Hilltop Holdings Inc.
Form DEFM14A
August 07, 2012

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934

Filed by the Registrant ý

Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement

o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

ý Definitive Proxy Statement

o Definitive Additional Materials

o Soliciting Material pursuant to Rule 14a-12

HILLTOP HOLDINGS INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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(4) Proposed maximum aggregate value of transaction:

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(1) Amount Previously Paid:

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MERGER PROPOSED YOUR VOTE IS VERY IMPORTANT

Dear Shareholder:

The board of directors of each of Hilltop Holdings Inc. ("Hilltop") and PlainsCapital Corporation ("PlainsCapital") have agreed to a strategic business combination of Hilltop and PlainsCapital pursuant to the terms of an Agreement and Plan of Merger, dated May 8, 2012, which we refer to as the merger agreement. If we complete the merger, PlainsCapital will merge with and into Meadow Corporation, a wholly owned subsidiary of Hilltop, and PlainsCapital will become a subsidiary of Hilltop.

In the merger, each share of PlainsCapital common stock will be converted into (i) 0.776 shares of Hilltop common stock, subject to certain adjustments, and (ii) $9.00 in cash, subject to certain adjustments. **The value of the merger consideration will fluctuate with the market price of Hilltop common stock and may fluctuate if the number of outstanding shares of PlainsCapital common stock changes, 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 August 1, 2012, the last practicable trading day before the date of this joint proxy statement/prospectus, the merger consideration of $9.00 in cash and 0.776 Hilltop shares represented approximately $17.148 in value for each share of PlainsCapital common stock. **We urge you to obtain current market quotations for Hilltop common stock**.

Each outstanding option to purchase shares of PlainsCapital common stock will vest in full and will be entitled to receive the merger consideration with respect to the underlying shares of PlainsCapital common stock, less the applicable exercise price and withholding taxes. Each outstanding PlainsCapital restricted stock unit and share of PlainsCapital restricted common stock will vest in full and will be converted into the right to receive the merger consideration less applicable withholding taxes. Each share of PlainsCapital Series C preferred stock will be converted into one share of preferred stock of Hilltop having the same rights and preferences as the PlainsCapital Series C preferred stock.

Hilltop and PlainsCapital will each hold a special meeting of shareholders to consider the proposed merger and certain related matters. We cannot complete the merger unless the shareholders of both Hilltop and PlainsCapital approve the respective proposals related to the merger. The U.S. Department of the Treasury ("U.S. Treasury"), which holds all of the currently issued and outstanding PlainsCapital Series C preferred stock, is not entitled to and is not being requested to vote at the PlainsCapital special meeting.

Your vote is very important, regardless of the number of shares you own. **Whether or not you plan to attend your company's 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 all proxy cards that you receive and returning them in the postage-paid envelopes provided, so that your shares may be represented and voted at the Hilltop or PlainsCapital special meeting, as applicable. You may revoke your proxy at any time before the vote at your company's respective special meeting by following the procedures outlined in the accompanying joint proxy statement/prospectus**.

We look forward to the successful combination of Hilltop and PlainsCapital.

JEREMY B. FORD	ALAN B. WHITE
Chief Executive Officer	*Chairman and Chief Executive Officer*
Hilltop Holdings Inc.	PlainsCapital Corporation

The obligations of Hilltop and PlainsCapital to complete the merger are subject to the satisfaction or waiver of several conditions set forth in the merger agreement. More information about Hilltop, PlainsCapital, the special meetings, the merger agreement and the merger is contained in the accompanying joint proxy statement/prospectus. **Hilltop and PlainsCapital encourage you to read the entire joint proxy statement/prospectus carefully, including the section titled "Risk Factors" beginning on page 30**.

Neither the Securities and Exchange Commission nor any state securities commission or bank regulatory agency has approved or disapproved of the Hilltop common stock to be issued under this document or passed upon the accuracy or adequacy of this 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 document is August 3, 2012, and it is first being mailed to Hilltop shareholders and PlainsCapital shareholders on or about August 6, 2012.

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NOTICE OF SPECIAL MEETING OF SHAREHOLDERS
TO BE HELD ON SEPTEMBER 20, 2012

To the shareholders of Hilltop Holdings Inc.:

On September 20, 2012, Hilltop Holdings Inc. ("Hilltop") will hold a special meeting of shareholders in Dallas, Texas at 10:00 a.m., local time, at the Crescent Club at 200 Crescent Court, 17th Floor, Dallas, Texas 75201, to consider and vote upon the following matters:

- a proposal to approve the issuance of Hilltop common stock to PlainsCapital shareholders in connection with the merger (the "share issuance proposal");

- a proposal to approve the adoption of the Hilltop Holdings Inc. 2012 Equity Incentive Plan (the "Equity Incentive Plan proposal");

- a proposal to approve the adoption of the Hilltop Holdings Inc. Annual Incentive Plan (the "Annual Incentive Plan proposal"); and

- a proposal to approve the adjournment of the Hilltop 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 share issuance proposal (the "Hilltop adjournment proposal").

The approval by Hilltop's shareholders of the share issuance proposal is required for the completion of the merger described in this joint proxy statement/prospectus.

Hilltop will transact no other business at the meeting except such business as may properly be brought before the Hilltop special meeting or any adjournment or postponement thereof. Please refer to the joint proxy statement/prospectus of which this notice forms a part for further information with respect to the business to be transacted at the Hilltop special meeting.

The Hilltop board of directors has fixed the close of business on August 3, 2012, as the record date for the Hilltop special meeting. Only Hilltop shareholders of record at that time are entitled to notice of, and to vote at, the special meeting, or any adjournment or postponement of the Hilltop special meeting.

Approval of each of (i) the share issuance proposal, (ii) the Equity Incentive Plan proposal and (iii) the Annual Incentive Plan proposal requires the affirmative vote of the holders of at least a majority of the shares of Hilltop common stock voting on that proposal, provided that the total votes cast on the proposal (including abstentions) represent a majority of the shares of Hilltop common stock outstanding on the record date for the Hilltop special meeting. Approval of the Hilltop adjournment proposal requires the affirmative vote of the holders of at least a majority of the shares of Hilltop common stock represented in person or by proxy at the Hilltop special meeting and entitled to vote on the proposal.

Your vote is important. Whether or not you plan to attend the Hilltop 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 Hilltop special meeting. 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.

