate SWS historical acquired goodwill	\$	(7,552)
H	Adjustment to other intangible assets, net:		
	To reflect the identified intangibles associated with the SWS Merger	\$	10,000
I	Adjustment to deposits:		
	To reflect estimated fair value at acquisition date	\$	(15,301)
J	Adjustment to advances from Federal Home Loan Bank:		
	To reflect estimated fair value at acquisition date	\$	1,458
K	Adjustments to notes payable:		
	To reflect amortization of the remaining discount on notes payable held by SWS	\$	13,463
	To reflect the issuance of SWS common stock in exchange for forgiveness of SWS notes payable held by Hilltop and Oak Hill		(100,000)
		\$	(86,537)
L	Adjustment to stock purchase warrants:		
	To reflect the issuance of SWS common stock in exchange for forgiveness of SWS notes payable held by Hilltop and Oak Hill	\$	(31,033)

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M	Adjustment to other liabilities:		
	To reflect estimated fair value at acquisition date	\$	4,700
N	Adjustments to common stock:		
	To reflect the issuance of SWS common stock in exchange for SWS notes payable and warrants held by Hilltop and Oak Hill	\$	1,739
	To eliminate SWS historical common stock, including common stock issued for SWS notes payable and warrants held by Hilltop and Oak Hill		(5,070)
	To reflect the issuance of Hilltop common stock to SWS stockholders		101
		\$	(3,230)
O	Adjustments to additional paid-in capital:		
	To reflect the issuance of SWS common stock in exchange for SWS notes payable and warrants held by Hilltop and Oak Hill	\$	129,294
	To eliminate SWS historical additional paid-in capital, including common stock issued for SWS notes payable and warrants held by Hilltop and Oak Hill		(453,515)
	To reflect the issuance of Hilltop common stock to SWS stockholders		239,103
		\$	(85,118)
P	Adjustments to accumulated other comprehensive loss:		
	To eliminate SWS historical accumulated other comprehensive loss	\$	7,331
	To reflect recognition of unrealized gains on prior investment interests		(7,869)
		\$	(538)
Q	Adjustments to accumulated deficit:		
	To eliminate SWS historical accumulated deficit	\$	10,134
	To reflect increase in estimated fair value of Hilltop historical investment in SWS at acquisition date		920
	To reflect the bargain purchase gain associated with the SWS Merger		13,949
	To reflect estimated transactions costs, net of tax		(3,300)
	To reflect recognition of unrealized gains on prior investment interests		7,869
		\$	29,572
R	Adjustment to deferred compensation, net:		
	To eliminate SWS historical deferred compensation, net	\$	(3,176)
S	Adjustment to treasury stock:		
	To eliminate SWS historical treasury stock	\$	6,203

Pursuant to the acquisition method of accounting, the final Merger Consideration will be based on the price of Hilltop's common stock immediately prior to the effective time of the SWS Merger. A 20% difference in per share price at the closing of the SWS Merger compared to the amount used in these unaudited pro forma condensed combined financial statements would increase or decrease total Merger Consideration and the bargain purchase gain by approximately \$48 million.

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		Three Months Ended March 31, 2014	Year Ended December 31, 2013
T	Adjustment to loan interest income: To reflect accretion of loan discounts resulting from loan fair value pro forma adjustment	\$ 694	\$ 3,234
U	Adjustments to investment and other interest income: To reflect elimination of historical interest income from Hilltop investment in SWS To reflect foregone interest resulting from pro forma cash adjustments, excluding make-whole provision	\$ (1,593)	\$ (6,166)
		(19)	(97)
		\$ (1,612)	\$ (6,263)
V	Adjustment to interest expense on notes payable: To reflect elimination of historical interest expense from Hilltop and Oak Hill notes payable in SWS	\$ (3,310)	\$ (12,827)
W	Adjustment to investment and securities advisory fees and commissions: To reflect elimination of SWS discontinued operations from its historical operating results	\$	\$ (2,259)
X	Adjustments to other noninterest income: To reflect elimination of historical unrealized (gains) losses from Hilltop and Oak Hill warrants in SWS	\$ 6,745	\$ 54
Y	Adjustment to employees' compensation and benefits: To reflect elimination of SWS discontinued operations from its historical operating results	\$	\$ (1,627)
Z	Adjustments to occupancy and equipment expense: To reflect reduction in depreciation expense resulting from premises and equipment pro forma adjustment To reflect elimination of SWS discontinued operations from its historical operating results	\$ (150)	\$ (600)
		(127)	(127)
		\$ (150)	\$ (727)
AA	Adjustments to other noninterest expense: To reflect intangible amortization expense resulting from identified intangibles associated with the SWS Merger To reflect elimination of SWS discontinued operations from its historical operating results	\$ 408	\$ 1,740
			(355)
		\$ 408	\$ 1,385
AB	Adjustments to income tax expense: To reflect the income tax effect of pro forma adjustments at Hilltop's estimated combined statutory tax rate of 35%, excluding historical SWS pro forma adjustments	\$ 3,108	\$ (11,633)

Note that the estimated transaction costs included as part of the unaudited pro forma condensed combined balance sheet as of March 31, 2014 have not been included in the above unaudited pro forma adjustments. In addition, the unaudited pro forma condensed combined statements of income

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exclude nonrecurring items resulting directly from the SWS Merger and that do not have a continuing impact on results of operations. These items include estimated pre-tax income aggregating approximately \$13.5 million as of March 31, 2014 associated with the recognition of gains on prior investment interests in SWS by Hilltop and the recognition of the remaining unrecognized discount on Hilltop's note receivable from SWS, and estimated pre-tax expense aggregating approximately \$8.0 million as of March 31, 2014 associated with the estimated make-whole interest payment by SWS to Oak Hill.

5. Unaudited Preliminary Estimated Accretion/Amortization of Certain Purchase Accounting Adjustments

The following table sets forth an estimate of the expected effects, if not using the straight-line method, of the projected aggregate purchase accounting adjustments reflected in the unaudited pro forma condensed combined financial statements on the future income before income tax expense of Hilltop after the SWS Merger (in thousands).

	Accretion (Amortization)				
	Year 1	Year 2	Year 3	Year 4	Year 5
Loans, including fees	\$ 3,234	\$ 2,651	\$ 2,258	\$ 1,882	\$ 1,122
Other intangibles	(1,690)	(1,515)	(1,339)	(1,163)	(988)
Increase (decrease) in income before income tax expense	\$ 1,544	\$ 1,136	\$ 919	\$ 719	\$ 134

The actual effect of purchase accounting adjustments on the future income before income tax expense of Hilltop may differ from these estimates based on the closing date estimates of fair values and the use of different amortization methods than assumed above.

6. Earnings per Common Share

Unaudited pro forma earnings per common share for the three months ended March 31, 2014 and for the year ended December 31, 2013 have been calculated using Hilltop's historic weighted average common shares outstanding plus the common shares issued as a part of the SWS Merger.

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The following table presents the computation of basic and diluted unaudited pro forma earnings per common share (in thousands, except per share data).

	Three Months Ended March 31, 2014	Year Ended December 31, 2013
Basic earnings per share:		
Pro forma combined net income	\$ 20,774	\$ 105,023
Less: income applicable to participating shares	(98)	(521)
Pro forma combined net earnings available to Hilltop common stockholders	\$ 20,676	\$ 104,502
Pro forma weighted average common shares outstanding basic:		
Historic Hilltop	89,707	84,382
Common shares issued to SWS common stockholders	10,055	10,055
Pro forma weighted average common shares outstanding basic	99,762	94,437
Pro forma combined net earnings per common share basic	\$ 0.21	\$ 1.11
Diluted earnings per share:		
Pro forma combined net income	\$ 20,774	\$ 105,023
Add: interest expense on senior exchangeable notes (net of tax)		5,059
Pro forma combined net earnings available to Hilltop common stockholders	\$ 20,774	\$ 110,082
Pro forma weighted average common shares outstanding basic	99,762	94,437
Effect of potentially dilutive securities	878	5,949
Pro forma weighted average common shares outstanding diluted	100,640	100,386
Pro forma combined net earnings per common share diluted	\$ 0.21	\$ 1.10

Table of Contents**UNAUDITED COMPARATIVE PER SHARE DATA**

The following tables present: (1) historical per share information for Hilltop; (2) pro forma per share information of the combined company after giving effect to the acquisition of SWS by Hilltop; and (3) historical and equivalent pro forma per share information for SWS.

We derived the combined company pro forma per share information primarily by combining information from the historical consolidated financial statements of Hilltop and SWS. You should read these tables, together with the historical consolidated financial statements of Hilltop which are included in this proxy statement/prospectus and of SWS which are filed with the SEC and incorporated by reference into this proxy statement/prospectus. See "Where You Can Find More Information." You should not rely on the pro forma per share information as being necessarily indicative of actual results had the acquisition occurred on January 1, 2013 (for statement of earnings purposes) or March 31, 2014 (for book value per share data purposes). The unaudited pro forma information, while helpful in illustrating the financial characteristics of the combined company under one set of assumptions, does not reflect the impact of possible business model changes as a result of current market conditions which may impact revenues, expense efficiencies, asset dispositions, share repurchases and other factors. It also does not necessarily reflect what the historical results of the combined company would have been had our companies been combined during these periods nor is it indicative of the results of operations in future periods or the future financial position of the combined company. The unaudited pro forma adjustments are based upon available information and certain assumptions that Hilltop management believes are reasonable. Upon completion of the merger, the operating results of SWS will be reflected in the consolidated financial statements of Hilltop on a prospective basis.

	Hilltop Historical	SWS Historical	Pro Forma Combined	Per Equivalent SWS Share(1)
Income (loss) from operations for the year ended December 31, 2013:				
Basic earnings (loss) per share	\$ 1.43	\$ (1.10)	\$ 1.11	\$ 0.28
Diluted earnings (loss) per share	\$ 1.40	\$ (1.10)	\$ 1.10	\$ 0.27
Dividends paid for the year ended December 31, 2013:				
	\$	\$	\$	\$
Book value per share as of December 31, 2013:	\$ 13.27	\$ 9.57	N/A	N/A
Income from operations for the three months ended March 31, 2014:				
Basic earnings per share	\$ 0.26	\$ (0.27)	\$ 0.21	\$ 0.05
Diluted earnings per share	\$ 0.26	\$ (0.27)	\$ 0.21	\$ 0.05
Dividends paid for the three months ended March 31, 2014:				
	\$	\$	\$	\$
Book value per share as of March 31, 2014:	\$ 13.76	\$ 9.37	\$ 14.88	\$ 3.71

(1)

The per equivalent SWS share data is based only on the 0.2496 shares of Hilltop common stock to be issued to SWS stockholders as the stock portion of the merger consideration for each share of SWS common stock and does not give effect to the \$1.94 in cash to be received by SWS stockholders as the cash portion of the merger consideration for each share of SWS common stock.

Table of Contents**COMPARATIVE MARKET PRICES AND DIVIDENDS**

Hilltop common stock is listed on the New York Stock Exchange under the trading symbol "HTH." and SWS common stock is listed on the New York Stock Exchange under the trading symbol "SWS." The following table sets forth the high and low reported sale prices per share of Hilltop common stock and SWS common stock, and the cash dividends declared per share for the periods indicated.

	Hilltop Common Stock Market Price			SWS Common Stock Market Price		
	High	Low	Dividend	High	Low	Dividend
2011						
First Quarter	\$ 10.13	\$ 9.01	\$	\$ 6.49	\$ 4.27	\$ 0.01
Second Quarter	10.09	8.60		6.76	5.56	0.01
Third Quarter	9.01	7.12		6.31	3.67	
Fourth Quarter	8.60	6.88		7.56	4.03	
2012						
First Quarter	\$ 9.10	\$ 7.87	\$	\$ 7.77	\$ 4.79	\$
Second Quarter	10.89	7.75		5.94	5.08	
Third Quarter	12.80	10.21		6.58	5.23	
Fourth Quarter	14.49	12.57		6.33	4.02	
2013						
First Quarter	\$ 14.21	\$ 12.34	\$	\$ 6.82	\$ 5.32	\$
Second Quarter	16.94	12.59		6.29	5.30	
Third Quarter	18.71	15.46		6.28	5.19	
Fourth Quarter	24.05	17.09		6.59	5.31	
2014						
First Quarter	\$ 25.61	\$ 22.42	\$	\$ 8.29	\$ 6.01	\$
Second Quarter	25.08	19.72		8.06	6.95	
Third Quarter (through July 2, 2014)	21.93	21.28		7.47	7.27	

The following table sets forth the closing prices of Hilltop and SWS as reported on January 9, 2014, the last trading day prior to Hilltop publicly announcing its interest in a transaction with SWS and July 2, 2014, the last trading day prior to the date of this proxy statement/prospectus. The table also shows the implied value of one share of SWS common stock at each applicable date, which was calculated by multiplying the closing price for one share of Hilltop common stock by the exchange ratio of 0.2496 and adding the cash component of the merger consideration of \$1.94 per SWS common share.

	Hilltop Common Stock Closing Price	SWS Common Stock Closing Price	Implied Value of SWS Common Stock
January 9, 2014	\$ 23.44	\$ 6.06	\$ 7.79
July 2, 2014	\$ 21.37	\$ 7.34	\$ 7.27

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RISK FACTORS

In addition to general investment risks, the other information included and incorporated by reference in this proxy statement/prospectus (please see the section entitled "Where You Can Find More Information"), including the matters addressed in the section entitled "Forward-Looking Statements," you should carefully consider the following risks before deciding whether to adopt and approve the merger agreement.

Risk Factors Relating to the Merger

Because the market price of Hilltop common stock will fluctuate and the per share merger consideration may be adjusted, SWS stockholders cannot be sure of the value of the merger consideration they will receive.

Upon completion of the merger, each share of SWS common stock will be converted into merger consideration consisting of \$1.94 in cash and 0.2496 in Hilltop common stock. As of March 31, 2014, the book value per share of SWS common stock was \$9.37 and the tangible book value per share of SWS common stock was \$9.14. Giving effect to the merger as of March 31, 2014, the pro forma book value per equivalent SWS share is \$3.71 (the per equivalent SWS share figure is based only on the 0.2496 shares of Hilltop common stock to be issued to SWS stockholders as the stock portion of the merger consideration for each share of SWS common stock and does not give effect to the \$1.94 in cash to be received by SWS stockholders as the cash portion of the merger consideration for each share of SWS common stock). The market value of the merger consideration may vary from the closing price of Hilltop common stock on the date the merger was announced, on the date that this proxy statement/prospectus was mailed to SWS stockholders, on the date of the special meeting of the SWS stockholders and on the date the merger is completed and thereafter. Any change in the market price of Hilltop common stock prior to completion of the merger will affect the market value of the merger consideration that SWS stockholders will receive upon completion of the merger. Accordingly, at the time of the special meeting, SWS stockholders will not know, or be able to calculate, the value of the merger consideration they would receive upon completion of the merger. SWS is not permitted to terminate the merger agreement or resolicit the vote of its stockholders solely because of changes in the market price of Hilltop's common stock, and there will be no adjustment to the merger consideration for changes in such market price. Stock price changes may result from a variety of factors, including general market and economic conditions, changes in our respective businesses, operations and prospects, and regulatory considerations. Many of these factors are beyond SWS's control.

We urge you to obtain current market quotations for shares of Hilltop common stock before you vote your shares at the SWS special meeting.

The results of operations of Hilltop after the merger may be affected by factors different from those currently affecting the results of operations of Hilltop and SWS.

The businesses of Hilltop and SWS differ in important respects and, accordingly, the results of operations of the combined company and the market price of the combined company's common stock may be affected by factors different from those currently affecting the independent results of operations of Hilltop and SWS. For a discussion of the business of Hilltop and of certain factors to consider in connection with Hilltop's business, see "Information About the Companies Hilltop" included elsewhere in this proxy statement/prospectus and the consolidated financial statements of Hilltop beginning on page F-1 of this proxy statement/prospectus. For a discussion of the business of SWS and of certain factors to consider in connection with SWS's business, see "Information About the Companies SWS" and the information included in this proxy statement/prospectus and referred to under "Where You Can Find More Information" included elsewhere in this proxy statement/prospectus.

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The fairness opinion that SWS has obtained from Sandler O'Neill, has not been, and is not expected to be, updated to reflect any changes in circumstances that may have occurred since the signing of the merger agreement.

The fairness opinions issued to the Special Committee by Sandler O'Neill regarding the fairness, from a financial point of view, of the consideration to be received by stockholders of SWS other than Hilltop in connection with the merger, speaks only as of March 31, 2014. Changes in the operations and prospects of Hilltop or SWS, general market and economic conditions and other factors which may be beyond the control of Hilltop and SWS, and on which the fairness opinion was based, may have altered the value of Hilltop or SWS or the market price of shares of Hilltop common stock as of the date of this proxy statement/prospectus, or may alter such values and market price by the time the merger is completed. For example, the implied value of SWS common stock was \$7.88 per share on the date of the fairness opinion and \$7.27 per share as of July 2, 2014. Sandler O'Neill does not have any obligation to update, revise or reaffirm its opinion to reflect subsequent developments, and has not done so. For a description of the opinion that SWS received from its financial advisor, please refer to "The Merger Opinion of SWS's Financial Advisor" included elsewhere in this proxy statement/prospectus. For a description of the other factors considered by SWS's board of directors in determining to approve the merger, please refer to "The Merger Reasons for the Merger and "The Merger Recommendation of the SWS Board of Directors" included elsewhere in this proxy statement/prospectus.

The merger is subject to the receipt of consents and approvals from government entities that may take longer than expected or may impose conditions that are not presently anticipated or that could have an adverse effect on the combined company following the merger.

The merger is conditioned on the receipt of all requisite governmental and regulatory authorizations, consents, orders and approvals from the Federal Reserve Board and the Texas Department of Banking and the expiration or termination of the waiting period under the HSR Act. These government entities may impose conditions on the completion of the merger and bank merger or require changes to the terms of the merger or bank merger. Although Hilltop and SWS do not currently expect that any such material conditions or changes would be imposed, there can be no assurance that they will not be, and such conditions or changes could have the effect of delaying or preventing completion of the merger or imposing additional costs on or limiting the revenues of the combined company following the merger and the bank merger, any of which might have an adverse effect on the combined company following the merger and the bank merger. See "The Merger Regulatory Approvals Required for the Merger."

