

Hilltop Holdings Inc.  
Form 425  
October 29, 2014

Merger with Hilltop Holdings Inc.  
October 2014

1

Filed by SWS Group, Inc.

Pursuant to Rule 425 of the Securities Act of 1933  
and deemed filed pursuant to Rule 14a-6(b)  
of the Securities Exchange Act of 1934

Subject Company: Hilltop Holdings, Inc.

(Commission File No. for Registration Statement on Form S-4: 333-196367)

The following presentation is being made available to investors in connection with the proposed merger with Hilltop Holdings

Forward-Looking Statements

2

From  
time  
to  
time  
we  
make  
statements  
(including  
some  
contained

in  
this  
presentation)  
that  
predict  
or  
forecast  
future  
events,  
depend  
on  
future  
events  
for  
their  
accuracy,  
or  
otherwise  
contain  
"forward-looking"  
information  
and  
constitute  
forward-looking  
statements  
within  
the  
meaning  
of  
applicable  
U.S.  
securities  
laws.  
Such  
statements  
are  
generally  
identifiable  
by  
terminology  
such  
as  
plans,  
expects,  
estimates,  
budgets,  
intends,  
anticipates,  
believes,  
projects,

indicates,  
targets,  
objective,  
could,  
should,  
potential,  
may  
or  
other  
similar  
words.  
By  
their  
very  
nature,  
forward-looking  
statements  
require  
us  
to  
make  
assumptions  
that  
may  
not  
materialize  
or  
that  
may  
not  
be  
accurate.  
Readers  
should  
not  
place  
undue  
reliance  
on  
forward-looking  
statements  
and  
should  
recognize  
that  
such  
statements  
are  
predictions  
of

future  
results,  
which  
may  
not  
occur  
as  
anticipated.

Actual  
results  
may  
differ  
materially  
as  
a  
result  
of  
various  
factors,  
some  
of  
which  
are  
outside  
of  
our  
control,  
including:

failure  
to  
obtain  
the  
approval  
of  
stockholders  
of  
SWS  
Group,  
Inc.  
( SWS  
or  
the  
Company  
in  
connection  
with  
the  
proposed  
transaction

with  
Hilltop  
Holdings  
Inc.  
( Hilltop );

the  
failure  
to  
consummate  
or  
delay  
in  
consummating  
the  
proposed  
transaction  
for  
other  
reasons;

the  
timing  
to  
consummate  
the  
proposed  
transaction;

the  
risk  
that  
a  
condition  
to  
closing  
of  
the  
proposed  
transaction  
may  
not  
be  
satisfied;

the  
risk  
that  
a  
regulatory

approval  
that  
may  
be  
required  
for  
the  
proposed  
transaction  
is  
delayed,  
is  
not  
obtained,  
or  
is  
obtained  
subject  
to  
conditions  
that  
are  
not anticipated;

Hilltop's  
ability  
to  
achieve  
the  
synergies  
and  
value  
creation  
contemplated  
by  
the  
proposed  
transaction;

Hilltop's  
ability  
to  
promptly  
and  
effectively  
integrate  
its  
and  
SWS's  
businesses;

the  
diversion  
of  
management  
time  
on  
transaction-related  
issues;

the  
interest  
rate  
environment;

the  
volume  
of  
trading  
in  
securities;

the  
liquidity  
in  
capital  
markets;

the  
volatility  
and  
general  
level  
of  
securities  
prices  
and  
interest  
rates;

the  
ability  
to  
meet  
regulatory  
capital  
requirements  
administered  
by  
federal agencies;



the  
level  
of  
customer  
margin  
loan  
activity  
and  
the  
size  
of  
customer  
account balances;

the  
demand  
for  
real  
estate  
in  
Texas,  
New  
Mexico  
and  
the  
national  
market;

the  
credit-worthiness  
of  
our  
correspondents,  
trading  
counterparties  
and  
of  
our  
banking  
and  
margin  
customers;

the  
demand  
for  
investment  
banking  
services;

general  
economic  
conditions,  
especially  
in  
Texas  
and  
New  
Mexico,  
and  
investor  
sentiment  
and  
confidence;

the  
value  
of  
collateral  
securing  
the  
loans  
we  
hold;

competitive  
conditions  
in  
each  
of  
our  
business  
segments;

changes  
in  
accounting,  
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  
misconduct  
or  
errors  
by  
our  
employees  
or  
by  
entities  
with  
whom  
we  
conduct  
business;

the  
ability  
of  
borrowers  
to  
meet  
their  
contractual  
obligations

and  
the  
adequacy  
of  
our  
allowance  
for  
loan  
losses;  
and

the  
potential  
for  
litigation  
and  
other  
regulatory  
liability.