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The Hilltop board of directors unanimously recommends that Hilltop shareholders vote "FOR" the share issuance proposal, "FOR" the adoption of the Equity Incentive Plan, "FOR" the adoption of the Annual Incentive Plan and "FOR" the adjournment of the Hilltop special meeting if necessary or appropriate to permit further solicitation of proxies.

By Order of the Board of Directors

Corey G. Prestidge
General Counsel & Secretary

Dallas, Texas
August 3, 2012

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REFERENCES TO ADDITIONAL INFORMATION

This document incorporates by reference important business and financial information about Hilltop from documents that are not included in or delivered with this document. You can obtain documents incorporated by reference in this document, 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 Hilltop at the following address:

Hilltop Holdings Inc.
200 Crescent Court, Suite 1330
Dallas, Texas 75201
Attention: Investor Relations
Telephone: (214) 855-2177

You will not be charged for any of these documents that you request. **Hilltop shareholders and PlainsCapital shareholders requesting documents should do so by September 13, 2012, in order to receive them before their respective special meetings.**

Investors may also consult Hilltop's or PlainsCapital's websites for more information concerning the merger described in this document. Hilltop's website is *www.hilltop-holdings.com*. PlainsCapital's website is *www.plainscapital.com*. Information included on these websites is not incorporated by reference into this document.

You should rely only on the information contained in or incorporated by reference into this document. No one has been authorized to provide you with information that is different from that contained in, or incorporated by reference into, this document. This document is dated August 3, 2012, and you should assume that the information in this document is accurate only as of such date. You should assume that the information incorporated by reference into this document is accurate as of the date of such document. Neither the mailing of this document to Hilltop shareholders or PlainsCapital shareholders nor the issuance by Hilltop of shares of Hilltop common stock in connection with the merger will create any implication to the contrary.

This document 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 document regarding PlainsCapital has been provided by PlainsCapital and information contained in this document regarding Hilltop has been provided by Hilltop.

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

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ANNEX B	Opinion of J.P. Morgan Securities LLC
ANNEX C	Opinion of Stephens Inc.
ANNEX D	Form of Voting and Support Agreement, dated as of May 8, 2012, between Hilltop Holdings Inc. and the PlainsCapital Corporation supporting shareholders
ANNEX E	Voting and Support Agreement, dated as of May 8, 2012, between PlainsCapital Corporation and Diamond A Financial, L.P.
ANNEX F	Hilltop Holdings Inc. 2012 Equity Incentive Plan
ANNEX G	Hilltop Holdings Inc. Annual Incentive Plan
ANNEX H	Chapter 10, Subchapter H of the Texas Business Organizations Code

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QUESTIONS AND ANSWERS

The following are answers to certain questions that you may have regarding the Hilltop special meeting or the PlainsCapital special meeting. We urge you to read carefully the remainder of this document 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 document.

Q:

Why am I receiving this document?

A:

The Hilltop and PlainsCapital boards of directors are using this document to solicit proxies of Hilltop and PlainsCapital shareholders in connection with the merger agreement entered into among Hilltop, PlainsCapital, and Meadow Corporation, a wholly owned subsidiary of Hilltop, and certain related matters. In addition, we are using this document as a prospectus for PlainsCapital shareholders because Hilltop is offering shares of its common stock to be issued in exchange for shares of PlainsCapital common stock in the merger.

Q:

What are holders of Hilltop common stock being asked to vote on?

A:

Holders of Hilltop common stock are being asked to vote on a proposal to approve the issuance of Hilltop common stock to PlainsCapital shareholders in connection with the merger (the "share issuance proposal"), a proposal to approve the adoption of the Hilltop Holdings Inc. 2012 Equity Incentive Plan (the "Equity Incentive Plan proposal"), a proposal to approve the adoption of the Hilltop Holdings Inc. Annual Incentive Plan (the "Annual Incentive Plan proposal") and a proposal to approve the adjournment of the Hilltop 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 share issuance proposal (the "Hilltop adjournment proposal").

Q:

What are holders of PlainsCapital common stock being asked to vote on?

A:

PlainsCapital shareholders are being asked to 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 become payable to PlainsCapital's named executive officers in connection with the merger (the "compensation proposal"), and a proposal to approve the adjournment of the PlainsCapital 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 "PlainsCapital adjournment proposal").

Q:

What will holders of PlainsCapital common stock receive in the merger?

A:

If the merger is completed, holders of PlainsCapital common stock will receive (i) 0.776 shares of Hilltop common stock, subject to certain adjustments, and (ii) $9.00 in cash, subject to certain adjustments, for each share of PlainsCapital 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 PlainsCapital 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 shares of Hilltop common stock at the date of the closing of the merger, rounded to the nearest cent.

Q:

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

A:

The value of the merger consideration may fluctuate between the date of this joint proxy statement/prospectus and your company's special meeting, and your company's special meeting and the completion of the merger based upon the market value for Hilltop common stock and changes in the number of shares of PlainsCapital common stock outstanding. In the merger, PlainsCapital

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shareholders will receive cash and a fraction of a share of Hilltop common stock for each share of PlainsCapital common stock they hold. Any fluctuation in the market price of Hilltop stock after the special meeting will change the value of the shares of Hilltop common stock that PlainsCapital shareholders will receive. In addition, the aggregate merger consideration payable by Hilltop will not increase in the event that additional shares of PlainsCapital common stock are issued or become outstanding following the execution of the merger agreement, other than in connection with certain equity awards. As a result, if additional shares of PlainsCapital common stock are issued or become outstanding, the per share merger consideration will decrease.

Q:

When do you expect to complete the merger?

A:

We currently expect to complete the merger prior to the end of 2012. However, we cannot assure you when or if the merger will occur. We must, among other things, first obtain the required approvals of Hilltop shareholders and PlainsCapital shareholders at their respective special meetings and the required regulatory approvals described below in "The Merger Regulatory Approvals Required for the Merger."

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 PlainsCapital common stock will not receive any consideration for their shares, in connection with the merger. Instead, PlainsCapital will remain an independent company. Under specified circumstances in connection with the termination of the merger agreement, including circumstances involving a change in recommendation by either party's board of directors or failure to receive required shareholder approvals, Hilltop or PlainsCapital may be required to pay the other a termination fee of $17.5 million, or PlainsCapital may be required to pay Hilltop $5 million in respect of Hilltop's expenses in connection with the merger agreement.

Q:

When and where is the Hilltop special meeting?