Upon your receipt of shares of Hilltop common stock as merger consideration, you will become a stockholder in Hilltop, a Maryland corporation, which may change certain stockholder rights and privileges you hold as a stockholder of SWS, a Delaware corporation.

Hilltop is a Maryland corporation and is governed by the laws of the State of Maryland and by its articles of incorporation and bylaws. Maryland corporation law extends to stockholders certain rights and privileges that may not exist under Delaware law and, conversely, does not extend certain rights and privileges that you may have as a stockholder of SWS, which is governed by Delaware law and SWS's certificate of incorporation and bylaws. For a detailed discussion of the rights of Hilltop stockholders versus the rights of SWS stockholders, please see the section of this proxy statement/prospectus entitled "Comparison of Stockholders' Rights."

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SWS will be subject to business uncertainties, and Hilltop and SWS are subject to contractual restrictions while the merger is pending.

Uncertainty about the effect of the merger on employees and customers may have an adverse effect on SWS and consequently on Hilltop. These uncertainties may impair SWS's ability to attract, retain and motivate key personnel while the merger is pending, and could cause customers and others that deal with SWS to seek to change existing business relationships with SWS. Retention of certain employees may be challenging during the pendency of the merger, as certain employees may experience uncertainty about their future roles. If key employees depart because of issues relating to such uncertainty or a desire not to remain with the business, SWS's or Hilltop's respective business following the merger could be negatively impacted.

In addition, the merger agreement restricts SWS and, to a lesser extent, Hilltop from taking certain specified actions until the merger occurs without the consent of the other party. These restrictions may prevent Hilltop and SWS from pursuing attractive business opportunities that may arise prior to the completion of the merger. See "The Merger Agreement Covenants and Agreement" included elsewhere in this proxy statement/prospectus for a description of the restrictive covenants applicable to Hilltop and SWS. In addition, SWS's or Hilltop's businesses may be indirectly adversely affected by the failure to pursue other beneficial opportunities due to the focus of management on the merger.

The merger is subject to certain closing conditions that, if not satisfied or waived, will result in the merger not being completed, which may cause the price of Hilltop common stock and SWS common stock to decline.

The merger is subject to customary conditions to closing, including the receipt of required regulatory approvals and approval of the SWS stockholders. If any condition to the merger is not satisfied or waived, the merger will not be completed. In addition, Hilltop and SWS may terminate the merger agreement under certain circumstances even if the merger is approved by SWS stockholders, including if the merger has not been consummated by March 31, 2015. If Hilltop and SWS do not complete the merger, the trading price of Hilltop and SWS common stock may decline to the extent that the current prices reflect a market assumption that the merger will be completed. In addition, neither company would realize any of the expected benefits of having completed the merger. If the merger is not completed, additional risks could materialize, which could materially and adversely affect the business, financial condition and results of Hilltop or SWS. For more information on closing conditions to the merger agreement, see "The Merger Agreement Conditions to Completion of the Merger" included elsewhere in this proxy statement/prospectus.

The merger agreement limits SWS's ability to pursue an alternative transaction and requires SWS to pay a termination fee of \$8 million under certain circumstances relating to alternative acquisition proposals.

SWS agreed in the merger agreement that it will not, and will cause its subsidiaries not to, and will use its reasonable best efforts to cause its or their respective officers, directors, employees, representatives or agents not to, knowingly encourage, solicit, participate in, knowingly facilitate or initiate discussions, negotiations, inquiries, proposals or offers with or provide any non-public information to, any person relating to any third party acquisition (as defined below) or any inquiry, proposal or offer reasonably likely to lead to a third party acquisition, subject to exceptions set forth in the merger agreement. See "The Merger Agreement No Solicitation" included elsewhere in this proxy statement/prospectus. The merger agreement also provides for the payment by SWS of a termination fee in the amount of \$8 million in the event that Hilltop terminates the merger agreement for certain reasons including a change in the recommendation of SWS's board of directors or a termination of the merger agreement in certain circumstances followed by an acquisition of, or an agreement to acquire, SWS by a third party. These provisions may discourage a potential competing acquiror that might have an interest in acquiring all or a significant part of SWS from considering or proposing such an

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acquisition. Furthermore, if the merger agreement is terminated and SWS's board of directors seeks another party to acquire SWS, SWS stockholders cannot be certain that SWS will be able to find a party willing to engage in a transaction or to pay the equivalent or greater consideration than that which Hilltop has agreed to pay in the merger. See "The Merger Agreement Termination Fee" included elsewhere in this proxy statement/prospectus.

SWS's Credit Agreement with Hilltop and Oak Hill contains a covenant restricting SWS's ability to enter into alternative transactions and Hilltop has not waived this covenant.

On July 29, 2011, SWS entered into a Credit Agreement in respect of a \$100,000,000, five-year, unsecured loan comprised of a \$50,000,000 commitment from Hilltop and a \$50,000,000 commitment from Oak Hill Capital Partners III, L.P. and Oak Hill Capital Management Partners III, L.P. 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. The existence of the Merger Covenant, and Hilltop's unwillingness to waive it, may have discouraged and may continue to discourage potential competing acquirors that might have an interest in acquiring all or a significant part of SWS from considering or proposing such an acquisition (see "The Merger Background of the Merger" and "The Merger Hilltop's Relationship with SWS").

Current Hilltop stockholders and SWS stockholders will have a reduced ownership and voting interest after the merger and will exercise less influence over management.

Current Hilltop stockholders have the right to vote in the election of the Hilltop board of directors and on other matters affecting Hilltop. Current SWS stockholders have the right to vote in the election of the SWS board of directors and on other matters affecting SWS. Immediately after the merger is completed, it is expected that, on a fully diluted basis, current Hilltop stockholders will own approximately 90%, and current SWS stockholders will own approximately 10%, of the outstanding shares of Hilltop common stock. As a result of the merger, current Hilltop stockholders will have less influence on the management and policies of Hilltop post-merger than they currently have, and current SWS stockholders will have less influence on the management and policies of Hilltop post-merger than they currently have with respect to SWS.

The financial analyses and forecasts considered by Hilltop, SWS and SWS's financial advisor may not be realized, which may adversely affect the market price of Hilltop shares following the merger.

In performing its financial analyses and rendering its opinion regarding the fairness, from a financial point of view, of the merger consideration set forth in the merger agreement, the financial advisor to SWS independently reviewed and relied on, among other things, internal standalone financial analyses and forecasts provided to it by SWS. Certain of these analyses and forecasts were also provided to Hilltop. See the section titled "The Merger Certain SWS Prospective Financial Information" included elsewhere in this proxy statement/prospectus. SWS's financial advisor assumed, at the direction of the board of directors of SWS, that such financial information was reasonably prepared on a basis reflecting the best currently available estimates and judgments of the management of SWS as to the future performance of SWS and that such future financial results will be achieved at the times and in the amounts projected by management of SWS. These analyses and forecasts were prepared by, or as directed by, the management of SWS and were also considered by the SWS board of directors and the Special Committee. None of these analyses or forecasts was prepared with a view towards public disclosure or compliance with the published guidelines of the SEC, generally accepted accounting principles in the U.S. ("GAAP"), statutory accounting principles ("SAP") or the guidelines established by the American Institute of Certified Public Accountants for preparation and presentation

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of financial forecasts. These projections are inherently based on various estimates and assumptions that are subject to the judgment of those preparing them. These projections are also subject to significant economic, competitive, industry and other uncertainties and contingencies, all of which are difficult or impossible to predict and many of which are beyond the control of SWS and Hilltop. Accordingly, SWS's and/or Hilltop's financial condition or results of operations may not be consistent with those set forth in such analyses and forecasts. Worse financial results could have a material adverse effect on the market price of Hilltop common stock following the merger.

The directors and executive officers of SWS have interests in the merger that are different from, or in addition to, those of other SWS stockholders generally. Therefore, the directors and executive officers of SWS may have a conflict of interest in recommending the proposals being voted on at the SWS special meeting.

The directors and executive officers of SWS may have interests in the merger that are different from, or in addition to, those of SWS stockholders generally. These interests include, among others, the accelerated vesting of equity awards and other potential payments in connection with (or subsequent to) the merger. The SWS 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 agreement. These interests may influence the executive officers and directors of SWS to support or approve the proposals to be presented at the SWS special meeting.

See "The Merger Interests of SWS Directors and Executive Officers in the Merger" included elsewhere in this proxy statement/prospectus for a more detailed description of these interests.

The completion of the merger may trigger change in control provisions in certain agreements to which SWS is a party.

The completion of the merger may trigger change in control provisions in certain agreements to which SWS is a party. If SWS and Hilltop are unable to negotiate waivers of those provisions, the counterparties may exercise their rights and remedies under the agreements (including terminating the agreements or seeking monetary penalties). Even if SWS or Hilltop is able to obtain waivers, the counterparties may demand a fee for such waivers or seek to renegotiate the agreements on materially less favorable terms than those currently in place.

Termination of the merger agreement could negatively impact SWS and/or Hilltop.

If the merger agreement is terminated, there may be various consequences. For example, SWS's or Hilltop's businesses may have been impacted adversely by the failure to pursue other beneficial opportunities due to the focus of management on the merger, without realizing any of the anticipated benefits of completing the merger. A termination of the merger agreement may also damage the reputations and franchise values of Hilltop and SWS. If the merger agreement is terminated and SWS's board of directors seeks another merger or business combination, SWS stockholders cannot be certain that SWS will be able to find a party willing to engage in a transaction or to pay the equivalent or greater consideration than that which Hilltop has agreed to pay in the merger. In addition, if the merger agreement is terminated under certain circumstances, SWS may be required to pay Hilltop a termination fee of \$8 million.

The combined company expects to incur substantial expenses related to the merger.

The combined company expects to incur substantial expenses in connection with completing the merger and combining the business, operations, networks, systems, technologies, policies and procedures of the two companies. Although Hilltop and SWS have assumed that a certain level of transaction and combination expenses would be incurred, there are a number of factors beyond their control that could affect the total amount or the timing of their combination expenses. Many of the

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expenses that will be incurred, by their nature, are difficult to estimate accurately at the present time. Due to these factors, the transaction and combination expenses associated with the merger could, particularly in the near term, exceed the savings that the combined company expects to achieve from the elimination of duplicative expenses and the realization of economies of scale and cost savings related to the combination of the businesses following the completion of the merger. As a result of these expenses, both Hilltop and SWS expect to take charges against their earnings before and after the completion of the merger. The charges taken in connection with the merger are expected to be significant, although the aggregate amount and timing of such charges are uncertain at present. Further, if the merger is not completed, both SWS and Hilltop would have to recognize these expenses without realizing the expected benefits of the merger.

If completed, the merger may not produce its anticipated results, and Hilltop and SWS may be unable to combine their operations in the manner expected.

Hilltop and SWS entered into the merger agreement with the expectation that the merger will result in various benefits. Achieving the anticipated benefits of the merger is subject to a number of uncertainties, including whether the Hilltop and SWS organizations can be combined in an efficient, effective and timely manner.

It is possible that the transition process could take longer than anticipated and could result in the loss of valuable employees, the disruption of each company's ongoing businesses, controls, procedures, policies and compensation arrangements, any of which could adversely affect the combined company's ability to achieve the anticipated benefits of the merger. The combined company's results of operations could also be adversely affected by any issues attributable to either company's operations that arise or are based on events or actions that occur prior to the closing of the merger. The companies may have difficulty addressing possible differences in corporate cultures and management philosophies. The transition process is subject to a number of uncertainties, and no assurance can be given that the anticipated benefits will be realized or, if realized, the timing of their realization. Failure to achieve these anticipated benefits could result in increased costs or decreases in the amount of expected revenues and could adversely affect the combined company's future business, financial condition, operating results and prospects.

The merger may not be accretive to earnings and may cause dilution to Hilltop's earnings per share, which may negatively affect the market price of Hilltop's common stock.

Hilltop currently anticipates that the merger will be accretive to earnings in the first full year following the completion of the merger, after factoring in synergies and excluding costs to achieve synergies and other one-time costs related to the merger. This expectation is based on preliminary estimates that are subject to change. If such estimates change or prove to be inaccurate, the merger may not be accretive to earnings. Hilltop also could encounter additional transaction and integration-related costs, may fail to realize all of the benefits anticipated in the merger or be subject to other factors that affect preliminary estimates. Any of these factors could cause a decrease in Hilltop's adjusted earnings per share or decrease or delay the expected accretive effect of the merger and contribute to a decrease in the price of Hilltop's common stock.

If the merger fails to qualify as a "reorganization" within the meaning of Section 368(a) of the Code, SWS stockholders may be required to recognize additional gain or loss on the exchange of their shares of SWS common stock in the merger for U.S. federal income tax purposes.

Hilltop and SWS have structured the merger to qualify as a "reorganization" within the meaning of Section 368(a) of the Code. Neither Hilltop nor SWS intends to request any ruling from the Internal Revenue Service as to the tax consequences of the exchange of shares of SWS common stock for shares of Hilltop common stock in the merger. If the merger fails to qualify as a reorganization, an SWS

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stockholder would generally recognize gain or loss for U.S. federal income tax purposes on each share of SWS common stock exchanged in the merger in an amount equal to the difference between that stockholder's basis in such share and the sum of the amount of the cash and the fair market value of the shares of Hilltop common stock the SWS stockholder receives or may receive in exchange for each such share of SWS common stock. You are urged to consult with your own tax advisor regarding the proper reporting of the amount and timing of such gain or loss. See "United States Federal Income Tax Consequences of the Merger" elsewhere in this proxy statement/prospectus.

Pending litigation against SWS and Hilltop could result in an injunction preventing the completion of the merger or a judgment resulting in the payment of damages.

In connection with the merger, purported SWS stockholders have filed putative shareholder class action lawsuits against SWS, the members of the SWS board of directors and Hilltop. Among other remedies, the plaintiffs seek to enjoin the merger. If the cases are not resolved, these lawsuits could prevent or delay completion of the merger and result in substantial costs to SWS and Hilltop, including any costs associated with the indemnification of directors and officers. Plaintiffs may file additional lawsuits against SWS, Hilltop and/or the directors and officers of either company in connection with the merger. The defense or settlement of any lawsuit or claim that remains unresolved at the time the merger is completed may adversely affect Hilltop's business, financial condition, results of operations and cash flows.

The unaudited pro forma condensed combined financial statements included in this proxy statement/prospectus are presented for illustrative purposes only and the actual financial condition and results of operations of the combined company following the merger may differ materially.

The unaudited pro forma condensed combined financial statements contained in this proxy statement/prospectus are presented for illustrative purposes only, are based on various adjustments, assumptions and preliminary estimates and may not be an indication of the combined company's financial condition or results of operations following the merger for several reasons. The actual financial condition and results of operations of the combined company following the merger may not be consistent with, or evident from, these unaudited pro forma condensed combined financial statements. In addition, the assumptions used in preparing the unaudited pro forma financial information may not prove to be accurate, and other factors may affect the combined company's financial condition or results of operations following the merger. Any potential decline in the combined company's financial condition or results of operations may cause significant variations in the stock price of the combined company.

The market price of Hilltop common stock after the merger may be affected by factors different from those affecting the shares of SWS or Hilltop currently.

Upon completion of the merger, holders of SWS common stock will become holders of Hilltop common stock. Hilltop's business differs in important respects from that of SWS, and, accordingly, the results of operations of the combined company and the market price of Hilltop common stock after the completion of the merger may be affected by factors different from those currently affecting the independent results of operations of each of SWS and Hilltop. For a discussion of the business of Hilltop and of certain factors to consider in connection with Hilltop's business, see "Information About the Companies Hilltop" included elsewhere in this proxy statement/prospectus and the consolidated financial statements of Hilltop beginning on page F-1 of this proxy statement/prospectus. For a discussion of the business of SWS and of certain factors to consider in connection with SWS's business, see "Information About the Companies SWS" and the information incorporated by reference in this proxy statement/prospectus and referred to under "Where You Can Find More Information."

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Risk Factors Relating to Hilltop's Business

Hilltop may fail to realize all of the anticipated benefits of its merger with PlainsCapital Corporation ("PlainsCapital") or the acquisition of the deposits and assets of First National Bank ("FNB").

Achieving the anticipated cost savings and financial benefits of Hilltop's 2012 merger with PlainsCapital Corporation (the "PlainsCapital Merger") and 2013 acquisition of the deposits and substantially all of the assets of First National Bank (the "FNB Transaction") and any other acquisitions Hilltop may complete will depend, in part, on Hilltop's ability to successfully integrate the operations of the respective companies with its own in an efficient and effective manner. It is possible that the integration process could result in the loss of key employees, the disruption of ongoing business or inconsistencies in standards, controls, procedures and policies that adversely affect Hilltop's ability to maintain relationships with clients, customers, depositors and employees. In addition, the integration of certain operations will require the dedication of significant management resources, which may temporarily distract management's attention from Hilltop's day-to-day business. Any inability to realize the full extent, or any, of the anticipated cost savings and financial benefits of the PlainsCapital Merger, the FNB Transaction, as well as any delays encountered in the integration process, could have an adverse effect on Hilltop's business and results of operations, which could adversely affect Hilltop's financial condition and cause a decrease in its earnings per share or decrease or delay the expected accretive effect of the FNB Transaction and contribute to a decrease in the price of Hilltop's common stock.

If Hilltop's allowance for loan losses is insufficient to cover actual loan losses, Hilltop's banking segment earnings will be adversely affected.