3  
Forward-Looking Statements (Continued)  
Our  
future  
operating  
results  
also  
depend  
on  
our  
operating  
expenses,

which  
are  
subject  
to  
fluctuation  
due  
to:

variations  
in  
the  
level  
of  
compensation  
expense  
incurred  
as  
a  
result  
of  
changes  
in  
the  
number  
of  
total  
employees,  
competitive  
factors  
or  
other  
market  
variables;

variations  
in  
expenses  
and  
capital  
costs,  
including  
depreciation,  
amortization  
and  
other non-  
cash  
charges  
incurred  
to  
maintain

our  
infrastructure;  
and

unanticipated  
costs  
which  
may  
be  
incurred  
from  
time  
to  
time  
in  
connection  
with  
litigation,  
regulation  
and  
compliance,  
loan  
analyses  
and  
modifications  
or  
other  
contingencies.

Other  
factors,  
risks  
and  
uncertainties  
that  
could  
cause  
actual  
results  
to  
differ  
materially  
from  
our  
expectations  
discussed  
in  
this  
presentation  
and  
those

discussed  
in  
our  
reports  
filed  
with  
and  
available  
from  
the  
Securities  
and  
Exchange  
Commission  
(the  
"SEC").  
Our  
forward-looking  
statements  
are  
based  
on  
current  
beliefs,  
assumptions  
and  
expectations.  
All  
forward-looking  
statements  
speak  
only  
as  
of  
the  
date  
on  
which  
they  
are  
made  
and,  
except  
as  
required  
by  
law,  
we  
expressly  
disclaim



any  
obligation  
or  
undertaking  
to  
disseminate  
any  
updates  
or  
revisions  
to  
any  
forward-looking  
statements  
contained  
herein  
to  
reflect  
any  
change  
in  
our  
expectations  
with  
regard  
thereto  
or  
any  
change  
in  
events,  
conditions  
or  
circumstances  
upon  
which  
any  
statement  
is  
based.

Agenda  
Executive Summary  
Transaction Overview  
SWS Independent Special Committee  
Transaction Background  
Transaction Rationale  
Hilltop  
2011 Credit Agreement  
Shareholder Approval  
Appendix  
4

Executive Summary

5

On

March

31,

2014,

SWS

entered

into

an

agreement

to

merge  
into  
a  
subsidiary  
of  
Hilltop  
SWS  
Board  
(other  
than  
Messrs.  
Ford  
1  
and  
Crandall  
2  
,  
who  
recused  
themselves  
from  
voting)  
unanimously  
approved  
the  
merger  
agreement  
and  
recommend  
SWS  
stockholders  
vote  
FOR  
the  
merger  
on  
or  
before  
the  
Special Meeting of Stockholders to be held on November 21, 2014  
SWS  
holders  
of  
record  
on  
October  
3,  
2014  
are  
entitled

to  
vote

importantly,  
failing  
to  
vote  
has  
the  
same  
effect  
as a vote against the transaction

Hilltop's price represents a significant premium to SWS's unaffected stock price<sup>3</sup> and a substantial multiple in light of SWS's historical losses and low prospective earnings

Hilltop's  
merger  
delivers  
immediate  
cash  
value  
and  
allows  
SWS  
stockholders  
to  
participate  
in  
significant  
upside  
potential of a larger, more profitable, more diversified organization with ample capital to grow

Hilltop is the ideal buyer for SWS:  
Hilltop owns complementary broker / dealer and banking businesses based in Dallas, TX  
Low risk execution from regulatory and financing perspective

Alleviated  
SWS  
repayment  
risk  
on  
\$100  
million  
unsecured  
debt  
and  
burdensome  
conditions  
in  
related  
Credit  
Agreement

1

Refers to Gerald J. Ford, Chairman of the Board of Hilltop Holdings Inc.

2

Refers to J. Taylor Crandall, a founding Managing Partner of Oak Hill Capital Management, LLC

3

Unaffected SWS share price was \$6.06 on January 9, 2014; the day before the Hilltop initial proposal was made public

6

Executive Summary (Continued)

Due to the anticipated scrutiny of merging with Hilltop, SWS formed an independent Special Committee, solicited numerous potential acquirers and discussed potential transactions with other parties

Agreement with Hilltop was reached after SWS successfully negotiated enhanced economics, though no other party submitted a binding proposal

Hilltop has since exercised all of its warrants, is the largest stockholder of SWS and is no longer a lender to SWS sacrificing certain rights and protections in the 2011 Credit Agreement

Oak

Hill

consented

to

the  
merger  
with  
Hilltop  
and  
has  
since  
exercised  
75%  
of  
its  
warrants

becoming  
the  
second  
largest common stockholder. Oak Hill is not subject to a voting agreement