A:

The Hilltop special meeting will be held at the Crescent Club at 200 Crescent Court, 17th Floor, Dallas, Texas 75201 on September 20 at 10:00 a.m. local time.

Q:

When and where is the PlainsCapital special meeting?

A:

The PlainsCapital special meeting will be held at PlainsCapital's conference facility located at 2323 Victory Avenue, 5th Floor, Dallas, Texas 75219 on September 20 at 10:00 a.m. local time.

Q:

How do I vote?

A:

If you are a shareholder of record of PlainsCapital as of the record date for the PlainsCapital special meeting or a shareholder of Hilltop as of the record date for the Hilltop 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

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

You may also cast your vote in person at your respective company's special meeting. If you hold Hilltop common stock or PlainsCapital 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 your special meeting. Shareholders that hold shares through a bank, broker, or other nominee who wish to vote at their respective company's special meeting will need to obtain a "legal proxy" from the record holder.

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Q:

Why is my vote important?

A:

If you do not vote, it will be more difficult to obtain the necessary quorum to hold your company's respective special meeting. In addition, we cannot complete the merger without obtaining the necessary vote of Hilltop shareholders in favor of the share issuance proposal and of PlainsCapital shareholders in favor of the merger proposal.

Q:

How does the Hilltop board of directors recommend that I vote?

A:

The Hilltop board of directors unanimously recommends that you vote "FOR" the share issuance proposal, "FOR" the Equity Incentive Plan proposal, "FOR" the Annual Incentive Plan proposal, and "FOR" the Hilltop adjournment proposal.

Q:

How does the PlainsCapital board of directors recommend that I vote?

A:

The PlainsCapital board of directors unanimously recommends that you vote "FOR" the merger proposal, "FOR" the compensation proposal and "FOR" the PlainsCapital adjournment proposal.

Q:

What constitutes a quorum for the Hilltop special meeting?

A:

The presence at the special meeting, in person or by proxy, of holders of a majority of the outstanding shares of Hilltop common stock entitled to vote at the Hilltop 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 constitutes a quorum for the PlainsCapital special meeting?

A:

The presence at the special meeting, in person or by proxy, of holders of a majority of the outstanding shares of PlainsCapital common stock entitled to vote at the PlainsCapital 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 Hilltop special meeting?

A:

Approval of each of (i) the share issuance proposal, (ii) the Equity Incentive Plan proposal and (iii) the Annual Incentive Plan proposal requires the affirmative vote of the holders of at least a majority of the shares of Hilltop common stock voting on that proposal, provided that the total votes cast on the proposal (including abstentions) represent a majority of the shares of Hilltop common stock outstanding on the record date for the Hilltop special meeting. Approval of the Hilltop adjournment proposal requires the affirmative vote of the holders of at least a majority of the shares of Hilltop common stock represented in person or by proxy at the Hilltop special meeting and entitled to vote on the proposal.

Q:

What is the vote required to approve each proposal at the PlainsCapital special meeting?

A:

Approval of the merger proposal requires the affirmative vote of a majority of shares of PlainsCapital common stock outstanding on the record date for the PlainsCapital special meeting. The compensation proposal and the PlainsCapital adjournment proposal will be approved if they receive the affirmative vote of the holders of at least a majority of the shares of PlainsCapital common stock

represented in person or by proxy at the PlainsCapital special meeting and entitled to vote on each such proposal.

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Q: **What will happen if PlainsCapital's shareholders do not approve, on an advisory (non-binding) basis, the compensation payable to PlainsCapital'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 either PlainsCapital or Hilltop. Accordingly, because PlainsCapital is contractually obligated to pay the compensation, if the merger were completed, the compensation would be payable, subject only to the conditions applicable thereto, regardless of the outcome of the advisory (non-binding) vote.

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 if I abstain from voting or fail to instruct my broker?**

A: If you are a holder of Hilltop common stock and you abstain from voting or fail to instruct your broker to vote your shares, it will have no effect on the proposals to be voted on at the Hilltop special meeting. However, if you fail to vote your shares, your failure to do so may make it more difficult for Hilltop to meet the NYSE requirement that the total votes cast on each of such proposals (including abstentions) represent a majority of the shares of Hilltop common stock outstanding as of the record date for the Hilltop special meeting.

If you are a holder of PlainsCapital 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 PlainsCapital adjournment proposal.

Q: **Can I attend the Hilltop special meeting and vote my shares in person?**

A: Yes. All Hilltop shareholders, including shareholders of record and shareholders who hold their shares through banks, brokers, nominees or any other holder of record, are invited to attend the Hilltop special meeting. Holders of record of Hilltop common stock can vote in person at the Hilltop special meeting. If you are not a shareholder 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 Hilltop special meeting. If you plan to attend the 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 Hilltop special meeting. In addition, you must bring a form of personal photo identification with you in order to be admitted. Hilltop 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 Hilltop special meeting is prohibited without Hilltop's express written consent.

Regardless of whether you plan to attend the Hilltop special meeting, we recommend that you vote your shares early by internet, telephone or mail to ensure that a quorum exists at the Hilltop special meeting and to ensure that your vote will be counted if you later choose not to attend the Hilltop special meeting. You may revoke any previously submitted proxy and vote your shares in person at the Hilltop special meeting.

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Q: **Can I attend the PlainsCapital special meeting and vote my shares in person?**

A: Yes. All PlainsCapital shareholders, including shareholders of record and shareholders who hold their shares through banks, brokers, nominees or any other holder of record, are invited to attend the PlainsCapital special meeting. Holders of record of PlainsCapital common stock can vote in person at the PlainsCapital special meeting. If you are not a shareholder 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 PlainsCapital 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 PlainsCapital special meeting. In addition, you must bring a form of personal photo identification with you in order to be admitted. PlainsCapital 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 PlainsCapital special meeting is prohibited without PlainsCapital's express written consent.

Regardless of whether you plan to attend the PlainsCapital special meeting, we recommend that you vote your shares early by internet, telephone or mail to ensure that a quorum exists at the PlainsCapital special meeting and to ensure that your vote will be counted if you later choose not to attend the PlainsCapital special meeting. You may revoke any previously submitted proxy and vote your shares in person at the PlainsCapital 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 your company's respective 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 applicable 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 applicable 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 Hilltop Special Meeting Proxies" and "The PlainsCapital Special Meeting Proxies" included elsewhere in this joint proxy statement/prospectus.