As a lender, Hilltop is exposed to the risk that Hilltop could sustain losses because Hilltop's borrowers may not repay their loans in accordance with the terms of their loans. Hilltop has historically accounted for this risk by maintaining an allowance for loan losses in an amount intended to cover Bank management's estimate of losses inherent in the loan portfolio. As a result of the PlainsCapital Merger and the FNB Transaction, Hilltop was required under GAAP to estimate the fair value of the loan portfolio after the consummation of the PlainsCapital Merger in 2012 and the FNB Transaction in 2013 and write-down the recorded value of the portfolio to that estimate. For most loans, this process was accomplished by computing the net present value of estimated cash flows to be received from borrowers of these loans. PlainsCapital's and FNB's respective allowance for loan losses that had been maintained prior to the PlainsCapital Merger and the FNB Transaction were eliminated in this accounting process. A new allowance for loan losses has been established for loans made by PlainsCapital Bank (the "Bank") subsequent to consummation of the PlainsCapital Merger and for any decrease from that originally estimated as of the acquisition date in the estimate of cash flows to be received from the loans acquired in the PlainsCapital Merger and the FNB Transaction.

The estimates of fair value as of the consummation of the PlainsCapital Merger and the FNB Transaction were based on economic conditions at such time and on Bank management's projections concerning both future economic conditions and the ability of the borrowers to continue to repay their loans. If management's assumptions and projections prove to be incorrect, however, the estimate of fair value may be higher than the actual fair value and Hilltop may suffer losses in excess of those estimated. Further, the allowance for loan losses established for new loans or for revised estimates may prove to be inadequate to cover actual losses, especially if economic conditions worsen.

While management will endeavor to estimate the allowance to cover anticipated losses, no underwriting and credit monitoring policies and procedures that Hilltop could adopt to address credit risk could provide complete assurance that Hilltop will not incur unexpected losses. These losses could have a material adverse effect on Hilltop's business, financial condition, results of operations and cash flows. In addition, federal regulators periodically evaluate the adequacy of the allowance for loan losses

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and may require Hilltop to increase its provision for loan losses or recognize further loan charge-offs based on judgments different from those of Hilltop's Bank management.

An adverse change in real estate market values may result in losses in Hilltop's banking segment and otherwise adversely affect Hilltop's profitability.

At March 31, 2014, approximately 45.0% of the loan portfolio of Hilltop's banking segment was comprised of loans with real estate as the primary component of collateral. The real estate collateral in each case provides an alternate source of repayment in the event of default by the borrower and may deteriorate in value during the time the credit is extended. A decline in real estate values generally and in Texas specifically could impair the value of Hilltop's collateral and its ability to sell the collateral upon any foreclosure. In the event of a default with respect to any of these loans, the amounts Hilltop receives upon sale of the collateral may be insufficient to recover the outstanding principal and interest on the loan. As a result, Hilltop's profitability and financial condition may be adversely affected by a decrease in real estate market values.

Loans acquired in the FNB Transaction may not be covered by the loss-share agreements if the FDIC determines that Hilltop has not adequately managed these loans.

Under the terms of the loss-share agreements Hilltop entered into with the FDIC in connection with the FNB Transaction, the FDIC is obligated to reimburse Hilltop for the following losses on covered loans: (i) 80% of losses on the first \$240.4 million of losses incurred; (ii) 0% of losses in excess of \$240.4 million up to and including \$365.7 million of losses incurred; and (iii) 80% of losses in excess of \$365.7 million of losses incurred. The loss-share agreements for commercial and single family residential loans are in effect for 5 years and 10 years, respectively, and the loss recovery provisions to the FDIC are in effect for 8 years and 10 years, respectively, from September 13, 2013 (the "Bank Closing Date"). Although the FDIC has agreed to reimburse Hilltop for the substantial portion of losses on covered loans, the FDIC has the right to refuse or delay payment for loan losses if Hilltop does not manage covered loans in accordance with the loss-share agreements. In addition, reimbursable losses are based on the book value of the relevant loans as determined by the FDIC as of the effective dates of the transactions. The amount that Hilltop realizes on these loans could differ materially from the carrying value that will be reflected in Hilltop's consolidated financial statements, based upon the timing and amount of collections on the covered loans in future periods. Any losses Hilltop experiences in the assets acquired in the FNB Transaction that are not covered under the loss-share agreements could have an adverse effect on Hilltop's results of operations and financial condition.

In addition, in accordance with the loss-share agreements, the Bank may be required to make a "true-up" payment to the FDIC, approximately ten years following the Bank Closing Date, if the FDIC's initial estimate of losses on covered assets is greater than the actual realized losses. The "true-up" payment is calculated using a defined formula set forth in the purchase and assumption agreement Hilltop entered into with the FDIC in connection with the FNB Transaction.

Hilltop's business and results of operations may be adversely affected by unpredictable economic, market and business conditions.

Hilltop's business and results of operations are affected by general economic, market and business conditions. The credit quality of Hilltop's loan portfolio necessarily reflects, among other things, the general economic conditions in the areas in which Hilltop's conducts its business. Hilltop's continued financial success depends to a degree on factors beyond Hilltop's control, including:

national and local economic conditions, such as the level and volatility of short-term and long-term interest rates, inflation, home prices, unemployment and under-employment levels, bankruptcies, household income and consumer spending;

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general economic consequences of international conditions, such as weakness in European sovereign debt and emerging markets and the impact of that weakness on the U.S. and global economies;

the availability and cost of capital and credit;

incidence of customer fraud; and

federal, state and local laws affecting these matters.

The deterioration of any of these conditions, as Hilltop has experienced with the past economic downturn and continuation of a weakened economy and employment growth, could adversely affect Hilltop's consumer and commercial businesses and securities portfolios, Hilltop's level of charge-offs and provision for credit losses, the carrying value of Hilltop's deferred tax assets, the investment portfolio of Hilltop's insurance segment, Hilltop's capital levels and liquidity, and Hilltop's results of operations.

Continued elevated unemployment, under-employment and household debt, along with continued stress in the consumer real estate market and certain commercial real estate markets, pose challenges for economic performance and the financial services industry. The sustained high unemployment rate and the lengthy duration of unemployment have directly impaired consumer finances and pose risks to the financial services industry. Continued uncertainty in the housing markets and elevated levels of distressed and delinquent mortgages pose further risks to the housing market. The current environment of heightened scrutiny of financial institutions has resulted in increased public awareness of and sensitivity to banking fees and practices. Each of these factors may adversely affect Hilltop's fees and costs.

Hilltop's geographic concentration may magnify the adverse effects and consequences of any regional or local economic downturn.

Hilltop conducts its banking operations primarily in Texas. Substantially all of the real estate loans in Hilltop's loan portfolio are secured by properties located in Texas, with more than 78% and 82% secured by properties located in the Dallas/Fort Worth and Austin/San Antonio markets at December 31, 2013 and 2012, respectively. Adverse economic conditions in Texas may result in a reduction in the value of the collateral securing these loans. Likewise, substantially all of the real estate loans in Hilltop's loan portfolio are made to borrowers who live and conduct business in Texas. In addition, mortgage origination fee income is dependent to a significant degree on economic conditions in Texas and California. During 2013, approximately 23% and 18% by dollar volume of Hilltop's mortgage loans originated were collateralized by properties located in Texas and California, respectively. Texas insureds accounted for approximately 69% and 70% of Hilltop's insurance segment's gross premiums written in 2013 and 2012, respectively. Any regional or local economic downturn that affects Texas or, to a lesser extent, California, may affect Hilltop and its profitability more significantly and more adversely than Hilltop's competitors that are less geographically concentrated.

Hilltop's geographic concentration may also exacerbate the adverse effects on Hilltop's insurance segment of inherently unpredictable catastrophic events.

Hilltop's insurance segment expects to have large aggregate exposures to inherently unpredictable natural and man-made disasters of great severity, such as hurricanes, hail, tornados, windstorms, wildfires and acts of terrorism. Hurricanes Ike, Katrina and Rita highlighted the challenges inherent in predicting the impact of catastrophic events. The catastrophe models utilized by Hilltop's insurance segment to assess its probable maximum insurance losses generally failed to adequately project the financial impact of these hurricanes. Although Hilltop's insurance segment may attempt to exclude certain losses, such as terrorism and other similar risks, from some coverage that Hilltop's insurance segment writes, it may be prohibited from, or may not be successful in, doing so. The occurrence of

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losses from catastrophic events may have a material adverse effect on Hilltop's insurance segment's ability to write new business and on its financial condition and results of operations. Increases in the values and geographic concentrations of policyholder property and the effects of inflation have resulted in increased severity of industry losses in recent years, and Hilltop's insurance segment expects that these factors will increase the severity of losses in the future. Factors that may influence Hilltop's insurance segment's exposure to losses from these types of events, in addition to the routine adjustment of losses, include, among others:

exhaustion of reinsurance coverage;

increases in reinsurance rates;

unanticipated litigation expenses;

unrecoverability of ceded losses;

impact on independent agent operations and future premium income in areas affected by catastrophic events;

unanticipated expansion of policy coverage or reduction of premium due to regulatory, legislative and/or judicial action following a catastrophic event; and

unanticipated demand surge related to other recent catastrophic events.

Hilltop's insurance segment writes insurance primarily in the states of Texas, Oklahoma, Arizona, Tennessee, Georgia and Louisiana. In 2013, Texas accounted for 69.1%, Oklahoma accounted for 9.1%, Arizona accounted for 8.7%, Tennessee accounted for 5.8% and Georgia accounted for 3.5% of Hilltop's premiums. As a result, a single catastrophe, destructive weather pattern, wildfire, terrorist attack, regulatory development or other condition or general economic trend affecting these regions or significant portions of these regions could adversely affect Hilltop's insurance segment's financial condition and results of operations more significantly than other insurance companies that conduct business across a broader geographic area. Although Hilltop's insurance segment purchases catastrophe reinsurance to limit its exposure to these types of catastrophes, in the event of one or more major catastrophes resulting in losses to it in excess of \$140.0 million, Hilltop's insurance segment's losses would exceed the limits of its reinsurance coverage.

Hilltop's business is subject to interest rate risk, and fluctuations in interest rates may adversely affect Hilltop's earnings, capital levels and overall results.

The majority of Hilltop's assets are monetary in nature and, as a result, Hilltop is subject to significant risk from changes in interest rates. Changes in interest rates may impact Hilltop's net interest income in Hilltop's banking segment as well as the valuation of Hilltop's assets and liabilities in each of Hilltop's segments. Earnings in Hilltop's banking segment are significantly dependent on Hilltop's net interest income, which is the difference between interest income on interest-earning assets, such as loans and securities, and interest expense on interest-bearing liabilities, such as deposits and borrowings. Hilltop expects to periodically experience "gaps" in the interest rate sensitivities of Hilltop's banking segment's assets and liabilities, meaning that either Hilltop's interest-bearing liabilities will be more sensitive to changes in market interest rates than Hilltop's interest-earning assets, or vice versa. In either event, if market interest rates should move contrary to Hilltop's position, this "gap" may work against Hilltop, and Hilltop's earnings may be adversely affected.

An increase in the general level of interest rates may also, among other things, adversely affect the demand for loans and Hilltop's ability to originate loans. In particular, if mortgage interest rates increase, the demand for residential mortgage loans and the refinancing of residential mortgage loans will likely decrease, which will have an adverse effect on Hilltop's income generated from mortgage origination activities. Conversely, a decrease in the general level of interest rates, among other things, may lead to prepayments on Hilltop's loan and mortgage-backed securities portfolios and increased competition for deposits. Accordingly, changes in the general level of market interest rates may adversely affect Hilltop's net yield on interest-earning assets, loan origination volume and Hilltop's overall results.

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Hilltop's insurance segment invested over 87% of its invested assets in fixed maturity assets such as bonds and mortgage-backed securities at March 31, 2014. Because bond trading prices decrease as interest rates rise, a significant increase in interest rates could have a material adverse effect on Hilltop's insurance segment's financial condition and results of operations. On the other hand, decreases in interest rates could have an adverse effect on Hilltop's insurance segment's investment income and results of operations. For example, if interest rates decline, investment of new premiums received and funds reinvested will earn less. Additionally, mortgage-backed securities typically are prepaid more quickly when interest rates fall and the holder must reinvest the proceeds at lower interest rates. In periods of increasing interest rates, mortgage-backed securities typically are prepaid more slowly, which may require Hilltop's insurance segment to receive interest payments that are below the then prevailing interest rates for longer time periods than expected. The volatility of Hilltop's insurance segment's claims may force it to liquidate securities, which may cause it to incur capital losses. If Hilltop's insurance segment's investment portfolio is not appropriately matched with its insurance liabilities, it may be forced to liquidate investments prior to maturity at a significant loss to cover these liabilities. In addition, if Hilltop experiences market disruption and volatility, such as that experienced in 2009 and 2010, Hilltop may experience additional losses on Hilltop's investments and reductions in Hilltop's earnings. Investment losses could significantly decrease the asset base and statutory surplus of Hilltop's insurance segment, thereby adversely affecting its ability to conduct business and potentially its A.M. Best financial strength rating.

Hilltop's financial advisory segment holds securities, principally fixed-income municipal bonds, to support sales, underwriting and other customer activities. If interest rates increase, the value of debt securities held in the financial advisory segment's inventory would decrease. Rapid or significant changes in interest rates could adversely affect the segment's bond sales, underwriting activities and financial advisory businesses.

In addition, Hilltop holds securities that may be sold in response to changes in market interest rates, changes in securities' prepayment risk, increases in loan demand, general liquidity needs and other similar factors are classified as available for sale and are carried at estimated fair value, which may fluctuate with changes in market interest rates. The effects of an increase in market interest rates may result in a decrease in the value of Hilltop's available for sale investment portfolio.

Market interest rates are affected by many factors outside of Hilltop's control, including inflation, recession, unemployment, money supply, international disorder and instability in domestic and foreign financial markets. Hilltop may not be able to accurately predict the likelihood, nature and magnitude of such changes or how and to what extent such changes may affect Hilltop's business. Hilltop also may not be able to adequately prepare for, or compensate for, the consequences of such changes. Any failure to predict and prepare for changes in interest rates, or adjust for the consequences of these changes, may adversely affect Hilltop's earnings and capital levels and overall results of operations.

Hilltop's banking segment is subject to funding risks associated with its high deposit concentration and its potential reliance on brokered deposits.

At March 31, 2014, the Bank's fifteen largest depositors, excluding Hilltop and First Southwest Holdings, LLC, a wholly owned subsidiary of PlainsCapital ("First Southwest"), accounted for 17.48% of the Bank's total deposits, and the Bank's five largest depositors, excluding First Southwest, accounted for 10.89% of the Bank's total deposits. Brokered deposits at March 31, 2014 accounted for 6.6% of the Bank's total deposits, and Hilltop may increase Hilltop's reliance on brokered deposits in the future. The loss of one or more of Hilltop's largest Bank customers, a significant decline in Hilltop's deposit balances due to ordinary course fluctuations related to these customers' businesses, or if Hilltop increases its reliance on brokered deposits, the loss of a significant amount of Hilltop's brokered deposits could adversely affect Hilltop's liquidity. Additionally, such circumstances could require Hilltop to raise deposit rates in an attempt to attract new deposits, or purchase federal funds or

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borrow funds on a short-term basis at higher rates, which would adversely affect Hilltop's results of operations. Under applicable regulations, if the Bank were no longer "well capitalized," the Bank would not be able to accept brokered deposits without the approval of the FDIC.

Hilltop is heavily dependent on dividends from its subsidiaries.

Hilltop is a financial holding company engaged in the business of managing, controlling and operating its subsidiaries, including National Lloyds Corporation ("NLC") and its two insurance company subsidiaries, NLIC and ASIC, as well as the Bank and the Bank's subsidiaries, PrimeLending and First Southwest. Hilltop conducts no material business or other activity other than activities incidental to holding stock in NLC and the Bank. As a result, Hilltop relies substantially on the profitability of, and dividends from, these subsidiaries to pay its operating expenses, to satisfy its obligations and to pay dividends on its preferred stock. As with most financial institutions, the profitability of the Bank is subject to the fluctuating cost and availability of money, changes in interest rates and in economic conditions in general. PrimeLending and First Southwest contribute to the Bank's profitability and, in turn, on its ability to pay dividends to Hilltop. If the Bank, however, is unable to make cash distributions to Hilltop, then Hilltop may also be unable to obtain funds from PrimeLending and First Southwest, and Hilltop may be unable to satisfy its obligations or make distributions on its preferred stock.

Likewise, Hilltop's insurance segment also operates as a holding company. Dividends and other permitted payments from its operating subsidiaries are expected to be its primary source of funds to meet ongoing cash requirements, including any future debt service payments and other expenses, and to pay dividends, if any, to Hilltop. NLIC and ASIC are subject to significant regulatory restrictions and limitations under debt agreements limiting their ability to declare and pay dividends, including the indenture governing NLIC's London Interbank Offered Rate ("LIBOR") plus 3.40% notes due 2035 and the surplus indentures governing NLIC's two LIBOR plus 4.10% and 4.05% notes due 2033 and ASIC's LIBOR plus 4.05% notes due 2034. Together these restrictions could, in turn, limit NLC's ability to pay dividends.

Hilltop is subject to extensive supervision and regulation that could restrict its activities and impose financial requirements or limitations on the conduct of its business and limit its ability to generate income.

Hilltop is subject to extensive federal and state regulation and supervision, including that of the Federal Reserve Board, the Texas Department of Banking, the Texas Department of Insurance, the FDIC, the CFPB, the SEC and FINRA. Banking regulations are primarily intended to protect depositors' funds, federal deposit insurance funds and the banking system as a whole, not stockholders. Insurance regulations promulgated by state insurance departments are primarily intended to protect policyholders rather than stockholders. Likewise, regulations promulgated by FINRA are primarily intended to protect customers of broker-dealer businesses rather than stockholders.

These regulations affect Hilltop's lending practices, capital structure, capital requirements, investment practices, dividend policy and growth, among other things. Failure to comply with laws, regulations or policies could result in damages, civil money penalties or reputational damage, as well as sanctions and supervisory actions by regulatory agencies that could subject Hilltop to significant restrictions on its business and its ability to expand through acquisitions or branching. While Hilltop has implemented policies and procedures designed to prevent any such violations of laws and regulations, such violations may occur from time to time, which could have a material adverse effect on its financial condition and results of operations.