Transaction Overview

Per share deal value at announcement was \$7.88

Hilltop originally offered \$7.00 per share on 1/9/14

Value will fluctuate with Hilltop market price

SWS per share merger consideration of 0.2496 Hilltop shares  
plus \$1.94 in cash

Approximate mix 75% stock / 25% cash

Aggregate

value

of

SWS

at

announcement

of

\$398

million

1

Hilltop existing investment in SWS of \$80 million

Merger consideration to other SWS holders of \$318

million

Transaction multiples at announcement:

Price/Fully Diluted Tangible Book Value Per Share:

97%

2

Price/Estimated FY 2015 EPS (Street): 88x

Unaffected

market

premium:

30%

3

Premium to 52 week low: 52%

7

1

Aggregate value includes Hilltop and Oak Hill warrants

2

Fully diluted tangible book value per share equaled \$8.15 at announcement

3

Based on SWS share price on January 9, 2014 of \$6.06 per share

Financial Terms

Legal Requirements

Stockholder approval requires affirmative vote of >50% of  
outstanding SWS shares as of record date

Hilltop has exercised all of its warrants and has agreed to  
vote its 10.2 million outstanding shares FOR the merger  
(21% outstanding)

There is no voting agreement for Oak Hill's 6.5 million  
outstanding shares (14% outstanding)

Conditions to close merger include regulatory approvals;

Hilltop does not have financing or other outs

SWS Board can change its recommendation of the merger,  
but not terminate the merger agreement, if SWS receives an  
unsolicited superior proposal or in certain other limited  
circumstances

Transaction is expected to close by year end 2014 with  
merger agreement termination date of 3/31/15

SWS Independent Special Committee

On January 15, 2014, SWS formed a Special Committee to review Hilltop's unsolicited original offer, consider other strategic alternatives and lead the negotiations for any potential transaction

Members of the Special Committee:

SWS directors unaffiliated with Hilltop or Oak Hill

Disinterested and non-executives

Have relevant experience and industry knowledge

Able and willing to devote significant time and thoughtfulness

Special Committee engaged independent advisors after

discussions with several candidates

Legal advisor -

Davis Polk & Wardwell ( Davis Polk )

was retained on 1/29/14

Investment bank -

Sandler O Neill ( Sandler ) was

retained on 2/3/14

From formation through the announcement of the Hilltop transaction, the Special Committee met a total of 21 times

8

Formation

Tyree Miller -

Chair

SWS director since November 2011

Has been in the private equity and money management business since 2004

Currently President of A.G. Hill Partners, LLC

From 2005 to 2008 served as a partner of Austin Ventures

From 1974 to 2004 built career at Bank One Corporation (merged with JP Morgan in 2004), advancing to roles which included Chairman and CEO of Bank One Texas from 1998 to 2000 and President and CEO of Global Treasury Services from 2000 to 2004

Robert Buchholz

SWS director since May 2008

Served as an officer of SWS from 1985 to 1995, advancing to President and a director

Chairman and founder of Town Center Holdings, former parent company to Town Center Bank

Prior experiences as an attorney and certified public accountant

Joel Williams III

SWS director since November 2009

President of Bristol Investment Company, Inc., a private investment firm, since 1985

Formerly served as President and CEO of Texas Federal Financial Corporation prior to its sale in 1984

Special Committee Bios

Transaction Background

Process Overview<sup>1</sup>

9

1

The  
information

in  
this  
section

and  
in  
the

Transaction  
Background  
set  
forth  
in  
this  
presentation  
is  
selected  
from  
the  
definitive  
SWS/Hilltop  
Proxy  
Statement/Prospectus  
filed  
with  
the  
Securities  
and  
Exchange  
Commission  
and  
is  
not  
a  
complete  
summary  
of  
the  
transaction  
background.  
For  
the  
complete  
summary,  
please  
refer  
to  
the  
Background  
of  
the  
Merger  
section  
of  
the  
SWS/Hilltop  
Proxy  
Statement/Prospectus.

Notes

Hilltop offer in public domain for **81** days before signing merger agreement

17

companies contacted (including all that contacted SWS)

Other than Hilltop, only **2** companies continued to pursue a transaction after early stage conversations

Other than Hilltop, only **1** suitor was financially capable of closing

transaction but that party did not make a binding proposal

1/9/14:

Hilltop delivered to SWS Board an unsolicited letter of intent to acquire all shares it did not own for \$7.00 per share in a 50% stock / 50% cash transaction

2/13/14:

Special Committee instructed Sandler to contact third parties that:

2/14

3/14:

17

parties

were

contacted

2/14

3/14:

Special Committee, Sandler and/or Davis Polk held discussions with or negotiated potential transactions with:

3/31/14:

SWS entered into merger agreement with Hilltop following extensive negotiations

1/10/14:

Hilltop made its offer public

Hilltop

Esposito Global and Party B

Party A

Hilltop raised its offer price to \$7.75 and stock consideration to 75%

Neither of the other interested parties submitted a binding proposal with a firm price to acquire SWS

Were

financially

capable,

Were

likely

to  
receive  
regulatory  
approval,  
and  
Would  
not  
require  
material  
conditions  
to  
complete  
a  
transaction  
to  
acquire  
SWS



Transaction Background

Esposito Global & Party B

2/18/14:

Esposito Global publicly disclosed a proposal to acquire SWS for \$8.00 per share, expressly contingent on third-party financing being arranged

2/20/14:

Special Committee instructed Sandler and Davis Polk to speak with Esposito Global and its legal advisor to understand their plans for arranging outside financing and their ability to obtain regulatory approval

2/24/14:

Esposito Global and its legal advisors indicated that Esposito Global was not in a position to obtain regulatory approval and would require additional resources to meet financing requirements

2/27/14:

Esposito Global informed the Special Committee that it would be working with Party B, a bank holding company

Over the ensuing several weeks, multiple conversations were held with Esposito Global, Party B, and their financial and legal advisors

Party B informed the Special Committee that significant external financing would be required to complete a transaction; multiple private equity firms would need to be involved

3/17/14:

Party B's financial advisor indicated that sixty days would be required to finalize price and secure necessary financing

3/20/14:

Special Committee informed Party B that it was uncomfortable with the uncertainty surrounding their extended timeline to secure financing, complete due diligence and affirm their price

10

Transaction Background

Party A

11

1

The

Merger

Covenant

in

the

Credit

Agreements

prohibits

SWS  
from  
undergoing  
a  
Fundamental  
Change,  
which  
includes  
any  
merger  
or  
substantial  
asset  
sale,  
without  
the  
approval  
of  
each  
lender  
2/18/14:

Initial conversation with Party A regarding a potential acquisition of SWS

During late February and early March, SWS's financial advisor had several calls with Party A

3/18/14:

CEO of Party A stated they were valuing SWS at approximately \$8.00 per share, though the price could be higher

3/25/14:

SWS and Party A executed a non-disclosure agreement

3/27/14:

Party  
A  
was  
informed  
that  
SWS  
was  
under  
a  
deadline  
to  
execute  
a  
merger  
agreement  
by  
March  
31,  
2014  
3/29/14

3/31/14:

Party A conducted in-person due diligence at SWS headquarters in Dallas

3/31/14:

SWS received a letter from Party A stating they:

Party A indicated an interest in acquiring SWS at a price approximating tangible book value of SWS liquid assets ; believed approximate the fully diluted tangible book value of \$8.15 per share as of December 31, 2013

Also discussed were issues regarding the Merger Covenant, due diligence and terms of a non-disclosure agreement

Party A provided a non-binding indication of interest to acquire SWS for \$8.65 per share, subject to due diligence and describing the process that it would require to meet the March 31, 2014 deadline

Were

not

able

to

execute

a

definitive

agreement

by

the

March

31,

2014

deadline,

Had

serious

concerns

agreeing

to

a

transaction

if

Hilltop

would

not

waive

the

Merger

Covenant,

and

Needed

more

time

for

their

due

diligence

Party

A

also

discussed

the

Merger

Covenant

1

with

Hilltop's

financial

advisor

-

who

informed

Party

A

that

Hilltop

would

not

waive it

Transaction Background

Hilltop

3/3/14:

Special Committee rejected Hilltop's original offer

3/5/14:

Hilltop

indicated

that

it

did

not

believe

book  
value  
(\$8.15  
per  
share)  
was  
the  
correct  
method  
to  
value  
SWS,  
based  
on,  
among  
other  
things,

its lack of historical and prospective earnings

3/19/14:

Hilltop submitted a revised proposal at \$7.50 per share, 75% stock / 25% cash

Hilltop indicated that it was approaching its limit on price and  
would not leave the offer outstanding for a prolonged period time

3/20/14:

Hilltop  
agreed  
to  
increase

offer

price

to

\$7.75

per

share,

75%

stock

/

25%

cash

Hilltop reiterated its intention not to waive the Merger Covenant with respect to any deal with another party

3/24/14:

Hilltop said that if the merger agreement was not signed by March 31, 2014, Hilltop would withdraw its offer; this position was  
subsequently repeated on several occasions

3/31/14:

Special Committee members met with Hilltop to negotiate remaining issues of merger agreement

Hilltop refused again to eliminate the force the vote

provision and refused to accept a possible two-tier termination fee that would provide

for a lower payment if a deal was done with Party A

Hilltop did agree to reduce the termination fee to \$8 million from original \$12 million

3/31/14:

Later in the day, SWS Board (other than Messrs. Ford and Crandall, who were recused from voting) unanimously approved the



agreement and recommended its adoption by SWS stockholders based on, among other things:

Enhanced value and improved terms (including higher price and lower termination fee) achieved through negotiations with Hilltop

Risk of Hilltop withdrawing its offer without a binding proposal

from either of the interested parties

Concern over the repayment risk of the \$100 million of loans under the 2011 Credit Agreement and Hilltop's unwillingness to

Merger Covenant

12

13

Transaction Rationale

SWS Six-Year Financial Performance

(\$ in Millions, Except per Share Data)

Source: SWS SEC Filings. SWS fiscal years ending June 30.

