

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