The U.S. Congress and federal regulatory agencies frequently revise banking and securities laws, regulations and policies. The Dodd-Frank Act, which became law in July 2010, has had, and will continue to have, a significant effect on the regulation of financial institutions and the financial services

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industry. The Dodd-Frank Act, among other things, established the CFPB and requires the CFPB and other federal agencies to implement many provisions of the Dodd-Frank Act. Hilltop expects that several aspects of the Dodd-Frank Act may affect its business, including, without limitation, increased capital requirements, increased mortgage regulation, restrictions on proprietary trading in securities, restrictions on investments in hedge funds and private equity funds, executive compensation restrictions and disclosure and reporting requirements. At this time, it is difficult to predict the extent to which the Dodd-Frank Act or the resulting rules and regulations will affect Hilltop's business. Compliance with these new laws and regulations likely will result in additional costs, which could be significant and may adversely impact Hilltop's results of operations, financial condition, and liquidity. For additional discussion of the Dodd-Frank Act, see "Information About the Companies Hilltop Government Supervision and Regulation" included elsewhere in this proxy statement/prospectus.

During the second quarter of 2013, the Bank received a "satisfactory" CRA rating in connection with its most recent CRA performance evaluation. A CRA rating of less than "satisfactory" adversely affects a bank's ability to establish new branches and impairs a bank's ability to commence new activities that are "financial in nature" or acquire companies engaged in these activities. Other regulatory exam ratings or findings also may otherwise impact Hilltop's ability to branch, commence new activities or make acquisitions.

Hilltop cannot predict whether or in what form any other proposed regulations or statutes will be adopted or the extent to which its business may be affected by any new regulation or statute. Such changes could subject Hilltop's business to additional costs, limit the types of financial services and products it may offer and increase the ability of non-banks to offer competing financial services and products, among other things.

The impact of the changing regulatory capital requirements and new capital rules are uncertain.

In July 2013, the Federal Reserve Board approved a final rule that will substantially amend the risk-based capital rules applicable to Hilltop and the Bank. The final rule implements the Basel III regulatory capital reforms and changes required by the Dodd-Frank Act. The final rule includes new minimum risk-based capital and leverage ratios, which will be effective for Hilltop and the Bank on January 1, 2015, and refines the definition of what constitutes "capital" for purposes of calculating these ratios. The new minimum capital requirements will be: (i) a new common equity Tier 1 capital ratio of 4.5%; (ii) a Tier 1 to risk-based assets capital ratio of 6% (increased from 4%); (iii) a total capital ratio of 8% (unchanged from current rules); and (iv) a Tier 1 leverage ratio of 4%. The final rule also establishes a "capital conservation buffer" of 2.5% above the new regulatory minimum capital ratios and will result in the following minimum ratios: (i) a common equity Tier 1 capital ratio of 7.0%; (ii) a Tier 1 to risk-based assets capital ratio of 8.5%; and (iii) a total capital ratio of 10.5%. The new capital conservation buffer requirement would be phased in beginning in January 2016 at 0.625% of risk-weighted assets and would increase each year until fully implemented in January 2019. An institution will be subject to limitations on paying dividends, engaging in share repurchases, and paying discretionary bonuses if its capital level falls below the buffer amount. These limitations will establish a maximum percentage of eligible retained income that can be utilized for such actions. The application of more stringent capital requirements for Hilltop and the Bank could, among other things, adversely affect Hilltop's results of operations and growth, require the raising of additional capital, restrict its ability to pay dividends or repurchase shares and result in regulatory actions if Hilltop were to be unable to comply with such requirements.

In addition, the Federal Reserve Board adopted a final rule in February 2014 that clarifies how companies should incorporate the Basel III regulatory capital reforms into their capital and business projections during the 2014 and subsequent cycles of capital plan submissions and stress tests required under the Dodd-Frank Act. For companies and their subsidiary banks with between \$10.0 billion and \$50.0 billion in total consolidated assets, the initial stress testing cycle began on October 1, 2013 and

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the initial nine-quarter planning horizon for stressed capital projections continues through the fourth quarter of 2015, which overlaps with the implementation of the Basel III capital reforms beginning on January 1, 2015. At March 31, 2014, Hilltop and the Bank had approximately \$9.0 billion and \$8.0 billion, respectively, in total consolidated assets and their average of total consolidated assets for the four most recent consecutive quarters was \$8.6 billion and \$7.6 billion, respectively. Accordingly, Hilltop and the Bank are not currently subject to capital planning and stress testing requirements. However, as a result of the proposed merger, Hilltop will have more than \$10.0 billion in assets and will become subject to the stress testing requirements, which would likely increase Hilltop's cost of regulatory compliance. Management continues to study the implementation of Basel III regulatory capital reforms and stress testing requirements.

The CFPB recently issued "ability-to-repay" and "qualified mortgage" rules that may have a negative impact on Hilltop's loan origination process and foreclosure proceedings, which could adversely affect Hilltop's business, operating results, and financial condition.

On January 10, 2013, the CFPB issued a final rule to implement the "qualified mortgage" provisions of the Dodd-Frank Act requiring mortgage lenders to consider consumers' ability to repay home loans before extending them credit. The CFPB's "qualified mortgage" rule took effect on January 10, 2014. The final rule describes certain minimum requirements for lenders making ability-to-repay determinations, but does not dictate that they follow particular underwriting models. Lenders will be presumed to have complied with the ability-to-repay rule if they issue "qualified mortgages," which are generally defined as mortgage loans prohibiting or limiting certain risky features. Loans that do not meet the ability-to-repay standard can be challenged in court by borrowers who default and the absence of ability-to-repay status can be used against a lender in foreclosure proceedings. Any loans that Hilltop makes outside of the "qualified mortgage" criteria could expose Hilltop to an increased risk of liability and reduce or delay Hilltop's ability to foreclose on the underlying property. It is difficult to predict how the CFPB's "qualified mortgage" rule will impact Hilltop when it takes effect, but any decreases in loan origination volume or increases in compliance and foreclosure costs caused by the rule could negatively affect Hilltop's business, operating results and financial condition.

Hilltop's mortgage origination segment is subject to investment risk on loans that it originates.

Hilltop intends to sell, and not hold for investment, substantially all residential mortgage loans that it originates through PrimeLending. At times, however, Hilltop may originate a loan or execute an interest rate lock commitment ("IRLC") with a customer pursuant to which Hilltop agrees to originate a mortgage loan on a future date at an agreed-upon interest rate without having identified a purchaser for such loan or the loan underlying such IRLC. An identified purchaser may also decline to purchase a loan for a variety of reasons. In these instances, Hilltop will bear interest rate risk on an IRLC until, and unless, Hilltop is able to find a buyer for the loan underlying such IRLC and the risk of investment on a loan until, and unless, Hilltop is able to find a buyer for such loan. In addition, if a customer defaults on a mortgage payment shortly after the loan is originated, the purchaser of the loan may have a put right, whereby the purchaser can require Hilltop to repurchase the loan at the full amount that it paid. During periods of market downturn, Hilltop has at times chosen to hold mortgage loans when the identified purchasers have declined to purchase such loans because it could not obtain an acceptable substitute bid price for such loan. The failure of mortgage loans that Hilltop holds on its books to perform adequately could have a material adverse effect on Hilltop's financial condition, liquidity and results of operations.

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Changes in interest rates may change the value of Hilltop's mortgage servicing rights portfolio which may increase the volatility of Hilltop's earnings.

Hilltop has recently expanded, and may continue to expand, its residential mortgage servicing operations within its mortgage origination segment. As a result of Hilltop's mortgage servicing business, Hilltop has a portfolio of mortgage servicing rights ("MSR"). A MSR is the right to service a mortgage loan collect principal, interest and escrow amounts for a fee. Hilltop measures and carries all of its residential MSRs using the fair value measurement method. Fair value is determined as the present value of estimated future net servicing income, calculated based on a number of variables, including assumptions about the likelihood of prepayment by borrowers.

One of the principal risks associated with MSRs is that in a declining interest rate environment, they will likely lose a substantial portion of their value as a result of higher than anticipated prepayments. Moreover, if prepayments are greater than expected, the cash Hilltop receives over the life of the mortgage loans would be reduced. In the future, Hilltop may use various derivative financial instruments to provide a level of protection against such interest rate risk. However, no hedging strategy can protect Hilltop completely, and hedging strategies may fail because they are improperly designed, improperly executed and documented or based on inaccurate assumptions and, as a result, could actually increase Hilltop's risks and losses. The increasing size of Hilltop's MSR portfolio may increase its interest rate risk and correspondingly, the volatility of Hilltop's earnings, especially if Hilltop cannot adequately hedge the interest rate risk relating to its MSRs.

At March 31, 2014, Hilltop's MSRs had a fair value of \$29.9 million. Changes in fair value of Hilltop's MSRs are recorded to earnings in each period. Depending on the interest rate environment, it is possible that the fair value of Hilltop's MSRs may be reduced in the future. If such changes in fair value significantly reduce the carrying value of Hilltop's MSRs, Hilltop's financial condition and results of operations would be negatively affected.

Hilltop's financial advisory business is subject to various risks associated with the securities industry, particularly those impacting the public finance industry.

Hilltop's financial advisory business is subject to uncertainties that are common in the securities industry. These uncertainties include:

intense competition in the public finance and other sectors of the securities industry;

the volatility of domestic and international financial, bond and stock markets;

extensive governmental regulation;

litigation; and

substantial fluctuations in the volume and price level of securities.

As a result, the revenues and operating results of Hilltop's financial advisory segment may vary significantly from quarter to quarter and from year to year. Unfavorable financial or economic conditions could reduce the number and size of transactions in which Hilltop provides financial advisory, underwriting and other services. Disruptions in fixed income and equity markets could lead to a decline in the volume of transactions executed for customers and, therefore, to declines in revenues from commissions and clearing services. First Southwest is much smaller and has much less capital than many competitors in the securities industry. In addition, First Southwest is an operating subsidiary of the Bank, which means that its activities are limited to those that are permissible for the Bank.

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Income that Hilltop recognized as a bargain purchase gain in connection with the FNB Transaction is subject to change.

In September 2013, Hilltop assumed substantially all of the liabilities, including all of the deposits, and acquired substantially all of the assets, of FNB from the FDIC in the FNB Transaction. Hilltop acquired approximately \$2.2 billion in assets and assumed \$2.2 billion in liabilities in the FNB Transaction. The FNB Transaction was accounted for under the purchase method of accounting. Hilltop recorded a pre-tax bargain purchase gain totaling \$12.6 million as a result of the FNB Transaction, which was included as a component of noninterest income in Hilltop's consolidated statement of operations for the year ended December 31, 2013. The amount of the gain was equal to the amount by which the estimated fair value of assets purchased exceeded the estimated fair value of liabilities assumed. The bargain purchase gain resulting from the FNB Transaction was a non-recurring gain that is not expected to be repeated in future periods. Hilltop used significant estimates and assumptions to value the identifiable assets acquired and liabilities assumed. Any revisions to its estimates could result in the recognition of additional bargain purchase gain, which would be recorded as noninterest income, or the recognition of less or no bargain purchase gain, in which case Hilltop would reduce noninterest income and may be required to record goodwill that would be subject to an ongoing impairment analysis.

Income that Hilltop recognizes in connection with the purchase discount of the credit-impaired loans acquired in the PlainsCapital Merger and the FNB Transaction and accounted for under Accounting Standards Codification 310-30 could be volatile in nature and have significant effects on reported net income.

In connection with the PlainsCapital Merger and the FNB Transaction, Hilltop acquired loans at a discount of \$146.6 million and \$343.1 million, respectively. The PlainsCapital Merger and the FNB Transaction were each accounted for under the purchase method of accounting. Accordingly, these discounts are amortized and accreted to interest income on a monthly basis. The effective yield and related discount accretion on credit-impaired loans is initially determined at the acquisition date based upon estimates of the timing and amount of future cash flows as well as the amount of credit losses that will be incurred. These estimates are updated quarterly. In future periods, if actual historical results combined with future projections of these factors (amount, timing, or credit losses) differ from the initial projections, the effective yield and the amount of discount recognized will change. Volatility may increase as the variance of actual results from initial projections increases. As the acquired loans are removed from Hilltop's books, the related discount will no longer be available for accretion into income. Accretion of \$10.8 million and \$61.8 million on loans purchased at a discount in the PlainsCapital Merger was recorded as interest income during the three months ended March 31, 2014 and the year ended December 31, 2013, respectively, and accretion of \$7.2 million and \$7.5 million on loans purchased at a discount in the FNB Transaction was recorded as interest income during the three months ended March 31, 2014 and the period from September 14, 2013 to December 31, 2013, respectively. As of March 31, 2014, the balance of Hilltop's discount on loans in the aggregate was \$379.6 million.

Hilltop ultimately may write-off goodwill and other intangible assets resulting from business combinations.

As a result of purchase accounting in connection with Hilltop's acquisition of NLC, the PlainsCapital Merger and the FNB Transaction, Hilltop's consolidated balance sheet at March 31, 2014, contained goodwill of \$251.8 million and other intangible assets of \$68.1 million. On an ongoing basis, Hilltop evaluates whether facts and circumstances indicate any impairment of value of intangible assets. As circumstances change, the value of these intangible assets may not be realized by Hilltop. If Hilltop determines that a material impairment has occurred, Hilltop will be required to write-off the impaired portion of intangible assets, which could have a material adverse effect on its results of operations in the period in which the write-off occurs.

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The accuracy of Hilltop's financial statements and related disclosures could be affected if Hilltop is exposed to actual conditions different from the judgments, assumptions or estimates used in Hilltop's critical accounting policies.

The preparation of financial statements and related disclosure in conformity with GAAP requires Hilltop to make judgments, assumptions and estimates that affect the amounts reported in Hilltop's consolidated financial statements and accompanying notes. Hilltop's critical accounting policies, which are included in this proxy statement/prospectus, describe those significant accounting policies and methods used in the preparation of Hilltop's consolidated financial statements that are considered "critical" by it because they require judgments, assumptions and estimates that materially impact Hilltop's consolidated financial statements and related disclosures. As a result, if future events differ significantly from the judgments, assumptions and estimates in Hilltop's critical accounting policies, such events or assumptions could have a material impact on Hilltop's audited consolidated financial statements and related disclosures.

Hilltop is dependent on its management team, and the loss of Hilltop's senior executive officers or other key employees could impair its relationship with customers and adversely affect Hilltop's business and financial results.

Hilltop's success is dependent, to a large degree, upon the continued service and skills of its existing management team and other key employees with long-term customer relationships. Hilltop's business and growth strategies are built primarily upon its ability to retain employees with experience and business relationships within their respective segments. The loss of one or more of these key personnel could have an adverse impact on Hilltop's business because of their skills, knowledge of the market, years of industry experience and the difficulty of finding qualified replacement personnel. In addition, Hilltop currently does not have non-competition agreements with certain members of management and other key employees. If any of these personnel were to leave and compete with Hilltop, its business, financial condition, results of operations and growth could suffer.

A decline in the market for advisory services could adversely affect Hilltop's business and results of operations.

Hilltop's financial advisory segment has historically earned a significant portion of its revenues from advisory fees paid to it by its clients, in large part upon the successful completion of the client's transaction. Financial advisory revenues from the public finance group of First Southwest represented the largest component of Hilltop's financial advisory segment's net revenues for the year ended December 31, 2013. Unlike other investment banks, First Southwest earns most of its revenues from its advisory fees and, to a lesser extent, from other business activities such as commissions and underwriting. New issuances in the municipal market by cities, counties, school districts, state and other governmental agencies, airports, healthcare institutions, institutions of higher education and other clients that First Southwest's public finance group serves can be subject to significant fluctuations based on by factors such as changes in interest rates, property tax bases, budget pressures on certain issuers caused by uncertain economic times and other factors. Hilltop expects that the reliance of its financial advisory segment on advisory fees will continue for the foreseeable future, and a decline in public finance advisory engagements or the market for advisory services generally would have an adverse effect on Hilltop's business and results of operations.

Negative publicity regarding Hilltop, or financial institutions in general, could damage Hilltop's reputation and adversely impact its business and results of operations.

Hilltop's ability to attract and retain customers and conduct its business could be adversely affected to the extent Hilltop's reputation is damaged. Reputational risk, or the risk to its business, earnings and capital from negative public opinion regarding Hilltop, or financial institutions in general, is inherent in its business. Adverse perceptions concerning Hilltop's reputation could lead to difficulties in generating

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and maintaining accounts as well as in financing them. In particular, negative perceptions concerning Hilltop's reputation could lead to decreases in the level of deposits that consumer and commercial customers and potential customers choose to maintain with Hilltop. Negative public opinion could result from actual or alleged conduct in any number of activities or circumstances, including lending or foreclosure practices; sales practices; corporate governance and potential conflicts of interest; ethical failures or fraud, including alleged deceptive or unfair lending or pricing practices; regulatory compliance; protection of customer information; cyber-attacks, whether actual, threatened, or perceived; negative news about Hilltop or the financial institutions industry generally; general company performance; or from actions taken by government regulators and community organizations in response to such activities or circumstances. Furthermore, Hilltop's failure to address, or the perception that it has failed to address, these issues appropriately could impact Hilltop's ability to keep and attract customers and/or employees and could expose Hilltop to litigation and/or regulatory action, which could have an adverse effect on Hilltop's business and results of operations.

Hilltop's operational systems and networks have been, and will continue to be, subject to an increasing risk of continually evolving cybersecurity or other technological risks, which could result in a loss of customer business, financial liability, regulatory penalties, damage to Hilltop's reputation or the disclosure of confidential information.

Hilltop relies heavily on communications and information systems to conduct its business and maintain the security of confidential information and complex transactions, which subjects Hilltop to an increasing risk of cyber incidents from these activities due to a combination of new technologies and the increasing use of the Internet to conduct financial transactions, as well as a potential failure of interruption or breach in the security of these systems, including those that could result from attacks or planned changes, upgrades and maintenance of these systems. Such cyber incidents could result in failures or disruptions in Hilltop's customer relationship management, securities trading, general ledger, deposits, computer systems, electronic underwriting servicing or loan origination systems. Third parties with which Hilltop does business may also be sources of cybersecurity or other technological risks.