1

Fully Diluted Tangible Book Value per Share is Non-GAAP and includes Hilltop and Oak Hill warrant shares. See calculation

Bank credit losses,

prolonged low short-

term interest rates

and declining broker /

dealer revenues have  
primarily resulted in  
net losses over past 5  
years

Hilltop's deal value is  
attractive given  
limited earnings  
visibility of SWS as  
standalone company

14  
Transaction Rationale  
SWS Stock Price Performance  
Prior to 2011  
July  
2010:  
Bank  
entered  
into  
MOU  
with  
OTS

Dec.  
2010:  
Terminates  
planned  
debt  
offering  
Feb. 2011: Bank enters  
into C&D with OTS  
March 2011: Agrees to  
\$100M capital raise with  
Hilltop and Oak Hill  
(closed July 2011)  
Historical price has  
lingered around  
warrant exercise price  
as company  
performance has  
declined and exercise  
price provided floor  
For the three years  
prior to Hilltop's initial  
proposal, SWS's stock  
price averaged \$5.77  
August 2011:  
Announces  
FY 2011 loss  
per share of  
\$0.71  
Sep. 2012:  
Announces  
FY 2012 loss  
per share of  
\$0.14  
August 2013:  
Announces  
FY 2013 loss  
per share of  
\$1.02  
Jan. 2014:  
Hilltop  
Announces  
LOI for \$7.00  
per share  
March 2014:  
Announces  
definitive  
agreement for  
\$7.88 per share  
Jan. 2013: OCC  
lifts C&D order

for Bank

15  
Hilltop's offer at announcement  
Provided  
a  
30%  
premium  
to  
SWS's  
unaffected  
stock  
price  
Exceeded SWS likely value as a standalone entity

Provided a 12.5% premium to Hilltop's original offer  
Discount to tangible book value merited due to SWS historical losses and low prospective earnings  
25% cash / 75% stock mix offers SWS stockholders immediate cash value and significant upside potential  
SWS stockholders will own approximately 10% of Hilltop

Hilltop  
average  
analyst  
price  
target  
of  
\$26.38  
implies  
\$8.52  
SWS  
deal  
value  
Larger,  
diversified  
organization  
will  
benefit  
from  
synergies  
and  
more  
efficient  
platform

Complementary businesses create leading Texas-based broker / dealer with bolstered market share and scale  
Combined bank enhanced by significant source of additional low-cost, core deposits  
Following merger, Hilltop will be well capitalized with excess capital to deploy on future transactions  
Hilltop is best buyer for SWS and transaction uniquely benefits SWS stockholders

Transaction  
alleviated  
SWS  
from  
repayment  
risk  
of  
\$100  
million  
of  
loans  
and  
lenders  
blocking  
rights  
to  
a  
merger  
Hilltop



transaction  
has  
low  
execution  
risk

no  
financing  
contingencies

and  
high  
likelihood  
of

regulatory  
approvals

With Dallas-based broker/dealer and bank, Hilltop is best suited to extract benefits in excess of the risk and costs of integration

Numerous

potential  
acquirers

were

solicited

following

public

announcement

of

Hilltop's

initial

proposal,

none

of

whom

made

a

binding

proposal.

In

the

absence

of

other

binding

proposals,

there

was

a

significant

risk

to

SWS

of

Hilltop  
withdrawing

its  
offer

Transaction Rationale

Provides Immediate and Long-Term Value

1  
Unaffected stock price is equal to \$6.06 per share, the price preceding Hilltop's initial proposal.

2  
Research  
coverage  
on

Hilltop  
is  
published  
by  
KBW,  
Raymond  
James,  
Stephens  
and  
Sterne  
Agee.