Q: **Am I entitled to exercise dissenters' rights as a PlainsCapital shareholder?**

A: If you wish to exercise dissenters' rights and receive the fair value of your PlainsCapital shares in cash instead of the merger consideration described in this joint proxy statement/prospectus, your shares must be voted against approval of the merger proposal, and you must follow other procedures in accordance with applicable Texas law. If you return a signed proxy without voting instructions or with instructions to vote "FOR" the merger agreement, your shares will be automatically voted in favor of the merger agreement and you will lose dissenters' rights. If you return a signed proxy with instructions to "ABSTAIN" from the merger proposal, you will also lose dissenters' rights. Thus, if you wish to dissent and you execute and return a proxy, you must specify that your shares are to be voted "AGAINST" with respect to approval of the merger. For additional information on exercising dissenters' rights, see "The Merger Dissenters' Rights" included elsewhere in this joint proxy statement/prospectus.

Q: **What if some or all of my PlainsCapital shares are held in the ESOP?**

A: If you are a participant in the PlainsCapital Corporation Employees' Stock Ownership Plan (the "ESOP"), then you may be receiving this material because of the common stock held for you in the ESOP. In that case, you should use the enclosed proxy card to instruct the ESOP trustees how to vote those shares. Return your proxy card, which serves as your voting instructions to the ESOP

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trustees, as described on the card itself. To allow sufficient time for voting by the ESOP trustees, your ESOP voting instructions must be received no later than September 17, 2012 at 5:00 p.m, Central time. PlainsCapital's transfer agent will tabulate the ESOP voting instructions it receives and provide aggregate ESOP voting instructions to the ESOP trustees. The ESOP trustees will vote the shares in accordance with such instructions and the terms of the ESOP. Your ESOP voting instructions are confidential and will not be disclosed to PlainsCapital. Please note that you will not be able to vote the shares of common stock held for you in the ESOP in person at the PlainsCapital special meeting, as these shares may only be voted by the ESOP trustees.

The ESOP trustees may vote the shares held for you even if you do not direct them how to vote. The ESOP trustees will vote any shares held in the ESOP for which they do not timely receive instructions in their own, or the ESOP committee's, discretion and in accordance with the ESOP plan documents.

If your shares of common stock are held by you in both your record name and in the ESOP, you may use the same enclosed proxy card to vote the shares held in your record name and to direct the ESOP trustees to vote the shares held for you in the ESOP. You must timely return the enclosed proxy card to direct the vote of the shares held for you in the ESOP.

Q:

Should I send in my PlainsCapital stock certificates now?

A:

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

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 PlainsCapital 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 PlainsCapital stock certificates after looking for them carefully, we urge you to contact PlainsCapital's transfer agent, Continental Stock Transfer & Trust Company, as soon as possible and follow the procedure they explain to you for replacing your PlainsCapital stock certificates. Continental Stock Transfer & Trust Company can be reached at (212) 509-4000, extension 237, or on its website at http://www.continentalstock.com, or you can write to them at the following address:

Continental Stock Transfer & Trust Co.
17 Battery Place
New York, New York 10004

Q:

Whom should I call with questions?

A:

Hilltop shareholders should contact Hilltop by telephone at (214) 855-2177 or D.F. King & Co., Inc., Hilltop's proxy solicitor, collect at (212) 269-5550 or toll-free at (800) 859-8511. PlainsCapital shareholders should call PlainsCapital at (214) 252-4155.

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SUMMARY

This summary highlights selected information from this document. It may not contain all of the information that is important to you. We urge you to carefully read the entire document and the other documents to which we refer in order to fully understand the merger and the related transactions. See "Where You Can Find More Information" included elsewhere in this joint proxy statement/prospectus. Each item in this summary refers to the page of this joint proxy statement/prospectus on which that subject is discussed in more detail.

Information About the Companies (page 72)

Hilltop Holdings Inc.

Hilltop is a holding company that endeavors to identify and execute attractive acquisitions and business combinations. Hilltop also provides fire and homeowners insurance to low value dwellings and manufactured homes, primarily in Texas and other areas of the south through its wholly owned property and casualty insurance holding company, NLASCO, Inc., or NLASCO. Hilltop acquired NLASCO in January 2007. NLASCO operates through its wholly owned subsidiaries, National Lloyds Insurance Company, or NLIC, and American Summit Insurance Company, or ASIC.

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

Hilltop's principal office is located at 200 Crescent Court, Suite 1330, Dallas, Texas 75201, and its telephone number at that location is (214) 855-2177. Hilltop's internet address is *www.hilltop-holdings.com*. Additional information about Hilltop and its subsidiaries is included in documents incorporated by reference in this document. See "Where You Can Find More Information" included elsewhere in this joint proxy statement/prospectus.

PlainsCapital Corporation

PlainsCapital is a Texas-based and Dallas-headquartered financial holding company registered under the Bank Holding Company Act of 1956 (as amended, the "Bank Holding Company Act"), as amended by the Gramm-Leach-Bliley Act of 1999 (the "Gramm-Leach-Bliley Act"), and was incorporated in 1987. Historically, the majority of PlainsCapital's net income has been derived from its wholly owned bank subsidiary, PlainsCapital Bank. PlainsCapital Bank provides business and consumer banking services from offices located throughout central, north and west Texas. PlainsCapital Bank's subsidiaries have specialized areas of expertise that allow it to provide an array of financial products and services, such as mortgage origination and financial advisory services. As of March 31, 2012, on a consolidated basis, PlainsCapital had total assets of approximately $5.8 billion, total deposits of approximately $4.2 billion, total loans, including loans held for sale, of approximately $4.2 billion, and shareholders' equity of approximately $539.1 million.

PlainsCapital's principal executive offices are located at 2323 Victory Avenue, Suite 1400, Dallas, Texas 75219, and its telephone number at that location is (214) 252-4000. PlainsCapital's internet address is *www.plainscapital.com*. Additional information about PlainsCapital and its subsidiaries can be found below in the section titled "Information About the Companies PlainsCapital Corporation."

Meadow Corporation

Meadow Corporation is a Maryland corporation and a wholly owned subsidiary of Hilltop. Meadow Corporation was formed in May 2012 for the purpose of effecting the merger. Meadow Corporation has not conducted any activities other than those incidental to its formation and the matters contemplated by the merger agreement.

Risk Factors (page 30)

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" beginning on page 30, together with the other information included or incorporated by reference or in this joint proxy statement/prospectus.