Although Hilltop devotes significant resources to maintain and regularly upgrade its systems and networks with measures such as intrusion and detection prevention systems and monitoring firewalls to safeguard critical business applications, there is no guarantee that these measures or any other measures can provide absolute security. Hilltop's computer systems, software and networks may be adversely affected by cyber incidents such as unauthorized access; loss or destruction of data (including confidential client information); account takeovers; unavailability of service; computer viruses or other malicious code; cyber attacks; and other events. These threats may derive from human error, fraud or malice on the part of employees or third parties, or may result from accidental technological failure. Additional challenges are posed by external extremist parties, including foreign state actors, in some circumstances, as a means to promote political ends. If one or more of these events occurs, it could result in the disclosure of confidential client information, damage to Hilltop's reputation with its clients and the market, customer dissatisfaction, additional costs such as repairing systems or adding new personnel or protection technologies, regulatory penalties, exposure to litigation and other financial losses to both Hilltop and its clients and customers. Such events could also cause interruptions or malfunctions in Hilltop's operations.

Hilltop has been the subject of denial of services attacks from external sources that have limited or interrupted the availability of its online banking services. Although to date Hilltop is not aware of any material losses relating to cyber attacks or other information security breaches, it may suffer such losses in the future. Hilltop has taken steps to improve and upgrade the security of its systems in response to such threats, such incidents could occur again, but they could occur more frequently or on a more significant scale.

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Hilltop faces strong competition from other financial institutions and financial service and insurance companies, which may adversely affect its operations and financial condition.

Hilltop's banking and mortgage origination businesses face vigorous competition from banks and other financial institutions, including savings and loan associations, savings banks, finance companies and credit unions. A number of these banks and other financial institutions have substantially greater resources and lending limits, larger branch systems and a wider array of banking services than Hilltop does. Hilltop also competes with other providers of financial services, such as money market mutual funds, brokerage firms, consumer finance companies, insurance companies and governmental organizations, each of which may offer more favorable financing than Hilltop is able to provide. In addition, some of Hilltop's non-bank competitors are not subject to the same extensive regulations that govern Hilltop. The banking business in Texas has become increasingly competitive over the past several years, and Hilltop expects the level of competition it faces to further increase. Hilltop's profitability depends on its ability to compete effectively in these markets. This competition may reduce or limit Hilltop's margins on banking services, reduce Hilltop's market share and adversely affect Hilltop's results of operations and financial condition.

The insurance industry also is highly competitive and has, historically, been characterized by periods of significant price competition, alternating with periods of greater pricing discipline during which competitors focus on other factors. In the current market environment, competition in Hilltop's insurance business' industry is based primarily on products offered, service, experience, the strength of agent and policyholder relationships, reputation, speed and accuracy of claims payment, perceived financial strength, ratings, scope of business, commissions paid and policy and contract terms and conditions. Hilltop's insurance business competes with many other insurers, including large national companies who have greater financial, marketing and management resources than Hilltop's insurance segment. Many of these competitors also have better ratings and market recognition than Hilltop's insurance business. Hilltop's insurance segment seeks to distinguish itself from its competitors by providing a broad product line and targeting those market segments that provide the best opportunity to earn an underwriting profit.

In addition, a number of new, proposed or potential industry developments also could increase competition in Hilltop's insurance business' industry. These developments include changes in practices and other effects caused by the Internet (including direct marketing campaigns by Hilltop's insurance segment's competitors in established and new geographic markets), which have led to greater competition in the insurance business and increased expectations for customer service. These developments could prevent Hilltop's insurance business from expanding its book of business. Hilltop's insurance business also faces competition from new entrants into the insurance market. New entrants do not have historic claims or losses to address and, therefore, may be able to price policies on a basis that is not favorable to Hilltop's insurance business. New competition could reduce the demand for Hilltop's insurance segment's insurance products, which could have a material adverse effect on its financial condition and results of operations.

The financial advisory and investment banking industries also are intensely competitive industries and will likely remain competitive. Hilltop's financial advisory business competes directly with numerous other financial advisory and investment banking firms, broker-dealers and banks, including large national and major regional firms and smaller niche companies, some of whom are not broker-dealers and, therefore, not subject to the broker-dealer regulatory framework. In addition to competition from firms currently in the industry, there has been increasing competition from others offering financial services, including automated trading and other services based on technological innovations. Hilltop's financial advisory business competes on the basis of a number of factors, including the quality of advice and service, innovation, reputation and price. Many of Hilltop's financial advisory segment's competitors in the investment banking industry have a greater range of products and services, greater financial and marketing resources, larger customer bases, greater name recognition, more managing

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directors to serve their clients' needs, greater global reach and more established relationships with their customers than Hilltop's financial advisory business. Additionally, certain competitors of Hilltop's financial advisory business have reorganized or plan to reorganize from investment banks into bank holding companies which may provide them with a competitive advantage. These larger and better capitalized competitors may be more capable of responding to changes in the investment banking market, to compete for skilled professionals, to finance acquisitions, to fund internal growth and to compete for market share generally. Increased pressure created by any current or future competitors, or by competitors of Hilltop's financial advisory business collectively, could materially and adversely affect Hilltop's business and results of operations. Increased competition may result in reduced revenue and loss of market share. Further, as a strategic response to changes in the competitive environment, Hilltop's financial advisory business may from time to time make certain pricing, service or marketing decisions that also could materially and adversely affect Hilltop's business and results of operations.

Hilltop's mortgage origination and insurance businesses are subject to seasonal fluctuations and, as a result, Hilltop's results of operations for any given quarter may not be indicative of the results that may be achieved for the full fiscal year.

Hilltop's mortgage origination business is subject to several variables that can impact loan origination volume, including seasonal and interest rate fluctuations. Hilltop typically experiences increased loan origination volume from purchases of homes during the second and third calendar quarters, when more people tend to move and buy or sell homes. In addition, an increase in the general level of interest rates may, among other things, adversely affect the demand for mortgage loans and Hilltop's ability to originate mortgage loans. In particular, if mortgage interest rates increase, the demand for residential mortgage loans and the refinancing of residential mortgage loans will likely decrease, which will have an adverse effect on Hilltop's mortgage origination activities. Conversely, a decrease in the general level of interest rates, among other things, may lead to increased competition for mortgage loan origination business. As a result of these variables, Hilltop's results of operations for any single quarter are not necessarily indicative of the results that may be achieved for a full fiscal year.

Generally, Hilltop's insurance segment's insured risks exhibit higher losses in the second and third calendar quarters due to a seasonal concentration of weather-related events in its primary geographic markets. Although weather-related losses (including hail, high winds, tornadoes and hurricanes) can occur in any calendar quarter, the second calendar quarter, historically, has experienced the highest frequency of losses associated with these events. Hurricanes, however, are more likely to occur in the third calendar quarter of the year.

If the actual losses and loss adjustment expenses of Hilltop's insurance segment exceed its loss and expense estimates, its financial condition and results of operations could be materially adversely affected.

The financial condition and results of operations of Hilltop's insurance segment depend upon its ability to assess accurately the potential losses associated with the risks that it insures. Hilltop's insurance segment establishes reserve liabilities to cover the payment of all losses and loss adjustment expenses incurred under the policies that it writes. These liability estimates include case estimates, which are established for specific claims that have been reported to Hilltop's insurance segment, and liabilities for claims that have been incurred but not reported ("IBNR"). Loss adjustment expenses represent expenses incurred to investigate and settle claims. To the extent that losses and loss adjustment expenses exceed estimates, NLIC and ASIC will be required to increase their reserve liabilities and reduce their income in the period in which the deficiency is identified. In addition, increasing reserves causes a reduction in policyholders' surplus and could cause a downgrade in the ratings of NLIC and ASIC. This, in turn, could diminish Hilltop's ability to sell insurance policies.

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The liability estimation process for Hilltop's insurance segment's casualty insurance coverage possesses characteristics that make case and IBNR reserving inherently less susceptible to accurate actuarial estimation than is the case with property coverages. Unlike property losses, casualty losses are claims made by third-parties of which the policyholder may not be aware and, therefore, may be reported a significant time after the occurrence, including sometimes years later. As casualty claims most often involve claims of bodily injury, assessment of the proper case estimates is a far more subjective process than claims involving property damage. In addition, in determining the case estimate for a casualty claim, information develops slowly over the life of the claim and can subject the case estimation to substantial modification well after the claim was first reported. Numerous factors impact the casualty case reserving process, such as venue, the amount of monetary damage, legislative activity, the permanence of the injury and the age of the claimant.

The effects of inflation could cause the severity of claims from catastrophes or other events to rise in the future. Increases in the values and geographic concentrations of policyholder property and the effects of inflation have resulted in increased severity of industry losses in recent years, and Hilltop's insurance segment expects that these factors will increase the severity of losses in the future. As NLC observed in 2008, the severity of some catastrophic weather events, including the scope and extent of damage and the inability to gain access to damaged properties, and the ensuing shortages of labor and materials and resulting demand surge, provide additional challenges to estimating ultimate losses. Hilltop's insurance segment's liabilities for losses and loss adjustment expenses include assumptions about future payments for settlement of claims and claims handling expenses, such as medical treatments and litigation costs. To the extent inflation causes these costs to increase above liabilities established for these costs, Hilltop's insurance segment expects to be required to increase its liabilities, together with a corresponding reduction in its net income in the period in which the deficiency is identified.

Estimating an appropriate level of liabilities for losses and loss adjustment expense is an inherently uncertain process. Accordingly, actual loss and loss adjustment expenses paid will likely deviate, perhaps substantially, from the liability estimates reflected in Hilltop's insurance segment's consolidated financial statements. Claims could exceed Hilltop's insurance segment's estimate for liabilities for losses and loss adjustment expenses, which could have a material adverse effect on its financial condition and results of operations.

If Hilltop's insurance segment cannot obtain adequate reinsurance protection for the risks it underwrites or its reinsurers do not pay losses in a timely fashion, or at all, Hilltop's insurance segment will suffer greater losses from these risks or may reduce the amount of business it underwrites, which may materially adversely affect its financial condition and results of operations.

Hilltop's insurance segment purchases reinsurance to protect itself from certain risks and to share certain risks it underwrites. During 2013 and 2012, Hilltop's insurance segment's personal lines ceded 10.2% and 12.1%, respectively, of its direct insurance premiums written (primarily through excess of loss, quota share and catastrophe reinsurance treaties) and its commercial lines ceded 4.6% and 4.9%, respectively, of its direct insurance premiums written (primarily through excess of loss and catastrophe reinsurance treaties). The total cost of reinsurance, inclusive of per risk excess and catastrophe, decreased 9.3% in the year ended December 31, 2013, which is partially attributable to reduced limits, lower rates and lower reinstatement premiums in 2013 of \$0.2 million. Reinsurance cost generally fluctuates as a result of storm costs or any changes in capacity within the reinsurance market.

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From time to time, market conditions have limited, and in some cases have prevented, insurers from obtaining the types and amounts of reinsurance that they have considered adequate for their business needs. Accordingly, Hilltop's insurance segment may not be able to obtain desired amounts of reinsurance. Even if Hilltop's insurance segment is able to obtain adequate reinsurance, it may not be able to obtain it from entities with satisfactory creditworthiness or negotiate terms that it deems appropriate or acceptable. Although the cost of reinsurance is, in some cases, reflected in Hilltop's insurance segment's premium rates, Hilltop's insurance segment may have guaranteed certain premium rates to its policyholders. Under these circumstances, if the cost of reinsurance were to increase with respect to policies for which Hilltop's insurance segment guaranteed the rates, Hilltop's insurance segment would be adversely affected. In addition, if Hilltop's insurance segment cannot obtain adequate reinsurance protection for the risks it underwrites, it may be exposed to greater losses from these risks or it may be forced to reduce the amount of business that it underwrites for such risks, which will reduce Hilltop's insurance segment's revenue and may have a material adverse effect on its results of operations and financial condition.

At March 31, 2014, Hilltop's insurance segment had \$4.0 million in reinsurance recoverables, including ceded paid loss recoverables, ceded losses and loss adjustment expense recoverables and ceded unearned insurance premiums. Hilltop's insurance segment expects to continue to purchase substantial reinsurance coverage in the foreseeable future. Because Hilltop's insurance segment remains primarily liable to its policyholders for the payment of their claims, regardless of the reinsurance it has purchased relating to those claims, in the event that one of its reinsurers becomes insolvent or otherwise refuses to reimburse Hilltop's insurance segment for losses paid, or delays in reimbursing Hilltop's insurance segment for losses paid, its liability for these claims could materially and adversely affect its financial condition and results of operations.

Hilltop is subject to legal claims and litigation that could have a material adverse effect on its business.

Hilltop faces significant legal risks in each of the business segments in which Hilltop operates, and the volume of legal claims and amount of damages and penalties claimed in litigation and regulatory proceedings against financial service companies remains high. These risks often are difficult to assess or quantify, and their existence and magnitude often remain unknown for substantial periods of time. Substantial legal liability or significant regulatory action against Hilltop or any of Hilltop's subsidiaries could have a material adverse effect on Hilltop's results of operations or cause significant reputational harm to Hilltop, which could seriously harm Hilltop's business and prospects. Further, regulatory inquiries and subpoenas, other requests for information, or testimony in connection with litigation may require incurrence of significant expenses, including fees for legal representation and fees associated with document production. These costs may be incurred even if Hilltop is not a target of the inquiry or a party to the litigation. Any financial liability or reputational damage could have a material adverse effect on Hilltop's business, which, in turn, could have a material adverse effect on Hilltop's financial condition and results of operations.

Hilltop may be subject to environmental liabilities in connection with the foreclosure on real estate assets securing the loan portfolio of Hilltop's banking segment.

Hazardous or toxic substances or other environmental hazards may be located on the real estate that secures Hilltop's loans. If Hilltop acquires such properties as a result of foreclosure, or otherwise, Hilltop could become subject to various environmental liabilities. For example, Hilltop could be held liable for the cost of cleaning up or otherwise addressing contamination at or from these properties. Hilltop could also be held liable to a governmental entity or third party for property damage, personal injury or other claims relating to any environmental contamination at or from these properties. In addition, Hilltop could be held liable for costs relating to environmental contamination at or from Hilltop's current or former properties. Hilltop may not detect all environmental hazards associated with

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these properties. If Hilltop ever became subject to significant environmental liabilities, Hilltop's business, financial condition, liquidity and results of operations could be harmed.

If Hilltop fails to maintain an effective system of internal controls over financial reporting, the accuracy and timing of its financial reporting may be adversely affected.

Effective internal controls are necessary for Hilltop to provide timely and reliable financial reports and effectively prevent fraud. Any inability to provide reliable financial reports or prevent fraud could harm Hilltop's business. If Hilltop fails to maintain the adequacy of its internal controls, Hilltop's financial statements may not accurately reflect Hilltop's financial condition. Inadequate internal controls over financial reporting could impact the reliability and timeliness of Hilltop's financial reports and could cause investors to lose confidence in Hilltop's reported financial information, which could have a negative effect on Hilltop's business and the value of its securities.

The debt agreements of Hilltop's insurance segment and its controlled affiliates contain financial covenants and impose restrictions on its business.

The indenture governing NLC's LIBOR plus 3.40% notes due 2035 contains restrictions on its ability to, among other things, declare and pay dividends and merge or consolidate. In addition, this indenture contains a change of control provision, which provides that (i) if a person or group becomes the beneficial owner, directly or indirectly, of 50% or more of NLC's equity securities and (ii) if NLC's ratings are downgraded by a nationally recognized statistical rating organization (as defined in the Exchange Act), then each holder of the notes governed by such indenture has the right to require that NLC purchase such holder's notes, in whole or in part, at a price equal to 100% of the then outstanding principal amount. Likewise, the surplus indentures governing NLC's two LIBOR plus 4.10% and 4.05% notes due 2033 and ASIC's LIBOR plus 4.05% notes due 2034 contain restrictions on dividends and mergers and consolidations. In addition, NLC has other credit arrangements with its affiliates and other third-parties.

NLC's ability to comply with these covenants may be affected by events beyond its control, including prevailing economic, financial and industry conditions. The breach of any of these restrictions could result in a default under the loan agreements or indentures governing the notes or under its other debt agreements. An event of default under its debt agreements would permit some of its lenders to declare all amounts borrowed from them to be due and payable, together with accrued and unpaid interest. If NLC were unable to repay debt to its secured lenders, these lenders could proceed against the collateral securing that debt. In addition, acceleration of its other indebtedness may cause NLC to be unable to make interest payments on the notes. Other agreements that NLC or its insurance company subsidiaries may enter into in the future may contain covenants imposing significant restrictions on their respective businesses that are similar to, or in addition to, the covenants under their respective existing agreements. These restrictions may affect NLC's ability to operate its business and may limit its ability to take advantage of potential business opportunities as they arise.

Risks Related to Hilltop's Substantial Cash Position and Related Strategies for its Use

Because Hilltop intends to use a substantial portion of its remaining available cash to make acquisitions or effect a business combination, Hilltop may become subject to risks inherent in pursuing and completing any such acquisitions or business combination.

Hilltop is endeavoring to make acquisitions or effect business combinations with a substantial portion of Hilltop's remaining available cash. Hilltop may not, however, be able to identify suitable targets, consummate acquisitions or effect a combination on commercially acceptable terms or, if consummated, successfully integrate personnel and operations.

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The success of any acquisition or business combination will depend upon, among other things, the ability of management and Hilltop's employees to integrate personnel, operations, products and technologies effectively, to retain and motivate key personnel and to retain customers and clients of targets. In addition, any acquisition or business combination Hilltop undertakes may consume available cash resources, result in potentially dilutive issuances of equity securities and divert management's attention from other business concerns. Even if Hilltop conducts extensive due diligence on a target business that Hilltop acquires or with which Hilltop merges, its diligence may not surface all material issues that may adversely affect a particular target business, and Hilltop may be forced to later write-down or write-off assets, restructure Hilltop's operations or incur impairment or other charges that could result in Hilltop's reporting losses. Consequently, Hilltop also may need to make further investments to support the acquired or combined company and may have difficulty identifying and acquiring the appropriate resources.