1  
2

16

Hilltop

Overview

Hilltop is a diversified financial holding company based in Dallas  
Led by Chairman Gerald J. Ford, who has acquired, managed and  
sold banking businesses and other financial services companies for  
over 35 years

Hilltop provides banking, mortgage origination, financial advisory  
and insurance through its wholly owned subsidiaries, PlainsCapital  
Corporation and National Lloyds Corporation

PlainsCapital

Bank

( PCB )

is

the

5th

largest

Texas-based

bank with 78 branches located in all major Texas markets

PrimeLending is the 4th largest mortgage originator in the U.S.

by purchase units (2013) with 300 locations in 42 states

First Southwest ( FSW ), primarily a public finance advisor,

ranked #1 nationally and in Texas for number of issues

completed over past five years

National Lloyds provides fire and homeowners insurance for

low value dwellings in Texas and other southern states with a

distribution network of over 6,500 independent agents

With \$9.4 billion in assets and \$158 million in freely usable cash,

Hilltop seeks to build a premier Texas-based bank and diversified

financial services holding company through acquisitions and organic

growth

Q2 2014 LTM Pre-Tax Income by Segment (\$000)

Organizational Structure

Source: SWS/Hilltop Proxy Statement/Prospectus, SNL Financial (deposit market share),

Ipreo MuniAnalytics (public finance rankings), Marketrac (origination ranking),

Hilltop website (number of National Lloyds independent agents)

1.

As of Oct. 6, 2014, Hilltop owned 21% of the outstanding common stock of SWS.

2.

Deposit

data

as

of

June

30,

2014

and

pro

forma

for

acquisitions.

Includes

banks

and

thrifts

headquartered

in

Texas.

2

17

Hilltop

Financial Highlights

2013 Q2

2013 Q3

2013 Q4

2014 Q1

2014 Q2

Income to Common (\$000)

\$20,943

\$38,174

\$29,528

\$23,760

\$27,085

EPS -

Diluted

\$0.24

\$0.43

\$0.34

\$0.26

\$0.30

ROAE

7.29%

13.02%

10.97%

7.65%

7.99%

Book Value Per Share

\$12.59

\$13.00

\$13.27

\$13.76

\$14.22

Tier 1 Leverage Ratio

13.66%

13.96%

12.81%

13.12%

13.51%

Source: Hilltop 10-Qs and 10-K

Note: Hilltop also includes a corporate segment, which is excluded in bar chart for illustrative purposes

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Hilltop and SWS

Five Year Stock Price Relative Performance

Note: Includes the total return of the HTH stock price, the SWS stock price, and the S&P 500 Financials Index from October 2

Source: SNL Financial

82.5%

(46.8%)

63.8%

(100.0%)

(50.0%)

0.0%

50.0%

100.0%

150.0%

10/28/09

10/28/10

10/28/11

10/28/12

10/28/13

10/28/14

HTH Stock Price

SWS Stock Price

S&P 500 Financials



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Hilltop and SWS

Stock Price Relative Performance & Short Interest

Current deal value is

\$7.35; down from \$7.88 at  
announcement

Bank market is down

2.5% in that time

Elevated short interest is  
impeding Hilltop and SWS  
stock prices

Although Lone Star Value

has built a 8.15% long position in SWS, they have a 6.28% short position, leaving them an economic interest of only 1.88%

Research analysts of Hilltop have average price target of \$26.38, a premium of 21.7% over the current market price

Note: Based on closing prices as of October 28, 2014

Short Interest

(20.0%)

(15.0%)

(10.0%)

(5.0%)

0.0%

5.0%

10.0%

4/3/14

5/3/14

6/3/14

7/3/14

8/3/14

9/3/14

10/3/14

Relative Stock Price Performance

HTH Stock Price

SWS Stock Price

KBW Bank Index

0

500

1,000

1,500

2,000

2,500

3,000

3,500

3/31/14

4/30/14

5/31/14

6/30/14

7/31/14

8/31/14

9/30/14

HTH Short Interest

SWS Short Interest

(2.5%)

(2.9%)

(8.9%)

20  
Hilltop  
SWS Combination  
Pro Forma Balance Sheet Highlights (6/30/14)  
\$bn  
HTH  
SWS  
Pro Forma  
Loans HFI  
\$4.5  
\$0.9  
\$5.4

Assets

\$9.4

\$4.1

\$13.3

Deposits

\$6.2

\$1.4

\$7.5

Equity

\$1.4

\$0.3

\$1.6

Combination Opportunity

Transaction creates the largest full service brokerage firm headquartered in the Southwestern US based on number of financial advisors

Fortifies strong presence in Texas, while adding complementary offices throughout the United States

Significant opportunity to bolster market share and scale of complementary broker / dealer businesses

Larger, diversified organization will benefit from synergies and more efficient operating platform

Combined bank will have a larger, more scalable deposit base given ability to source additional deposits from broker / dealer customers through the sweep program

Following the acquisition, Hilltop will be well capitalized with excess cash to deploy on future transactions

Continues to build on Hilltop's goal of building the premier Texas financial holding company franchise with a dominant Texas broker / dealer