The Merger (page 193)

If the merger is completed, each share of PlainsCapital common stock, par value $0.01 per share, issued and outstanding immediately prior to the completion of the merger will be converted into the right to receive $9.00 in cash and 0.776 of a share of Hilltop common stock, subject to certain adjustments if PlainsCapital issues additional shares of its common stock other than pursuant to the exercise of certain equity awards which were outstanding on the date of the merger agreement. We refer to this 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 PlainsCapital 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 10 shares of PlainsCapital common stock and the merger consideration is not adjusted, you will receive $90.00 and seven shares of Hilltop common stock and a cash payment instead of the 0.76 shares of Hilltop common stock that you otherwise would have received.*

The value of the merger consideration may fluctuate between the date of each company's special meeting and the completion of the merger based upon the market value for Hilltop common stock and certain changes in the number of shares of PlainsCapital common stock outstanding. Any fluctuation in the market price of Hilltop stock after the date of the special meetings will change the value of the shares of Hilltop common stock that PlainsCapital shareholders will receive. In addition, the aggregate merger consideration payable by Hilltop will not increase in the event that additional shares of PlainsCapital common stock are issued or become outstanding following the execution of the merger agreement, other than in connection with certain equity awards as permitted in the merger agreement. As a result, if additional shares of PlainsCapital common stock are issued or become outstanding other than pursuant to certain equity awards, the per share merger consideration will decrease. 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 joint 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 Board of Directors of Hilltop (page 199)

Hilltop's board of directors has determined that the merger, the merger agreement and the transactions contemplated by the merger agreement are advisable and in the best interests of Hilltop and its shareholders and has unanimously approved the merger and the merger agreement. Hilltop's board of directors unanimously recommends that Hilltop shareholders vote "FOR" the approval of the share issuance proposal, the Equity Incentive Plan proposal, the Annual Incentive Plan proposal and the Hilltop adjournment proposal. For the factors considered by Hilltop's board of directors in reaching its decision to approve the merger agreement, see "The Merger Hilltop's Reasons for the Merger; Recommendation of the Hilltop Board of Directors."

Recommendation of the Board of Directors of PlainsCapital (page 197)

PlainsCapital's board of directors has determined that the merger, the merger agreement and the transactions contemplated by the merger agreement are advisable and in the best interests of

PlainsCapital and its shareholders and has unanimously approved the merger and the merger agreement. PlainsCapital's board of directors unanimously recommends that PlainsCapital shareholders vote "FOR" the merger proposal, the compensation proposal and the PlainsCapital adjournment proposal. For the factors considered by PlainsCapital's board of directors in reaching its decision to approve the merger agreement, see "The Merger PlainsCapital's Reasons for the Merger; Recommendation of the PlainsCapital Board of Directors."

Opinions of Financial Advisors (page 200 and page 208)

Opinion of Financial Advisor to PlainsCapital

On May 8, 2012, J.P. Morgan Securities LLC ("J.P. Morgan"), PlainsCapital's financial advisor in connection with the merger, rendered its oral opinion to PlainsCapital's board of directors, 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 PlainsCapital common stock in the proposed merger was fair, from a financial point of view, to such holders.

The full text of J.P. Morgan's opinion, dated May 8, 2012, is attached as Annex B to this joint proxy statement/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 J.P. Morgan in rendering its opinion.

J.P. Morgan's written opinion is addressed to the PlainsCapital board of directors, is directed only to the merger consideration to be paid in the merger and does not constitute a recommendation to any PlainsCapital shareholder as to how such shareholder should vote with respect to the merger or any other matter.

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

Opinion of Financial Advisor to Hilltop

On May 8, 2012, Stephens Inc. ("Stephens"), Hilltop's financial advisor in connection with the merger, rendered its oral opinion to Hilltop's board of directors, 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 assumptions, considerations, qualifications and limitations set forth in the written opinion, the cash and stock consideration to be paid by Hilltop pursuant to the merger agreement was fair, from a financial point of view, to Hilltop.

The full text of Stephens' opinion, dated May 8, 2012, is attached as Annex C to this joint proxy statement/prospectus. You should read the opinion in its entirety for a discussion of the assumptions made, procedures followed, matters considered and limitations upon the review undertaken by Stephens in rendering its opinion.

Stephens' opinion is addressed to Hilltop's board of directors and the opinion is not a recommendation as to how any shareholder of Hilltop should vote with respect to the merger or any other matter or as to any action that a shareholder should take relating to the merger.

The opinion addresses only the fairness of the cash and stock consideration to be paid by Hilltop from a financial point of view and does not address the merits of the underlying decision by Hilltop to enter into the merger agreement, the merits of the merger as compared to other alternatives potentially available to Hilltop or the relative effects of any alternative transaction in which Hilltop might engage. Stephens will receive a fee for its services, portions of which have been paid, and a significant portion of which will be payable upon consummation of the merger.

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

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What Holders of PlainsCapital Stock Options and Other Equity-Based Awards Will Receive (page 233)

If the merger is completed, each outstanding stock option to acquire shares of PlainsCapital common stock will immediately vest in full and, subject to the execution of a stock-based award surrender agreement, the holder of a PlainsCapital stock option will be entitled to receive the merger consideration with respect to each share of PlainsCapital common stock underlying such option, less the exercise price and the applicable withholding taxes.

If the merger is completed, each share of PlainsCapital restricted stock and each PlainsCapital restricted stock unit will vest in full and, subject to the execution of a stock-based award surrender agreement, the holders of such restricted stock or restricted stock units will be entitled to receive the merger consideration with respect to such equity award, less applicable withholding taxes.

If the merger is completed, each share of PlainsCapital Non-Cumulative Perpetual Preferred Stock, Series C (the "Series C preferred stock") will be converted into a share of a new series of Hilltop's preferred stock with equivalent rights and preferences.

Hilltop Will Hold Its Special Meeting on September 20, 2012 (page 50)

The Hilltop special meeting will be held on September 20, 2012, at 10:00 a.m., local time at the Crescent Club at 200 Crescent Court, 17th Floor, Dallas, Texas 75201. The purpose of the special meeting is to vote on:

- a proposal to approve the issuance of Hilltop common stock to PlainsCapital shareholders in connection with the merger (the "share issuance proposal");

- a proposal to approve the adoption of the Hilltop Holdings Inc. 2012 Equity Incentive Plan (the "Equity Incentive Plan proposal");

- a proposal to approve the adoption of the Hilltop Holdings Inc. Annual Incentive Plan (the "Annual Incentive Plan proposal"); and

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

Only holders of record of Hilltop common stock at the close of business on August 3, 2012 will be entitled to vote at the Hilltop special meeting. Each share of Hilltop common stock is entitled to one vote on each proposal to be considered at the Hilltop special meeting.