Hilltop may enter, through acquisitions or a business combination, into new lines of business or initiate new service offerings subject to the restrictions imposed upon Hilltop as a regulated financial holding company. Accordingly, there is no basis for you to evaluate the possible merits or risks of the particular target business with which Hilltop may combine or that Hilltop may ultimately acquire.

Existing circumstances may result in several of Hilltop's directors having interests that may conflict with its interests.

A director who has a conflict of interest with respect to an issue presented to Hilltop's board will have no inherent legal obligation to abstain from voting upon that issue. Hilltop does not have provisions in its bylaws or charter that require an interested director to abstain from voting upon an issue, and Hilltop does not expect to add provisions in Hilltop's charter and bylaws to this effect. Although each director has a duty to act in good faith and in a manner he or she reasonably believes to be in Hilltop's best interests, there is a risk that, should interested directors vote upon an issue in which they or one of their affiliates has an interest, their vote may reflect a bias that could be contrary to Hilltop's best interests. In addition, even if an interested director abstains from voting, the director's participation in the meeting and discussion of an issue in which they have, or companies with which they are associated have, an interest could influence the votes of other directors regarding the issue.

Difficult market conditions have adversely affected the yield on Hilltop's available cash.

Hilltop's primary objective is to preserve and maintain the liquidity of Hilltop's available cash, while at the same time maximizing yields without significantly increasing risk. The capital and credit markets have been experiencing volatility and disruption for a prolonged period. This volatility and disruption reached unprecedented levels, resulting in dramatic declines in interest rates and other yields relative to risk. This downward pressure has negatively affected the yields Hilltop receives on its available cash. If current levels of market disruption and volatility continue or worsen, there can be no assurance that Hilltop will receive any significant yield on its available cash. Further, given current market conditions, no assurance can be given that Hilltop will be able to preserve its available cash.

Risks Related to Hilltop's Common Stock

Hilltop may issue shares of preferred stock or additional shares of common stock to complete an acquisition or effect a combination or under an employee incentive plan after consummation of an acquisition or combination, which would dilute the interests of Hilltop's stockholders and likely present other risks.

The issuance of shares of preferred stock or additional shares of common stock:

may significantly dilute the equity interest of Hilltop's stockholders;

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may subordinate the rights of holders of common stock if preferred stock is issued with rights senior to those afforded Hilltop's common stock;

could cause a change in control if a substantial number of shares of common stock are issued, which may affect, among other things, Hilltop's ability to use its net operating loss carry forwards; and

may adversely affect prevailing market prices for Hilltop's common stock.

Hilltop's authorized capital stock includes ten million shares of preferred stock, and Hilltop currently has 114,068 shares of Series B Preferred Stock issued and outstanding, liquidation preference \$1,000 per share, to the Secretary of the Treasury pursuant to the SBLF. Hilltop's board of directors, in its sole discretion, may designate and issue one or more additional series of preferred stock from the authorized and unissued shares of preferred stock. Subject to limitations imposed by law or Hilltop's charter, Hilltop's board of directors is empowered to determine the designation and number of shares constituting each series of preferred stock, as well as any designations, qualifications, privileges, limitations, restrictions or special or relative rights of additional series. The rights of preferred stockholders may supersede the rights of common stockholders. Preferred stock could be issued with voting and conversion rights that could adversely affect the voting power of the shares of Hilltop's common stock. The issuance of preferred stock could also result in a series of securities outstanding that would have preferences over the common stock with respect to dividends and in liquidation.

Hilltop's common stock price may experience substantial volatility, which may affect your ability to sell Hilltop's common stock at an advantageous price.

Price volatility of Hilltop's common stock may affect your ability to sell Hilltop's common stock at an advantageous price. Market price fluctuations in Hilltop's common stock may arise due to acquisitions, dispositions or other material public announcements, including those regarding dividends or changes in management, along with a variety of additional factors, including, without limitation, other risks identified in "Forward-looking Statements" and these "Risk Factors." In addition, the stock markets in general, including the NYSE, have experienced extreme price and trading fluctuations. These fluctuations have resulted in volatility in the market prices of securities that often have been unrelated or disproportionate to changes in operating performance. These broad market fluctuations may adversely affect the market price of Hilltop's common stock.

Hilltop's rights and the rights of Hilltop's stockholders to take action against Hilltop's directors and officers are limited.

Hilltop is organized under Maryland law, which provides that a director or officer has no liability in that capacity if he or she performs his or her duties in good faith, in a manner he or she reasonably believes to be in Hilltop's best interests and with the care that an ordinarily prudent person in a like position would use under similar circumstances. In addition, Hilltop's charter eliminates Hilltop's directors' and officers' liability to Hilltop and its stockholders for money damages, except for liability resulting from actual receipt of an improper benefit or profit in money, property or services or active and deliberate dishonesty established by a final judgment and that is material to the cause of action. Hilltop's bylaws require Hilltop to indemnify Hilltop's directors and officers for liability resulting from actions taken by them in those capacities to the maximum extent permitted by Maryland law. As a result, Hilltop's stockholders and Hilltop may have more limited rights against Hilltop's directors and officers than might otherwise exist under common law. In addition, Hilltop may be obligated to fund the defense costs incurred by Hilltop's directors and officers.

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The Treasury's investment in Hilltop imposes restrictions and obligations upon Hilltop that could adversely affect the rights of Hilltop's common stockholders.

Hilltop's has sold 114,068 shares of Hilltop's Series B Preferred Stock, liquidation preference \$1,000 per share, for \$114.1 million, to the Secretary of the Treasury pursuant to the SBLF. The shares of Series B Preferred Stock are senior to shares of Hilltop's common stock with respect to dividends and liquidation preference. The terms of the Series B Preferred Stock provided for the payment of non-cumulative dividends on a quarterly basis. As long as shares of Series B Preferred Stock remain outstanding, Hilltop may not pay dividends to Hilltop's common stockholders (nor may Hilltop repurchase or redeem any shares of Hilltop's common stock) during any quarter in which Hilltop fails to declare and pay dividends on the Series B Preferred Stock and for the next three quarters following such failure. In addition, under the terms of the Series B Preferred Stock, Hilltop may only declare and pay dividends on Hilltop's common stock (or repurchase shares of Hilltop's common stock), if, after payment of such dividend, the dollar amount of Hilltop's Tier 1 capital would be at least ninety percent (90%) of Tier 1 capital as of September 27, 2011, excluding any charge-offs and redemptions of the Series B Preferred Stock.

Provisions in Hilltop's charter and bylaws, as well as applicable banking and insurance laws, could discourage acquisition bids or merger proposals, which may adversely affect the market price of Hilltop's common stock.

Authority to Issue Additional Shares. Under Hilltop's charter, its board of directors may issue up to an aggregate of ten million shares of preferred stock without stockholder action. The preferred stock may be issued, in one or more series, with the preferences and other terms designated by Hilltop's board of directors that may delay or prevent a change in control of Hilltop, even if the change is in the best interests of the SWS stockholders. At December 31, 2013, 114,068 shares of preferred stock were designated or outstanding.

Banking Laws. Any change in control of Hilltop is subject to prior regulatory approval under the Bank Holding Company Act or the Change in Bank Control Act, which may delay, discourage or prevent an attempted acquisition or change in control of Hilltop.

Insurance Laws. NLIC and ASIC are domiciled in the State of Texas. Before a person can acquire control of an insurance company domiciled in Texas, prior written approval must be obtained from the Texas Department of Insurance. Acquisition of control would be presumed on the acquisition, directly or indirectly, of ten percent or more of Hilltop's outstanding voting stock, unless the regulators determine otherwise. Prior to granting approval of an application to acquire control of a domestic insurer, the Texas Department of Insurance will consider several factors, such as:

the financial strength of the acquirer;

the integrity and management experience of the acquirer's board of directors and executive officers;

the acquirer's plans for the management of the insurer;

the acquirer's plans to declare dividends, sell assets or incur debt;

the acquirer's plans for the future operations of the domestic insurer;

the impact of the acquisition on continued licensure of the domestic insurer;

the impact on the interests of Texas policyholders; and

any anti-competitive results that may arise from the consummation of the acquisition of control.

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These laws may discourage potential acquisition proposals for Hilltop and may delay, deter or prevent a change of control of Hilltop, including transactions that some or all of Hilltop's stockholders might consider desirable.

Restrictions on Calling Special Meeting, Cumulative Voting and Director Removal. Hilltop's bylaws includes a provision prohibiting the holders of less than a majority of the voting power represented by all of Hilltop's shares issued, outstanding and entitled to be voted at a proposed meeting, from calling a special meeting of stockholders. Hilltop's charter does not provide for the cumulative voting in the election of directors. In addition, Hilltop's charter provides that Hilltop's directors may be removed only for cause and then only by an affirmative vote of at least two-thirds of the votes entitled to be cast in the election of directors. Any amendment to Hilltop's charter relating to the removal of directors requires the affirmative vote of two-thirds of all of the votes entitled to be cast on the matter. These provisions of Hilltop's bylaws and charter may delay, discourage or prevent an attempted acquisition or change in control of Hilltop.

An investment in Hilltop's common stock is not an insured deposit.

An investment in Hilltop's common stock is not a bank deposit and is not insured or guaranteed by the FDIC, SIPC, the Texas Department of Insurance or any other government agency. Accordingly, you should be capable of affording the loss of any investment in Hilltop's common stock.

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FORWARD LOOKING STATEMENTS

This proxy statement/prospectus contains or incorporates by reference a number of "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, including statements about the financial conditions, results of operations, earnings outlook and prospects of Hilltop, SWS and the potential combined company and may include statements for the period following the completion of the merger. You can find many of these statements by looking for words such as "plan," "believe," "expect," "intend," "anticipate," "estimate," "budget," "indicate," "target," "project," "potential," "could," "should," "may," "possible" or other similar expressions which identify these forward-looking statements and appear in a number of places in this proxy statement/prospectus (and the documents to which we refer you in this proxy statement/prospectus) and include, but are not limited to, all statements relating directly or indirectly to the timing or likelihood of completing the merger, plans for future growth and other business development activities as well as capital expenditures, financing sources and the effects of regulation and competition and all other statements regarding our intent, plans, beliefs or expectations or those of our directors or officers.

The forward-looking statements involve certain risks and uncertainties. The ability of either Hilltop or SWS to predict results or the actual effects of its plans and strategies, or those of the combined company, is subject to inherent uncertainty. Factors that may cause actual events or results to differ materially from such forward-looking statements include those set forth under "Risk Factors" included elsewhere in, or incorporated in, this proxy statement/prospectus, as well as, among others, the following:

those discussed and identified in public filings with the SEC made by Hilltop or SWS;

fluctuations in the market price of Hilltop common stock and the related effect on the market value of the merger consideration that common stockholders will receive upon completion of the merger;

business uncertainties and contractual restrictions while the merger is pending;

the possibility that the proposed merger does not close when expected or at all because required regulatory, stockholder or other approvals and other conditions to closing are not received or satisfied on a timely basis or at all;

the terms of the proposed merger may need to be modified to satisfy such approvals or conditions;

the anticipated benefits from the proposed merger are not realized in the time frame anticipated or at all as a result of changes in general economic and market conditions, interest and exchange rates, monetary policy, laws and regulations (including changes to capital requirements) and their enforcement, and the degree of competition in the geographic and business areas in which the companies operate;

the ability to promptly and effectively combine the businesses of SWS and Hilltop;

reputational risks and the reaction of the companies' respective customers to the merger;

diversion of management time on merger related issues;

changes in general economic, market and business conditions;

changes in asset quality and credit risk and risks associated with concentrations in real estate related loans;

the inability to sustain revenue and earnings;

changes in interest rates and capital markets and the value of securities held;

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inflation;

customer borrowing, repayment, investment and deposit practices;

the introduction, withdrawal, success and timing of business initiatives;

changes in accounting policies;

changes in tax and regulatory compliance requirements;

changes in federal, state and local tax rates;

the ability to attract and retain key personnel;

the availability of borrowings under credit lines, credit agreements and credit facilities;

the potential for litigation and other regulatory liability;

technology changes;

competitive conditions; and

the impact, extent and timing of actions of the Federal Reserve Board and federal and state banking regulators, and legislative and regulatory actions and reforms, including those associated with the Dodd-Frank Act.

Because these forward-looking statements are subject to assumptions and uncertainties, actual results may differ materially from those expressed or implied by these forward-looking statements. You are cautioned not to place undue reliance on these statements, which speak only as of the date of this proxy statement/prospectus or the date of any document incorporated by reference in this proxy statement/prospectus. Any forward-looking statements made or incorporated in this proxy statement/prospectus are qualified in their entirety by these cautionary statements, and there can be no assurance that the actual results or developments anticipated by Hilltop or SWS will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, us or our business or operations.

All subsequent written and oral forward-looking statements concerning the merger or other matters addressed or incorporated in this proxy statement/prospectus and attributable to Hilltop or SWS or any person acting on their behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this proxy statement/prospectus. Except to the extent required by applicable law or regulation, Hilltop and SWS undertake no obligation to update these forward-looking statements to reflect events or circumstances after the date of this proxy statement/prospectus or to reflect new information or the occurrence of unanticipated events.

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THE SWS SPECIAL MEETING

This section contains information about the special meeting of SWS stockholders that has been called to allow SWS stockholders to consider and vote on the merger agreement and other related matters.

Together with this proxy statement/prospectus, SWS is also sending you a notice of the SWS special meeting and a form of proxy that is solicited by the SWS board of directors for use at the special meeting and at any adjournments or postponements of the special meeting. The SWS special meeting will be held on _____, 2014, at _____, local time, at _____.

Matters to be Considered

At the SWS special meeting, holders of SWS common stock as of the record date will be asked to consider and vote on:

a proposal to adopt and approve 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 that is based on or otherwise relates to 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 SWS special meeting to approve the merger proposal (the "adjournment proposal").

Proxies

Each copy of this proxy statement/prospectus mailed to holders of SWS common stock is accompanied by a form of proxy with instructions for voting. If you hold stock in your name as a stockholder of record, you may complete, sign, date and mail your proxy card in the enclosed postage paid return envelope as soon as possible, vote by telephone by calling the toll-free number listed on the SWS proxy card, vote by accessing the internet site listed on the SWS proxy card or vote in person at the SWS special meeting. If you hold your stock in "street name" through a bank or broker, you must direct your bank or broker to vote in accordance with the instruction form included with these materials and forwarded to you by your bank or broker. This voting instruction form provides instructions for voting. To vote using the proxy card you must sign, date and return it in the enclosed postage-paid envelope. Instructions on how to vote by telephone or by the internet are included with your proxy card.

If you are a holder of record, to change your vote, you must:

mail a new signed proxy card with a later date to SWS;

vote by calling the toll-free number listed on the SWS proxy card or accessing the internet site listed on the SWS proxy card by 11:59 p.m., Eastern Time, on _____, 2014; or

attend the SWS special meeting and vote in person.

If you wish to revoke rather than change your vote, you must send a written, signed revocation to SWS Group, Inc., 1201 Elm Street, Suite 3500, Dallas, Texas 75270, Attn: _____, which must be received prior to the exercise of the proxy. You must include your control number.

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If you hold shares in "street name" and wish to change or revoke your vote, please refer to the information on the voting instruction form included with these materials and forwarded to you by your bank, broker or other holder of record to see your voting options.

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All shares represented by valid proxies that we receive through this solicitation, and that are not revoked, will be voted in accordance with your instructions on the proxy card. If you make no specification on your proxy card as to how you want your shares voted before signing and returning it, your proxy will be voted as recommended by the SWS board of directors.

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.

Participants in the SWS 401(k) Plan

If you hold shares indirectly in the SWS 401(k) Plan, you have the right to direct the plan trustee 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.

Solicitation of Proxies

SWS will bear the entire cost of soliciting proxies from its stockholders. In addition to solicitation of proxies by mail, SWS will request that banks, brokers, and other record holders send proxies and proxy material to the beneficial owners of SWS common stock and secure their voting instructions. SWS will reimburse the record holders for their reasonable expenses in taking those actions. If necessary, SWS may use several of its regular employees, who will not be specially compensated, to solicit proxies from SWS stockholders, either personally or by telephone, facsimile, letter or other electronic means. SWS expects to make arrangements with an outside firm to assist SWS in soliciting proxies and will pay them an agreed upon fee plus reasonable fees and expenses for these services.

Record Date

The close of business on _____, 2014 has been fixed as the record date for determining the SWS stockholders entitled to receive notice of and to vote at the SWS special meeting. At that time, _____ shares of SWS common stock were outstanding, held by approximately _____ holders of record.

Quorum

In order to conduct business at the SWS special meeting, there must be a quorum. A quorum is the number of shares that must be present at the meeting, either in person or by proxy. To have a quorum at the special meeting requires the presence of stockholders or their proxies who are entitled to cast at least a majority of the votes that all stockholders are entitled to cast. Abstentions and broker non-votes will be counted for the purpose of determining whether a quorum is present.

You are entitled to one vote for each share of SWS common stock you held as of the record date.

Vote Required

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. Because the affirmative vote of the holders of at least a majority of the shares of SWS common stock outstanding on the record date for the SWS special meeting is needed to approve the merger proposal, an abstention or a broker non-vote will have the effect of a vote against the merger proposal. Approval of the compensation proposal and the adjournment proposal require, in each case, the affirmative vote of a

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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. An abstention or broker non-vote will have no effect on the compensation proposal or the adjournment proposal. Each holder of SWS common stock will be entitled to one vote per share on each of the proposals presented at the SWS annual meeting. 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.

Every SWS stockholder's vote is important. The SWS board of directors urges SWS stockholders to promptly vote by: (1) completing, signing, dating and mailing your proxy card in the enclosed postage paid return envelope as soon as possible; (2) calling the toll-free number listed on the SWS proxy card; or (3) accessing the internet site listed on the SWS proxy card. If you hold your stock in "street name" through a bank or broker, please direct your bank or broker to vote in accordance with the instruction form included with these materials and forwarded to you by your bank or broker.