Complementary Businesses

SWS

FSW

Taxable

Fixed

Income,

Retail

Public Finance,

Capital Markets,

Clearing,

Stock Loan,

Bank

Housing,

Asset

Management

Source: SWS/Hilltop Proxy Statement/Prospectus

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Hilltop

SWS / FSW Business Opportunity

FSW was formed in Dallas in 1946 and is a diversified investment banking firm and a registered broker-dealer

25 locations nationwide (9 in Texas) and employs approximately 400 people

Four primary lines of business: (1) public finance, (2) capital markets, (3) correspondent clearing services and (4) asset management

Combining SWS with FSW's franchise will improve overlapping business lines, while providing expansion into new areas

Public  
Finance

-  
will  
have  
the  
premier  
Southwestern  
franchise with the ability to build both the municipal advisory  
and  
underwriting  
practices

combined  
company  
will  
be  
the  
number one ranked financial advisor in the nation by tax-  
exempt issues  
Capital Markets

-  
able to add key traders and sales reps and  
bolster its distribution for the municipal business, particularly  
on west coast  
Stock Loan

-  
will benefit from addition of hard-to-borrow  
balances and significant stock borrow/loan conduit business  
Clearing

-  
meaningfully increases scale with significant  
addition of correspondents and balances but with minimal  
overlap  
Back Office

-  
substantial opportunity to improve overhead  
efficiency and streamline operations  
New Businesses

-  
addition of Taxable Fixed Income and  
Retail will improve diversification and top line growth while  
expanding product breadth and distribution capabilities  
Financial  
Advisor  
Number  
of  
Tax-Exempt  
Issues:  
2009

2013

Source:

SWS/Hilltop

Proxy

Statement/Prospectus

and

Ipreo

MuniAnalytics

Opportunity Summary



2011 Credit Agreement

Two \$50 million unsecured loans with 8.00% coupon

Equal commitments from Hilltop and Oak Hill; each offered 1 seat

on the

board

Each lender was issued warrants to purchase up to 8.7 million shares of

SWS common stock at fixed exercise price of \$5.75 per share

Loan pre-payable with Make-Whole Premium<sup>1</sup>

if SWS closing price

exceeds \$8.625 for 20 of 30 consecutive trading days

Credit agreement includes Merger Covenant

prohibits SWS from  
undergoing a Fundamental Change,  
which includes any merger or  
substantial asset sale, without the approval of each lender  
Any exercise of warrants results in pro-rata elimination of loan  
Closed on July 29, 2011 after SWS stockholder and regulatory approval

22

1

Make-Whole

Premium

(defined

as

Applicable

Premium

in

Credit

Agreement)

is

equal

to

the

present

value

of

all

required

interest

payments

from

prepayment

date

through

maturity

date.

2011 Credit Agreement

Credit Agreement Rationale

Southwest Securities, FSB ( Bank ) suffered from significant credit losses  
and was operating under a Cease & Desist Order with heightened capital  
requirements

Bank had a \$68 million pre-tax loss over 12 months preceding

Credit Agreement

Bank issues were negatively impacting core brokerage businesses and  
jeopardizing SWS viability

Efforts to raise capital in public and private markets were unsuccessful

2014 Consent and Warrant Exercises

Hilltop has exercised **100%** of its warrant for 8.7 million SWS shares eliminating its rights under Credit Agreement

At the time the merger was announced, Oak Hill agreed to consent to the merger with Hilltop and exchange any outstanding  
warrants for same merger consideration as SWS common holders plus Make-Whole Premium it is entitled to for its outstanding

Oak Hill has subsequently exercised **75%** of its warrant for 6.5 million shares preserving its rights under Credit Agreement

eliminating 75% of its Make-Whole Premium

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Shareholder Approval

The Board of Directors of SWS

Group

1

unanimously

recommends

that SWS stockholders vote FOR

the transaction with Hilltop

1

Other than Mr. Ford and Mr. Crandall who recused themselves from voting

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APPENDIX

\*  
\*  
\*  
\*  
\*  
\*  
\*  
\*

25  
Fully Diluted Tangible Book Value (Non-GAAP)  
See  
discussion  
of  
Non-GAAP  
reconciliation  
on  
next  
slide.  
(\$ in Thousands, Except per Share Data)  
6/26/09

6/25/10

6/24/11

6/29/12

6/30/13

6/30/14

Book Value

340,357

383,394

357,469

355,702

315,286

309,872

Less: Goodwill

(7,552)

(7,552)

(7,552)

(7,552)

(7,552)

(7,552)

Less: Intangible (Ameritrade)

(1,734)

(791)

(6)

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Tangible Book Value

331,071

375,051

349,911

348,150

307,734

302,320

Pro-Forma Adjustments:

New Equity from exercise (Common & APIC)