As of the record date for the Hilltop special meeting, there were 56,363,647 shares of Hilltop common stock outstanding and entitled to vote at the Hilltop special meeting. As of the record date for the Hilltop special meeting, to the knowledge of Hilltop, directors and executive officers of Hilltop (including the shares owned by Diamond A Financial, L.P. discussed below) had the right to vote approximately 16,910,159 shares of Hilltop common stock, or approximately 30% of the outstanding shares of Hilltop common stock entitled to vote at the special meeting. We currently expect that each of these individuals will vote their shares of Hilltop common stock in favor of the proposals to be presented at the Hilltop special meeting.

Diamond A Financial, L.P., a limited partnership whose sole general partner is Gerald J. Ford, Chairman of the Hilltop board of directors, has entered into a voting and support agreement with PlainsCapital. Pursuant to such agreement, Diamond A Financial has agreed to vote all of its shares of Hilltop common stock in favor of the share issuance proposal and certain related matters, subject to certain exceptions. As of the record date for the Hilltop special meeting and to the knowledge of Hilltop, Diamond A Financial owned and had the ability to vote approximately 15,048,102 shares of Hilltop common stock, or approximately 26.7% of the outstanding shares of Hilltop common stock entitled to vote at the special meeting.

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Approval of each of (i) the share issuance proposal, (ii) the Equity Incentive Plan proposal and (iii) the Annual Incentive Plan proposal requires the affirmative vote of the holders of at least a majority of the shares of Hilltop common stock voting on that proposal, provided that the total votes cast on such proposal (including abstentions) must represent a majority of the shares of Hilltop common stock outstanding on the record date for the Hilltop special meeting. Approval of the Hilltop adjournment proposal requires the affirmative vote of the holders of at least a majority of the shares of Hilltop common stock represented in person or by proxy at the Hilltop special meeting and entitled to vote on the proposal.

PlainsCapital Will Hold Its Special Meeting on September 20, 2012 (page 66)

The PlainsCapital special meeting will be held on September 20, 2012, at 10:00 a.m., local time, at PlainsCapital's conference facility located at 2323 Victory Avenue, 5th Floor, Dallas, Texas 75219. The purpose of the PlainsCapital special meeting is to vote on:

- a proposal to adopt and approve the merger agreement as such agreement may be amended from time to time (the "merger proposal");

- a proposal to approve, on a non-binding, advisory basis, compensation that may be paid or become payable to PlainsCapital'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 PlainsCapital special meeting, if necessary or appropriate, to solicit additional proxies, in the event that there are not sufficient votes at the time of the PlainsCapital special meeting to approve the merger proposal (the "PlainsCapital adjournment proposal").

Only holders of record of PlainsCapital common stock at the close of business on August 3, 2012 will be entitled to vote at the PlainsCapital special meeting. Each share of PlainsCapital common stock is entitled to one vote on each proposal to be considered at the PlainsCapital special meeting.

As of the record date for the PlainsCapital special meeting, there were 34,462,390 shares of PlainsCapital common stock outstanding and entitled to vote at the PlainsCapital special meeting. As of the record date for the PlainsCapital special meeting, to the knowledge of PlainsCapital, directors and executive officers of PlainsCapital (including those parties who have entered into voting agreements with Hilltop, as discussed below) may be deemed to have had voting power over approximately 6,321,870 shares of PlainsCapital common stock, or approximately 18.3% of the outstanding shares of PlainsCapital common stock entitled to vote at the PlainsCapital special meeting. We currently expect that each of these individuals will vote their shares of PlainsCapital common stock in favor of the proposals to be presented at the PlainsCapital special meeting.

Alan B. White, Chairman and Chief Executive Officer of PlainsCapital, and certain entities controlled by him, and Hill A. Feinberg, a director of PlainsCapital and Chief Executive Officer of First Southwest Holdings, LLC, a wholly owned subsidiary of PlainsCapital ("First Southwest"), have each entered into a voting and support agreement with Hilltop. Pursuant to such agreements, each such shareholder has agreed to vote all of their shares of PlainsCapital common stock in favor of the merger proposal and related matters, subject to certain exceptions. As of the record date for the PlainsCapital special meeting and to the knowledge of PlainsCapital, the shareholders party to these agreements owned and had the ability to vote approximately 4,944,083 shares of PlainsCapital common stock, or approximately 14.3% of the outstanding shares of PlainsCapital common stock entitled to vote at the PlainsCapital special meeting.

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Approval of the merger proposal requires the affirmative vote of a majority of shares of PlainsCapital common stock outstanding on the record date for the PlainsCapital special meeting. The compensation proposal and the PlainsCapital adjournment proposal will be approved if they receive the affirmative vote of the holders of at least a majority of the shares of PlainsCapital common stock represented in person or by proxy at the PlainsCapital special meeting and entitled to vote on each such proposal.

The Merger is Intended to Be Tax-Free to Holders of PlainsCapital Common Stock as to the Shares of Hilltop Common Stock They Receive (page 251)

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 PlainsCapital to complete the merger that each of Hilltop and PlainsCapital receives a legal opinion to that effect. Accordingly, a PlainsCapital common shareholder 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 PlainsCapital common stock surrendered) and (2) the amount of cash received pursuant to the merger. Further, a holder of shares of PlainsCapital common stock generally will recognize gain or loss with respect to cash received instead of fractional shares of Hilltop common stock that the PlainsCapital common shareholder 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 PlainsCapital 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.

PlainsCapital's Officers and Directors Have Financial Interests in the Merger that Differ from Your Interests (page 223)

PlainsCapital shareholders should be aware that some of PlainsCapital's directors and executive officers have interests in the merger and have arrangements that are different from, or in addition to, those of PlainsCapital shareholders generally. These interests and arrangements may create potential conflicts of interest. PlainsCapital'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 PlainsCapital's shareholders vote in favor of approving the merger proposal and the compensation proposal. For purposes of all of the PlainsCapital 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:

- Upon completion of the merger, the board of directors of Hilltop will include members selected by the pre-merger board of directors of PlainsCapital, as described under "The Merger Hilltop Board of Directors Following Completion of the Merger."