Shares Held by Officers and Directors

As of the record date, 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 described below), or approximately _____ % of the outstanding shares of SWS common stock entitled to vote at the 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 special meeting.

Shares Held by Hilltop

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. 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.

Recommendation of the SWS Board of Directors

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 approved the merger agreement and the transactions contemplated thereby, including the merger. See "The Merger Reasons for the Merger" and "The Merger Recommendation of the SWS Board of Directors" included elsewhere in this proxy statement/prospectus for a more detailed discussion of the SWS board of directors' recommendation.

The SWS board of directors (other than Messrs. Gerald J. Ford and J. Taylor Crandall, who recused themselves) recommends that you vote your shares as follows:

"**FOR**" the adoption and approval of the merger agreement;

"**FOR**" the approval, on a non-binding, advisory basis, of the 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

"**FOR**" the approval of the proposal to adjourn 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 adopt and approve the merger proposal

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Attending the Special Meeting

All holders of SWS common stock, including holders of record and stockholders who hold their stock through banks, brokers, nominees or any other holder of record, are invited to attend the SWS special meeting. Only stockholders of record on the record date 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 SWS special meeting. If you plan to attend the SWS special meeting, you must hold your shares in your own name or have a letter from the record holder of your shares confirming your ownership and 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 and without proper photo identification.

Delivery of Proxy Materials

As permitted by applicable law, only one copy of this joint proxy statement/prospectus is being delivered to stockholders residing at the same address, unless such stockholders have notified SWS of their desire to receive multiple copies of the joint proxy statement/prospectus.

SWS will promptly deliver, upon oral or written request, a separate copy of the joint proxy statement/prospectus to any stockholder residing at an address to which only one copy of such document was mailed. Requests for additional copies should be directed to Investor Relations, at 1201 Elm Street, Suite 3500, Dallas, Texas 75270 or by telephone at (214) 859-1800.

Appraisal/Dissenter's Rights

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

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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.

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PROPOSALS SUBMITTED TO SWS STOCKHOLDERS

Adoption and Approval of the Merger Agreement (Proposal 1)

This proxy statement/prospectus is being furnished to SWS stockholders as part of the solicitation of proxies by the SWS board of directors for use at the SWS special meeting to consider and vote on the proposal to adopt and approve the merger agreement. **IF SWS STOCKHOLDERS FAIL TO ADOPT AND APPROVE THE MERGER AGREEMENT, THE MERGER CANNOT BE COMPLETED.** Holders of SWS common stock should read this proxy statement/prospectus carefully and in its entirety, including the annexes, for more detailed information concerning the merger agreement and the merger. A copy of the merger agreement is attached to this proxy statement/prospectus as Annex A.

After careful consideration, upon the unanimous recommendation of the Special Committee, the SWS board of directors (other than Messrs. Gerald J. Ford and J. Taylor Crandall, who recused themselves) determined that the merger agreement and the transactions contemplated thereby were advisable and fair to and in the best interests of the SWS stockholders and approved the merger agreement and the transactions contemplated by the merger agreement, including the merger. See "The Merger Reasons for the Merger" and "The Merger Recommendation of the SWS Board of Directors" included elsewhere in this proxy statement/prospectus for a more detailed discussion of the SWS board of directors' recommendation.

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.

The SWS board of directors (other than Messrs. Gerald J. Ford and J. Taylor Crandall, who recused themselves) recommends that its stockholders vote "**FOR**" the adoption and approval of the merger agreement. For a discussion of interests of SWS's directors and executive officers in the merger that may be different from, or in addition to, the interest of SWS stockholders generally, see "The Merger Interests of SWS Certain Directors and Executive Officers in the Merger" included elsewhere in this proxy statement/prospectus.

Non-Binding Advisory Vote Approving Compensation (Proposal 2)

The Dodd-Frank Act and Rule 14a-21(c) under the Exchange Act require SWS to provide its stockholders with the opportunity to vote to approve, on a non-binding, advisory basis, the compensation that may be paid or would be payable to the named executive officers of SWS that is based on or otherwise relates to the merger. Information required by Item 402(t) of Regulation S-K concerning this compensation, subject to certain assumptions described herein, is presented under the heading "The Merger Interests of SWS Directors and Executive Officers in the Merger Golden Parachute Compensation."

Accordingly, SWS is requesting that holders of SWS common stock approve the following resolution:

"RESOLVED, that the stockholders of SWS Group, Inc. approve, on a non-binding advisory basis, the compensation that may be paid or would be payable to its named executive officers that is based on or otherwise relates to the merger, as disclosed in the proxy statement/prospectus relating to the SWS special meeting in the table titled "Golden Parachute Compensation" pursuant to Item 402(t) of Regulation S-K, including the related footnotes and associated narrative discussion."

Approval of this proposal is not a condition to completion of the merger. **While the SWS board of directors intends to consider the vote resulting from this proposal, the vote is advisory, and therefore not binding on SWS or on Hilltop or the board of directors or the compensation committees of SWS or Hilltop.** Accordingly, such compensation, including amounts that SWS is contractually obligated to

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pay, would still be payable regardless of the outcome of this advisory vote, subject only to the conditions applicable thereto.

Approval of the compensation proposal requires the affirmative vote of a majority of the shares of SWS common stock represented in person or by proxy at the special meeting and entitled to vote on the proposal.

The SWS board of directors recommends (other than Messrs. Gerald J. Ford and J. Taylor Crandall, who recused themselves) that its stockholders vote "**FOR**" the approval, on a non-binding, advisory basis, of the 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.

Approval of the Adjournment or Postponement of the SWS Special Meeting (Proposal 3)

The SWS special meeting may be adjourned to another time or place, if necessary or appropriate, to permit, among other things, further solicitation of proxies if necessary to obtain additional votes in favor of the merger proposal.

If, at the SWS special meeting, the number of shares of SWS common stock present or represented and voting in favor of the merger proposal is insufficient to approve such proposal, SWS intends to move to adjourn the SWS special meeting in order to solicit additional proxies for the adoption and approval of the merger agreement. In accordance with the SWS bylaws, a vote to approve the proposal to adjourn the SWS special meeting, if necessary or appropriate, to solicit additional proxies if there are insufficient votes at the time of the SWS special meeting to approve the merger proposal may be taken in the absence of a quorum. **SWS does not intend to call a vote on this proposal if the merger proposal has been approved at the SWS special meeting.**

In this proposal, SWS is asking its stockholders to authorize the holder of any proxy solicited by the SWS board of directors to vote in favor of granting discretionary authority to proxy holders, and each of them individually, to adjourn the SWS special meeting to another time and place for the purpose of soliciting additional proxies. If SWS stockholders approve this adjournment proposal, SWS could adjourn the SWS special meeting and any adjourned session of the SWS special meeting and use the additional time to solicit additional proxies, including the solicitation of proxies from SWS stockholders who have previously voted.

Approval of the adjournment proposal requires 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 the proposal.

The SWS board of directors (other than Messrs. Gerald J. Ford and J. Taylor Crandall, who recused themselves) recommends that holders of SWS common stock vote "**FOR**" the approval of the proposal to adjourn 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 adopt and approve the merger agreement.

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INFORMATION ABOUT THE COMPANIES HILLTOP

Unless the context otherwise indicates, all references in this "Information About the Companies Hilltop" section to the "Company," "we," "us," "our" or "ours" or similar words are to Hilltop Holdings Inc. and its direct and indirect wholly owned subsidiaries (and, for avoidance of doubt, do not refer to SWS), references to "Hilltop" refer solely to Hilltop Holdings Inc., references to "PlainsCapital" refer to PlainsCapital Corporation (a wholly owned subsidiary of Hilltop), references to the "Bank" refer to PlainsCapital Bank (a wholly owned subsidiary of PlainsCapital), references to "FNB" refer to First National Bank, references to "First Southwest" refer to First Southwest Holdings, LLC (a wholly owned subsidiary of the Bank) and its subsidiaries as a whole, references to "FSC" refer to First Southwest Company (a wholly owned subsidiary of First Southwest), references to "PrimeLending" refer to PrimeLending, a PlainsCapital Company (a wholly owned subsidiary of the Bank) and its subsidiaries as a whole, and references to "NLC" refer to National Lloyds Corporation (a wholly owned subsidiary of Hilltop) and its subsidiaries as a whole.

Business

Company Background

Beginning in 1995, we operated as several companies under the name "Affordable Residential Communities" or "ARC," a Maryland corporation. We engaged in the business of acquiring, renovating, repositioning and operating manufactured home communities, as well as certain related businesses.

In January 2007, we acquired NLC, a property and casualty insurance holding company.

On July 31, 2007, we sold substantially all of the operating assets used in our manufactured home communities business and our retail sales and financing business to American Residential Communities LLC. In conjunction with this transaction, we transferred to the buyer the rights to the "Affordable Residential Communities" name, changed our name to Hilltop Holdings Inc., and moved our headquarters to Dallas, Texas. As a result, our primary operations from August 2007 through November 2012 were limited to providing fire and homeowners insurance to low value dwellings and manufactured homes primarily in Texas and other areas of the southern United States through NLC. NLC operates through its wholly owned subsidiaries, National Lloyds Insurance Company ("NLIC") and American Summit Insurance Company ("ASIC").

On November 30, 2012, we acquired PlainsCapital Corporation through a plan of merger (the "PlainsCapital Merger"), whereby PlainsCapital Corporation merged into our wholly owned subsidiary, which continued as the surviving entity under the name "PlainsCapital Corporation". Concurrent with the consummation of the PlainsCapital Merger, we became a financial holding company registered under the Bank Holding Company Act of 1956 (the "Bank Holding Company Act"), as amended by the Gramm-Leach-Bliley Act of 1999 (the "Gramm-Leach-Bliley Act").

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

We intend to make acquisitions with certain of the remaining proceeds from the American Residential Communities transaction and, if necessary or appropriate, from additional equity or debt financing sources.

Following the PlainsCapital Merger, our primary line of business has been to provide business and consumer banking services from offices located throughout central, north and west Texas through the Bank. The acquisition of FNB's expansive branch network allows the Bank to further develop its Texas footprint through expansion into the Rio Grande Valley, Houston, Corpus Christi, Laredo and El Paso

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markets, among others. In addition to the Bank, our other subsidiaries have specialized areas of expertise that allow us to provide an array of financial products and services such as mortgage origination, insurance and financial advisory services.

At March 31, 2014, on a consolidated basis, we had total assets of \$9.0 billion, total deposits of \$6.7 billion, total loans, including loans held for sale, of \$5.4 billion and stockholders' equity of \$1.4 billion. Our operating results beginning December 1, 2012 include the banking, mortgage origination and financial advisory operations acquired in the PlainsCapital Merger and the results of our banking operations include the operations acquired in the FNB Transaction since September 14, 2013.

Our common stock is listed on the New York Stock Exchange, or NYSE, under the symbol "HTH."

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

Organizational Structure

Our organizational structure is comprised of two primary operating business units, NLC (insurance) and PlainsCapital (financial services and products). Within the PlainsCapital unit are three primary wholly owned operating subsidiaries: the Bank, PrimeLending and First Southwest. The following provides additional details regarding our updated organizational structure at March 31, 2014.

Geographic Dispersion of our Businesses

The Bank provides traditional banking services, residential mortgage lending, wealth and investment management, treasury management and capital equipment leasing. Substantially all of our banking operations are in Texas, and as a result of the FNB Transaction, the Bank has a presence in every major market in Texas.

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For the year ended December 31, 2013, approximately 66% of PrimeLending's origination volume was concentrated in nine states (none of the other states in which PrimeLending operated during 2013 had volume of 3% or more). The following table is a summary of the origination volume by state for the year ended December 31, 2013 (dollars in thousands).

	Volume	% of Total
Texas	\$ 2,660,810	22.56%
California	2,082,184	17.66%
North Carolina	618,802	5.25%
Virginia	466,531	3.96%
Florida	456,643	3.87%
Arizona	392,006	3.32%
Maryland	385,215	3.27%
Ohio	383,518	3.25%
Washington	360,100	3.05%
All other states	3,986,753	33.81%
	\$ 11,792,562	100.00%

Our insurance products are distributed through a broad network of independent agents and a select number of managing general agents, referred to as MGAs, which are concentrated in five states (none of the other states in which we operated during 2013 had gross written premiums of 3% or more). The following table sets forth our total gross written premiums by state for the periods shown (dollars in thousands).

	Year Ended December 31,					
	2013	% of Total	2012	% of Total	2011	% of Total
Texas	\$ 125,696	69.1%	\$ 118,361	69.5%	\$ 117,046	73.0%
Oklahoma	16,494	9.1%	15,398	9.1%	10,804	6.7%
Arizona	15,904	8.7%	13,914	8.2%	12,376	7.7%
Tennessee	10,589	5.8%	10,527	6.2%	9,489	5.9%
Georgia	6,393	3.5%	5,454	3.2%	4,380	2.7%
All other states	6,892	3.8%	6,547	3.8%	6,346	4.0%
Total	\$ 181,968	100.0%	\$ 170,201	100.0%	\$ 160,441	100.0%

FSC, a diversified investment banking firm and a registered broker-dealer, competes for business nationwide. Public finance financial advisory revenues, of which 76% are from entities located in Texas, represent a significant portion of total segment revenues.

Business Segments

Under U.S. generally accepted accounting principles ("GAAP"), our two business units are comprised of four reportable business segments organized primarily by the core products offered to the segments' respective customers: banking, mortgage origination, insurance and financial advisory. These segments reflect the manner in which operations are managed and the criteria used by our chief operating decision maker function to evaluate segment performance, develop strategy and allocate resources. Our chief operating decision maker function consists of the President and Chief Executive Officer of Hilltop and the Chief Executive Officer of PlainsCapital.

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For more financial information about each of our business segments, see " Management's Discussion and Analysis of Financial Condition and Results of Operations," herein. See also Note 30 in the notes to our audited consolidated financial statements included herein.

Banking

The banking segment includes the operations of the Bank and, since September 14, 2013, the operations acquired in the FNB Transaction. At March 31, 2014, our banking segment had \$8.0 billion in assets and total deposits of \$6.6 billion. The primary sources of our deposits are residents and businesses located in Texas.

Business Banking. Our business banking customers primarily consist of agribusiness, energy, health care, institutions of higher education, real estate (including construction and land development) and wholesale/retail trade companies. We provide these customers with extensive banking services, such as Internet banking, business check cards and other add-on services as determined on a customer-by-customer basis. Our treasury management services, which are designed to reduce the time, burden and expense of collecting, transferring, disbursing and reporting cash, are also available to our business customers. We offer these business customers lines of credit, equipment loans and leases, letters of credit, agricultural loans, commercial real estate loans and other loan products.

The table below sets forth a distribution of the banking segment's non-covered and covered loans, classified by portfolio segment and segregated between those considered to be purchased credit impaired ("PCI") loans and all other originated or acquired loans at December 31, 2013 (dollars in thousands). PCI loans showed evidence of credit deterioration that makes it probable that all contractually required principal and interest payments will not be collected. The banking segment's loan portfolio includes "covered loans" acquired in the FNB Transaction that are subject to loss-share agreements with the FDIC, while all other loans held by the Bank are referred to as "non-covered loans." The commercial and industrial non-covered loans category includes a \$1.3 billion warehouse line of credit extended to PrimeLending, of which \$1.0 billion was drawn at December 31, 2013, as well as term loans at First Southwest that had an outstanding balance of \$23.0 million at December 31, 2013. Amounts advanced against the warehouse line and the First Southwest term loans are included in the table below, but are eliminated from the consolidated balance sheets.

	Loans, excluding PCI Loans	PCI Loans	Total Loans	% of Total Non-Covered Loans
Non-covered loans				
Commercial and industrial:				
Secured	\$ 2,229,778	\$ 35,372	\$ 2,265,150	53.3%
Unsecured	106,855	1,444	108,299	2.6%
Real estate:				
Secured by commercial properties	1,045,964	36,255	1,082,219	25.5%
Secured by residential properties	373,242	2,995	376,237	8.9%
Construction and land development:				
Residential construction loans	65,079		65,079	1.5%
Commercial construction loans and land development	279,655	19,817	299,472	7.0%
Consumer	51,067	4,509	55,576	1.3%
Total non-covered loans	\$ 4,151,640	\$ 100,392	\$ 4,252,032	100.0%

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Covered loans	Loans, excluding PCI Loans	PCI Loans	Total Loans	% of Total Covered Loans
Commercial and industrial:				
Secured	\$ 24,913	\$ 28,520	\$ 53,433	5.3%
Unsecured	3,620	9,890	13,510	1.4%
Real estate:				
Secured by commercial properties	64,819	365,306	430,125	42.7%
Secured by residential properties	158,485	199,372	357,857	35.6%
Construction and land development:				
Residential construction loans	7,463	4,705	12,168	1.2%
Commercial construction loans and land development	17,913	121,363	139,276	13.8%
 Total covered loans	 \$ 277,213	 \$ 729,156	 \$ 1,006,369	 100.0%

Our lending policies seek to achieve the goal of establishing an asset portfolio that will provide a return on stockholders' equity sufficient to maintain capital to assets ratios that meet or exceed established regulations. In support of that goal, we have designed our underwriting standards to determine:

That our borrowers possess sound ethics and competently manage their affairs;

That we know the source of the funds the borrower will use to repay the loan;

That the purpose of the loan makes economic sense; and

That we identify relevant risks of the loan and determine that the risks are acceptable.

We implement our underwriting standards according to the facts and circumstances of each particular loan request, as discussed below.