NA

NA

NA

92,696

94,783

126,609

Loss on debt extinguishment

NA

NA

NA

(20,924)

(16,898)

(12,231)

Gain on warrant extinguishment

NA

NA  
 NA  
 35,114  
 29,414  
 1,187  
 Less: Unamortized debt issuance costs  
 NA  
 NA  
 NA  
 (2,009)  
 (1,517)  
 (1,025)  
 Embedded gain on exercise before tax  
 NA  
 NA  
 NA  
 12,181  
 10,999  
 (12,069)  
 Less taxes (35%)  
 NA  
 NA  
 NA  
 (4,263)  
 (3,850)  
 4,224  
 Embedded gain after tax  
 7,918  
 7,150  
 (7,845)  
 Pro-forma Tangible Book Value  
 331,071  
 375,051  
 349,911  
 448,764  
 409,666  
 421,084  
 Shares Outstanding  
 27,263  
 32,342  
 32,285  
 32,576  
 32,629  
 32,757  
 Deferred Compensation Shares  
 187  
 216  
 262  
 306  
 302



311  
Warrant Shares  
NA  
NA  
NA  
17,391  
17,391  
17,391  
Pro-forma Shares Outstanding  
27,450  
32,558  
32,547  
50,273  
50,322  
50,459  
Fully Diluted Tangible Book Value per Share  
\$12.06  
\$11.52  
\$10.75  
\$8.93  
\$8.14  
\$8.35  
1  
1

Use of Non-GAAP Measures

26

SWS

has

included

in

the

presentation

Fully

Diluted

Tangible

Book

Value  
Per  
Share.  
Fully  
Diluted  
Tangible  
Book  
Value  
Per  
Share  
reflects  
book  
value  
per  
share,  
less  
goodwill,  
assuming  
exercise  
of  
all  
of  
the  
Company's  
outstanding  
warrants  
and  
resulting  
repayment  
of  
the  
\$100  
million  
loan  
from  
Hilltop  
and  
Oak  
Hill.  
Fully  
Diluted  
Tangible  
Book  
Value  
Per  
Share  
is  
a  
non-GAAP  
financial

measure  
as  
defined  
in  
Item  
10(e)  
of  
Regulation  
S-K.  
SWS  
believes  
that  
the  
presentation  
of  
this  
non-GAAP  
financial  
measure  
provides  
useful  
information.  
While  
management  
believes  
this  
non-GAAP  
financial  
measure  
is  
useful  
in  
evaluating  
SWS,  
this  
information  
should  
be  
considered  
as  
supplemental  
in  
nature  
and  
not  
as  
a  
substitute  
for,  
or

superior  
to,  
the  
related  
financial  
information  
prepared  
in  
accordance  
with  
GAAP.

This communication does not constitute an offer to sell or the solicitation of an offer to buy any securities or a solicitation of any vote or approval, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction. Hilltop Holdings Inc. ( Hilltop ) has filed with the Securities and Exchange Commission ( SEC ) a registration statement on Form S-4 containing a definitive proxy statement of SWS Group, Inc. ( SWS ) that also constitutes a prospectus of Hilltop, and SWS and Hilltop have each filed and will each file other documents with respect to the proposed transaction and the definitive proxy statement/prospectus has been mailed to shareholders of SWS. Investors and security holders of SWS are urged to read the definitive proxy statement/prospectus and other documents filed or that will be filed with the SEC carefully and in their entirety because they contain important information. Investors and security holders of SWS are able to obtain free copies of the registration statement and the proxy statement/prospectus and other documents filed with the SEC by SWS or Hilltop through the website maintained by the SEC at [www.sec.gov](http://www.sec.gov). Copies of the documents filed with the SEC by SWS are available free of

charge on SWS's internet website at [www.swst.com](http://www.swst.com) or by contacting SWS's Investor Relations Department at (214) 859-1800. Copies of the documents filed with the SEC by Hilltop are available free of charge on Hilltop's internet website at [www.hilltop-holdings.com](http://www.hilltop-holdings.com) or by contacting Hilltop's Investor Relations Department at (214) 252-4029.

SWS, Hilltop, their respective directors and certain of their executive officers and other members of management and employees may be considered participants in the solicitation of proxies in connection with the proposed

transaction. Information about the directors and executive officers of SWS is set forth in its Annual Report on Form 10-K/A (Amendment No. 1) for the year ended June 30, 2014, which was filed with the SEC on September 26, 2014. Information about the directors and executive officers of Hilltop is set forth in its most recent proxy statement, which was filed with the SEC on May 2, 2014. Other information regarding the participants in the proxy solicitations and a description of their direct and indirect interests, by security holdings or otherwise, will be contained in the definitive proxy statement/prospectus and other relevant materials to be filed with the SEC when they become available.

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Important Information for Investors & Shareholders