- Alan B. White and Jerry L. Schaffner each entered into retention agreements with Hilltop and Meadow Corporation that will become effective on the consummation of the merger, superseding their current employment agreements with PlainsCapital. The new retention agreements set forth the titles for each of Messrs. White and Schaffner and provide for ongoing base salary, annual bonus opportunity, discretionary equity grants, severance and a payment upon termination of employment that is in respect of amounts that would otherwise be owed in connection with a termination of employment pursuant to the applicable executive's current employment agreement.

PlainsCapital previously entered into employment agreements with each of its executive officers (including employment agreements with Messrs. White and Schaffner that will be superseded by the retention agreements described above) that provide for enhanced severance upon certain qualifying terminations of employment in connection with a change in control.

Messrs. White, Schaffner and Huffines participate in the PlainsCapital Supplemental Executive Pension Plan ("SEPP"). On May 8, 2012, PlainsCapital Bank amended the SEPP to eliminate additional service crediting for participants who have their employment terminated in connection with the merger and to clarify certain benefits that are creditable upon termination of the SEPP prior to December 31, 2012. It is anticipated that the SEPP will be terminated in connection with completion of the merger, with all accrued amounts (including all accruals in respect of 2012) to be paid to SEPP participants within 30 days of the completion of the merger.

All outstanding PlainsCapital equity awards will vest in connection with the merger and each holder will receive merger consideration in exchange for the vested equity awards.

Each present and former director, officer and employee of PlainsCapital and its subsidiaries (when acting in such capacity) will be indemnified to the fullest extent permitted by law for any acts arising out of or pertaining to matters existing or occurring at or 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 PlainsCapital's option, PlainsCapital may purchase a "tail" policy for directors' and officers' liability insurance.

For further information, see the discussion in "The Merger Interests of Certain Directors and Executive Officers in the Merger" included elsewhere in this joint proxy statement/prospectus.

PlainsCapital Shareholders Dissenters' Rights (page 219)

Under the Texas Business Organization Code, or "TBOC," PlainsCapital shareholders have the right to demand appraisal of their shares of common stock in connection with the merger and to receive, in lieu of the merger consideration, payment in cash, for the fair value of their shares of PlainsCapital common stock as determined by an appraiser selected in a Texas state court proceeding. Any shareholder electing to exercise dissenters' rights must vote against the merger proposal and must comply with the provisions of Section 10.356 of the TBOC in order to perfect its rights of dissent and appraisal. Strict compliance with the statutory procedures is required to perfect dissenters' rights. The procedures to be followed by dissenting shareholders are described below in "The Merger Dissenters' Rights."

Regulatory Approvals Required for the Merger (page 222)

Hilltop and PlainsCapital have agreed to use their reasonable best efforts to obtain all regulatory approvals required to complete the transactions contemplated by the merger agreement. These approvals include approval from the Board of Governors of the Federal Reserve System (the "Federal Reserve Board") and the Texas Department of Banking, among others. Hilltop has filed 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. Any such additional approvals or actions may not be obtained.

Conditions that Must be Satisfied or Waived for the Merger to Occur (page 243)

Currently, Hilltop and PlainsCapital expect to complete the merger by the end of 2012. As more fully described in this joint 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, among others, approval of the merger by PlainsCapital's shareholders, approval of the share issuance proposal by Hilltop's shareholders and the receipt of certain required regulatory approvals, including approval of the Federal Reserve Board.

Neither Hilltop nor PlainsCapital can 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 244)

The merger agreement can be terminated at any time prior to the completion of the merger by mutual consent, or by either party 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;
- the merger has not been consummated by December 31, 2012;
- 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 by the earlier of December 31, 2012 or 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);
- either or both of Hilltop's shareholders or PlainsCapital's shareholders fail to approve the share issuance proposal or the merger proposal, respectively; or
- the other party's board of directors withdraws or materially and adversely modifies its recommendation with respect to the transactions contemplated by the merger agreement or recommends an alternative acquisition proposal.

Expenses and Termination Fees (page 245)

In general, each of Hilltop and PlainsCapital will be responsible for all expenses incurred by it in connection with the negotiation and completion of the transactions contemplated by the merger agreement. However, the costs and expenses of filing, printing and mailing this joint proxy statement/prospectus, and all filing and other fees paid to the Securities and Exchange Commission (the "SEC") in connection with the merger, will be borne equally by Hilltop and PlainsCapital.

Upon termination of the merger agreement under specified circumstances, including circumstances involving a change in recommendation by either party's board of directors or failure to receive required shareholder approvals, Hilltop or PlainsCapital may be required to pay the other a termination fee of $17.5 million.

PlainsCapital will be required to pay the termination fee to Hilltop under the following circumstances:

- if (i) a third party makes a takeover proposal that is publicly disclosed or made known to PlainsCapital management and is not withdrawn, (ii) the merger agreement is later terminated because the merger has not been consummated by December 31, 2012, and the approval of the merger proposal has not been obtained by such date, or because PlainsCapital's shareholders fail to approve the merger proposal, or because PlainsCapital breaches its covenants under the merger agreement in a manner that would cause the closing conditions not to be satisfied and which is not cured, and (iii) PlainsCapital consummates or enters into a definitive agreement with respect to a takeover proposal within 12 months after termination; or

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- if PlainsCapital's board of directors withdraws or materially and adversely modifies its recommendation or recommends an alternative PlainsCapital acquisition proposal and Hilltop terminates the merger agreement as a result.

Hilltop will be required to pay the termination fee to PlainsCapital under the following circumstances:

- if the merger agreement is terminated because Hilltop's shareholders fail to approve the share issuance proposal; or

- if Hilltop's board of directors withdraws or materially and adversely modifies its recommendation or recommends an alternative Hilltop acquisition proposal and PlainsCapital terminates the merger agreement as a result.

If Hilltop terminates the merger agreement because the PlainsCapital shareholders fail to approve the merger proposal and the termination fee is not required to be paid, PlainsCapital will be required to pay Hilltop $5 million in respect of Hilltop's expenses in connection with the merger agreement.

Hilltop Board of Directors Following Completion of the Merger (page 219)

Under the merger agreement, upon completion of the merger, Hilltop and its board of directors have agreed to take all actions necessary so that, at the effective time of the Merger, the board of directors of Hilltop will consist of members selected by the pre-merger board of directors of Hilltop and members selected by the pre-merger board of directors of PlainsCapital, with the number of members selected by the pre-merger board of directors of PlainsCapital to be one less in number than the number of members selected by the pre-merger board of directors of Hilltop.