Commercial and industrial loans are primarily made within Texas and are underwritten on the basis of the borrower's ability to service the debt from cash flow from an operating business. In general, commercial and industrial loans involve more credit risk than residential and commercial mortgage loans and, therefore, usually yield a higher return. The increased risk in commercial and industrial loans results primarily from the type of collateral securing these loans, which typically includes commercial real estate, accounts receivable, equipment and inventory. Additionally, increased risk arises from the expectation that commercial and industrial loans generally will be serviced principally from operating cash flow of the business, and such cash flows are dependent upon successful business operations. Historical trends have shown these types of loans to have higher delinquencies than mortgage loans. As a result of the additional risk and complexity associated with commercial and industrial loans, such loans require more thorough underwriting and servicing than loans to individuals. To manage these risks, our policy is to attempt to secure commercial and industrial loans with both the assets of the borrowing business and other additional collateral and guarantees that may be available. In addition, depending on the size of the credit, we actively monitor the financial condition of the borrower by analyzing the borrower's financial statements and assessing certain financial measures, including cash flow, collateral value and other appropriate credit factors. We also have processes in place to analyze and evaluate on a regular basis our exposure to industries, products, market changes and economic trends.

The Bank also offers term financing on commercial real estate properties that include retail, office, multi-family, industrial, warehouse and non-owner occupied single family residences. Commercial mortgage lending can involve high principal loan amounts, and the repayment of these loans is dependent, in large part, on a borrower's on-going business operations or on income generated from

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the properties that are leased to third parties. Accordingly, we apply the measures described above for commercial and industrial loans to our commercial real estate lending, with increased emphasis on analysis of collateral values. As a general practice, the Bank requires its commercial mortgage loans to (i) be secured with first lien positions on the underlying property, (ii) generate adequate equity margins, (iii) be serviced by businesses operated by an established management team and (iv) be guaranteed by the principals of the borrower. The Bank seeks lending opportunities where cash flow from the collateral provides adequate debt service coverage and/or the guarantor's net worth is comprised of assets other than the project being financed.

The Bank offers construction financing for (i) commercial, retail, office, industrial, warehouse and multi-family developments, (ii) residential developments and (iii) single family residential properties. Construction loans involve additional risks because loan funds are advanced upon the security of a project under construction, and the project is of uncertain value prior to its completion. If the Bank is forced to foreclose on a project prior to completion, it may not be able to recover the entire unpaid portion of the loan. Additionally, it may be required to fund additional amounts to complete a project and may have to hold the property for an indeterminate period of time. Because of uncertainties inherent in estimating construction costs, the market value of the completed project and the effects of governmental regulation on real property, it can be difficult to accurately evaluate the total funds required to complete a project and the related loan-to-value ratio. As a result of these uncertainties, construction lending often involves the disbursement of substantial funds with repayment dependent, in part, on the success of the ultimate project rather than the ability of a borrower or guarantor to repay the loan. We generally require that the subject property of a construction loan for commercial real estate be pre-leased, since cash flows from the completed project provide the most reliable source of repayment for the loan. Loans to finance these transactions are generally secured by first liens on the underlying real property. The Bank conducts periodic completion inspections, either directly or through an agent, prior to approval of periodic draws on these loans.

In addition to the real estate lending activities described above, a portion of the Bank's real estate portfolio consists of single family residential mortgage loans typically collateralized by owner occupied properties located in its market areas. These residential mortgage loans are generally secured by a first lien on the underlying property and have maturities up to thirty years. At December 31, 2013, the Bank had \$582.6 million in one-to-four family residential loans, which represented 12.9% of its total loans held for investment.

Personal Banking. We offer a broad range of personal banking products and services for individuals. Similar to our business banking operations, we also provide our personal banking customers with a variety of add-on features such as check cards, safe deposit boxes, Internet banking, bill pay, overdraft privilege services, gift cards and access to automated teller machine (ATM) facilities throughout the United States. We offer a variety of deposit accounts to our personal banking customers including savings, checking, interest-bearing checking, money market and certificates of deposit.

We loan to individuals for personal, family and household purposes, including lines of credit, home improvement loans, home equity loans, credit cards and loans for purchasing and carrying securities. At December 31, 2013, we had \$55.6 million of loans for these purposes, which are shown in the non-covered loans table above as "Consumer."

Wealth and Investment Management. Our private banking team personally assists high net worth individuals and their families with their banking needs, including depository, credit, asset management, and trust and estate services. We offer trust and asset management services in order to assist these customers in managing, and ultimately transferring, their wealth. Our wealth management services provide personal trust, investment management and employee benefit plan administration services, including estate planning, management and administration, investment portfolio management, employee benefit accounts and individual retirement accounts.

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Mortgage Origination

Our mortgage origination segment operates through a wholly owned subsidiary of the Bank, PrimeLending. Founded in 1986, PrimeLending is a residential mortgage banker licensed to originate and close loans in all 50 states and the District of Columbia. At March 31, 2014, it operated from over 300 locations in 42 states. During 2013, PrimeLending originated approximately 23% of its mortgages from its Texas locations and approximately 18% of its mortgages from locations in California. The mortgage lending business is subject to seasonality, as we typically experience increased loan origination volume from purchases of homes during the spring and summer, when more people tend to move and buy or sell homes, and the overall demand for mortgage loans is driven largely by the applicable interest rates at any given time.

PrimeLending handles loan processing, underwriting and closings in-house. Mortgage loans originated by PrimeLending are funded through a warehouse line of credit maintained with the Bank. PrimeLending sells substantially all mortgage loans it originates to various investors in the secondary market, the majority with servicing released. While PrimeLending's loan origination volume has decreased since the second quarter of 2013, PrimeLending increased the amount of loans on which it retained servicing. As mortgage loans are sold in the secondary market, PrimeLending pays down its warehouse line of credit with the Bank. Loans sold are subject to certain standard indemnification provisions with investors, including the repurchase of loans sold and the repayment of sales proceeds to investors under certain conditions.

Our mortgage lending underwriting strategy, driven in large measure by secondary market investor standards, seeks primarily to originate conforming loans. Our underwriting practices include:

granting loans on a sound and collectible basis;

obtaining a balance between maximum yield and minimum risk;

ensuring that primary and secondary sources of repayment are adequate in relation to the amount of the loan; and

ensuring that each loan is properly documented and, if appropriate, adequately insured.

Since its inception, PrimeLending has grown from a staff of 20 individuals producing approximately \$80 million in annual closed mortgage loan volume to a staff of approximately 2,600 producing \$11.8 billion in 2013. PrimeLending offers a variety of loan products catering to the specific needs of borrowers seeking purchase or refinancing options, including 30-year and 15-year fixed rate conventional mortgages, adjustable rate mortgages, jumbo loans, and Federal Housing Administration ("FHA") and Veteran Affairs ("VA") loans. Mortgage loans originated by PrimeLending are secured by a first lien on the underlying property. PrimeLending does not currently originate subprime loans (which we define to be loans to borrowers having a Fair Isaac Corporation (FICO) score lower than 620 on conventional mortgages and VA loans or 600 on FHA loans or loans that do not comply with applicable agency or investor-specific underwriting guidelines).

Insurance

The operations of NLC comprise our insurance segment. NLC specializes in providing fire and limited homeowners insurance for low value dwellings and manufactured homes primarily in Texas and other areas of the south, southeastern and southwestern United States. NLC's product lines also include enhanced homeowners products offering higher coverage limits with distribution restricted to select agents. NLC targets underserved markets through a broad network of independent agents currently operating in 14 states and a select number of MGAs, which require underwriting expertise that many larger carriers have been unwilling to develop given the relatively small volume of premiums produced by local agents.

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Ratings. Many insurance buyers, agents and brokers use the ratings assigned by A.M. Best and other rating agencies to assist them in assessing the financial strength and overall quality of the companies from which they purchase insurance. The ratings for NLIC and ASIC of "A" (Excellent) were affirmed by A.M. Best in April 2013. An "A" rating is the third highest of 16 rating categories used by A.M. Best. In evaluating a company's financial and operating performance, A.M. Best reviews a company's profitability, leverage and liquidity, as well as its book of business, the adequacy and soundness of its reinsurance, the quality and estimated market value of its assets, the adequacy of its liabilities for losses and loss adjustment expenses ("LAE"), the adequacy of its surplus, its capital structure, the experience and competence of its management and its market presence. This rating assignment is subject to the ability to meet A.M. Best's expectations as to performance and capitalization on an ongoing basis, and is subject to revocation or revision at any time at the sole discretion of A.M. Best. NLC cannot ensure that NLIC and ASIC will maintain their present ratings.

Product Lines. NLC's business is conducted in two product lines: personal lines and commercial lines. The personal lines include homeowners, dwelling fire, manufactured home, flood and vacant policies. The commercial lines include commercial multi-peril, builders risk, builders risk renovation, sports liability and inland marine policies.

The NLC companies specialize in writing fire and homeowners insurance coverage for low value dwellings and manufactured homes. The vast majority of NLC's property coverage is written on policies that provide actual cash value payments, as opposed to replacement cost. Under actual cash value policies, the insured is entitled to receive only the cost of replacing or repairing damaged or destroyed property with comparable new property, less depreciation. Replacement cost does not include such a deduction for depreciation. In 2010, NLC expanded its homeowners insurance products to include replacement cost coverage, which also includes limited water coverage. These new products have been marketed and sold primarily in Texas. The development and implementation of these new products contributed to the premium growth at NLC since 2011. Rate increases and exposure management are expected to moderate future policy growth.

Underwriting and Pricing. NLC applies its regional expertise, underwriting discipline and a risk-adjusted, return-on-equity-based approach to capital allocation to primarily offer short-tail insurance products in its target markets. NLC's underwriting process involves securing an adequate level of underwriting information from its independent agents, identifying and evaluating risk exposures and then pricing the risks it chooses to accept. Management reviews pricing on an ongoing basis to monitor any emerging issues on a specific coverage or geographic territory.

Catastrophe Exposure. NLC maintains a comprehensive risk management strategy, which includes actively monitoring its catastrophe prone territories by zip code to ensure a diversified book of risks. NLC utilizes software and risk support from its reinsurance brokers to analyze its portfolio and catastrophe exposure. Biannually, NLC has its entire portfolio analyzed by its reinsurance broker who utilizes hurricane and severe storm models to predict risk.

Reinsurance. NLC purchases reinsurance to reduce its exposure to liability on individual risks and claims and to protect against catastrophe losses. NLC's management believes that less volatile, yet reasonable returns are in the long-term interest of NLC.

Reinsurance involves an insurance company transferring, or ceding, a portion of its risk to another insurer, the reinsurer. The reinsurer assumes the exposure in return for a portion of the premium. The ceding of risk to a reinsurer does not legally discharge the primary insurer from its liability for the full amount of the policies on which it obtains reinsurance. Accordingly, the primary insurer remains liable for the entire loss if the reinsurer fails to meet its obligations under the reinsurance agreement, and as a result, the primary insurer is exposed to the risk of non-payment by its reinsurers. In formulating its reinsurance programs, NLC believes that it is selective in its choice of reinsurers and considers

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numerous factors, the most important of which are the financial stability of the reinsurer, its history of responding to claims and its overall reputation.

NLC purchases catastrophe excess of loss reinsurance to a limit that exceeds the Hurricane 200-year return time as modeled by RMS Risk Link v.13.0 and equals the Hurricane 500-year return time as modeled by AIR Classic v.15.0.

Liabilities for Unpaid Losses and Loss Adjustment Expenses. NLC's liabilities for losses and loss adjustment expenses include liabilities for reported losses, liabilities for incurred but not reported, or IBNR, losses and liabilities for LAE, less a reduction for reinsurance recoverables related to those liabilities. The amount of liabilities for reported claims is based primarily on a claim-by-claim evaluation of coverage, liability, injury severity or scope of property damage, and any other information considered relevant to estimating exposure presented by the claim. The amounts of liabilities for IBNR losses and LAE are estimated on the basis of historical trends, adjusted for changes in loss costs, underwriting standards, policy provisions, product mix and other factors. Estimating the liability for unpaid losses and LAE is inherently judgmental and is influenced by factors that are subject to significant variation. Liabilities for LAE are intended to cover the ultimate cost of settling claims, including investigation and defense of lawsuits resulting from such claims. Based upon the contractual terms of the reinsurance agreements, reinsurance recoverables offset, in part, NLC's gross liabilities.

Significant periods of time can elapse between the occurrence of an insured loss, the reporting of the loss to the insurer and the insurer's payment of that loss. NLC's liabilities for unpaid losses represent the best estimate at a given point in time of what it expects to pay claimants, based on facts, circumstances and historical trends then known. During the loss settlement period, additional facts regarding individual claims may become known and, consequently, it often becomes necessary to refine and adjust the estimates of liability.

Loss Development. The following tables set forth the annual calendar year-end reserves of NLIC and ASIC since 2004 and the subsequent development of these reserves through December 31, 2013. These tables present accident year development data. The first line of each table shows, for the years indicated, net liability, including IBNR, as originally estimated. The next section sets forth the re-estimates in later years of incurred losses, including payments, for the years indicated. The changes in the original estimate are caused by a combination of factors, including: (1) claims being settled for amounts different than originally estimated; (2) the net liability being increased or decreased for claims remaining open as more information becomes known about those individual claims; and (3) more or fewer claims being reported after December 31, 2004 than had occurred prior to that date. The bottom section of the table shows, by year, the cumulative amounts of net losses and LAE paid as of the end of each succeeding year.

The "net cumulative redundancy (deficiency)" represents, as of December 31, 2013, the difference between the latest re-estimated net liability and the net liability as originally estimated for losses and LAE retained by us. A redundancy means the original estimate was higher than the current estimate; and a deficiency means that the original estimate was lower than the current estimate. The following loss development tables for NLIC and ASIC are presented net of reinsurance recoverable (in thousands).

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National Lloyds Insurance Company

	Year Ended December 31,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Original Reserve*	\$ 33,951	\$ 41,282	\$ 47,684	\$ 44,613	\$ 65,592	\$ 60,392	\$ 55,482	\$ 81,589	\$ 87,943	\$ 86,524
1 year later	28,106	36,332	43,640	44,064	64,864	62,337	54,987	82,065	88,708	
2 years later	27,593	40,391	43,465	44,134	65,070	62,014	54,672	81,782		
3 years later	25,747	41,231	43,394	43,950	64,702	61,759	54,554			
4 years later	25,712	39,735	43,387	43,788	64,569	61,328				
5 years later	25,579	39,699	43,366	43,649	64,547					
6 years later	25,582	39,675	43,365	43,679						
7 years later	25,568	39,674	43,363							
8 years later	25,565	39,677								
9 years later	25,565									
Net cumulative redundancy (deficiency)	8,386	1,605	4,321	934	1,045	(936)	928	(193)	(765)	
Cumulative amount of net liability paid as of:										
1 year later	24,747	32,871	42,301	42,478	63,761	59,977	53,387	79,853	82,762	
2 years later	25,149	34,625	42,668	43,245	64,203	60,517	53,872	80,591		
3 years later	25,388	36,157	43,140	43,495	64,391	61,081	54,161			
4 years later	25,462	39,533	43,361	43,563	64,477	61,233				
5 years later	25,521	39,646	43,365	43,648	64,538					
6 years later	25,538	37,674	43,365	43,650						
7 years later	25,564	39,674	43,363							
8 years later	25,565	39,677								
9 years later	25,565									

American Summit Insurance Company

	Year Ended December 31,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Original Reserve*	\$ 8,297	\$ 11,041	\$ 13,003	\$ 9,351	\$ 12,769	\$ 9,773	\$ 12,486	\$ 14,829	\$ 13,547	\$ 15,152
1 year later	7,388	9,932	13,014	9,154	12,009	9,423	13,153	14,126	13,235	
2 years later	6,999	9,918	12,998	9,335	11,943	9,088	12,974	14,044		
3 years later	6,859	9,918	13,435	9,235	11,880	9,023	12,873			
4 years later	6,772	9,797	13,216	9,200	12,048	8,701				
5 years later	6,714	9,820	13,195	9,197	12,342					
6 years later	6,787	9,815	13,188	9,196						
7 years later	6,743	9,812	13,187							
8 years later	6,730	9,913								
9 years later	6,730									
Net cumulative redundancy (deficiency)	1,567	1,128	(184)	155	427	1,072	(387)	785	312	
Cumulative amount of net liability paid as of:										
1 year later	6,566	9,341	12,429	8,732	11,560	8,800	12,390	13,511	12,423	
2 years later	6,610	9,578	12,639	9,095	11,637	8,803	12,632	13,842		
3 years later	6,682	9,679	13,326	9,193	11,726	8,917	12,792			
4 years later	6,699	9,740	13,161	9,196	12,040	8,672				
5 years later	6,714	9,813	13,188	9,196	12,341					
6 years later	6,720	9,813	13,188	9,196						

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7 years later	6,723	9,812	13,187
8 years later	6,730	9,813	
9 years later	6,730		

*

Including amounts paid in respective year.

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Please refer to Note 28 in the notes to Hilltop's audited consolidated financial statements included in this proxy statement/prospectus for a reconciliation of the reserves presented in the tables above to the reserves for losses and loss adjustment expenses set forth in the consolidated balance sheets at December 31, 2013 and 2012.

Current loss reserve development has been generally favorable with the exception of accident year 2012. Accident years 2007 through 2011 have shown cumulative favorable loss development of \$3.8 million through December 31, 2013. Accident year 2012 had net unfavorable loss development of \$0.5 million, with unfavorable development of \$0.8 million at NLIC, offset by favorable loss development of \$0.3 million at ASIC. The unfavorable loss development at NLIC is significantly attributable to extraordinary increases in losses from wind and hail losses and storms that occurred in Texas during 2012.

The following table is a reconciliation of the gross liability to net liability for losses and loss adjustment expenses (in thousands).

	December 31,*						
	2007	2008	2009	2010	2011	2012	2013
Gross unpaid losses	\$ 18,091	\$ 34,023	\$ 33,780	\$ 58,882	\$ 44,835	\$ 34,012	\$ 27,468
Reinsurance recoverable	(2,692)	(14,613)	(21,102)	(43,773)	(25,083)	(10,385)	(4,508)
Net unpaid losses	\$ 15,399	\$ 19,410	\$ 12,678	\$ 15,109	\$ 19,752	\$ 23,627	\$ 22,960

*

Information is not presented for the periods ended prior to January 31,