In addition, upon completion of the merger, the board of directors of Hilltop will include, in addition to its existing committees, an Executive Committee of five members, including three individuals selected from the pre-merger members of the board of directors of Hilltop and two individuals selected from the pre-merger members of the board of directors of PlainsCapital who will be designated to the board of directors of Hilltop. Mr. White will initially serve as Chairman of the Executive Committee of the board of directors of Hilltop.

PlainsCapital Directors Expected to be Appointed to Hilltop Board of Directors Following Completion of the Merger (page 219)

The individuals from the pre-merger board of directors of PlainsCapital to be elected to the board of directors of Hilltop following the merger will include Mr. White, and have otherwise not yet been determined.

The Rights of PlainsCapital Shareholders Will Change as a Result of the Merger (page 255)

The rights of PlainsCapital shareholders will change as a result of the merger due to differences in Hilltop's and PlainsCapital's governing documents. The rights of PlainsCapital shareholders are governed by Texas law and by PlainsCapital's certificate of formation and bylaws, each as amended to date (which we refer to as PlainsCapital's articles of incorporation and bylaws, respectively). Upon the completion of the merger, the rights of PlainsCapital shareholders will be governed by Maryland law and Hilltop's articles of incorporation and bylaws.

See "Comparison of Shareholders' Rights" included elsewhere in this joint proxy statement/prospectus for a description of the material differences in shareholder rights under each of the Hilltop and PlainsCapital governing documents.

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SELECTED CONSOLIDATED HISTORICAL FINANCIAL DATA OF HILLTOP

Set forth below is certain consolidated financial data of Hilltop as of and for the years ended December 31, 2007 through December 31, 2011 and as of and for the three months ended March 31, 2012 and 2011. The results of operations for the three months ended March 31, 2012 and 2011 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, 2012 and 2011 on the same basis as it prepared Hilltop's audited consolidated financial statements as of and for the year ended December 31, 2011. In the opinion of Hilltop management, this information reflects all adjustments, consisting of only normal recurring adjustments, necessary for a fair presentation of this data for those dates. You should read this information in conjunction with Hilltop's consolidated financial statements and related notes included in Hilltop's Annual Report on Form 10-K for the year ended December 31, 2011 and Hilltop's Quarterly Report on Form 10-Q for the three months ended March 31, 2012, which are incorporated by reference in this document and from which this information is derived. See "Where You Can Find More Information" included elsewhere in this joint proxy statement/prospectus.

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	Three Months Ended March 31,		Year Ended December 31,				
	2012	2011	2011	2010	2009	2008	2007
	(unaudited)		(in thousands, except per share data)				
Income Statement Data:							
Direct premium written	$ 40,741	$ 37,241	$ 155,054	$ 139,290	$ 131,309	$ 132,642	$ 122,708
Net premium written	37,562	33,701	141,737	121,691	114,743	113,285	118,357
Net premium earned	35,155	30,932	134,048	117,192	115,153	115,247	96,804
Net investment income	3,259	2,081	10,538	7,664	6,458	27,143	24,829
Net realized gain (loss)	21	19	817	137	307	(45,992)	3,205
Other income, net	1,711	1,625	6,785	6,744	6,917	6,147	6,445
Total revenue	40,146	34,657	152,188	131,737	128,835	102,545	131,283
Loss and loss adjustment expense	22,542	16,004	96,734	70,943	70,295	80,435	52,074
Policy acquisition and other underwriting expense	12,915	11,985	58,008	53,378	52,333	53,726	42,397
Interest expense	2,139	2,176	8,985	8,971	9,668	10,528	11,539
Total expenses	39,600	32,470	163,727	133,292	132,296	144,689	106,010
(Loss) income from continuing operations before federal income tax	546	2,187	(11,540)	(1,555)	(3,461)	(42,144)	25,273
Federal income taxes (expense) benefit	(203)	(777)	5,009	1,007	1,349	19,559	(10,635)
Net (loss) income	$ 343	$ 1,410	$ (6,531)	$ (548)	$ (2,112)	$ (22,585)	$ 14,638
Selected Balance Sheet Data:							
Total investments	219,521	144,502	224,200	148,965	129,968	138,568	191,024
Total assets	924,310	941,565	925,424	939,641	1,040,752	1,048,770	1,085,491
Total liabilities	273,013	287,493	270,042	286,586	256,975	257,315	261,306
Shareholders' equity	651,297	654,072	655,382	653,055	783,777	791,455	824,185
Other Data:							
Loss and loss adjustment expense ratio	64.1%	51.7%	72.2%	60.5%	61.0%	69.8%	53.8%
Policy acquisition and other underwriting expense less agency expense ratio	35.5%	37.3%	34.0%	36.0%	35.7%	35.6%	29.2%
Combined ratio	99.6%	89.0%	106.2%	96.5%	96.8%	105.4%	83.0%
Statutory surplus	$ 120,899	$ 122,375	$ 118,708	$ 119,297	$ 117,063	$ 108,478	$ 124,892
Statutory premiums to surplus ratio	116.3%	101.1%	119.4%	102.0%	98.0%	104.4%	94.8%
Per Share Data:							
Basic (loss) earnings per share attributable to common shareholders	$ 0.01	$ 0.02	$ (0.12)	$ (0.24)	$ (0.22)	$ (0.58)	$ 5.10
Weighted average shares outstanding basic	56,499	56,496	56,499	56,492	56,474	56,453	55,421
Diluted (loss) earnings per share attributable to common shareholders	$ 0.01	$ 0.02	$ (0.12)	$ (0.24)	$ (0.22)	$ (0.58)	$ 5.02
Weighted average shares outstanding diluted	56,555	56,496	56,511	56,492	56,474	56,453	56,326
Book value per common share	$ 11.56	$ 11.58	$ 11.60	$ 11.56	$ 11.77	$ 11.91	$ 12.49
Tangible book value per share common share	$ 10.97	$ 10.97	$ 11.01	$ 10.95	$ 11.13	$ 11.24	$ 11.79
Cash Dividends Declared per Share of Unit:							
Series A preferred stock dividends	$	$	$	$ 1.24	$ 2.06	$ 2.06	$ 2.06

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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 shareholders' equity, excluding preferred stock, reduced by goodwill and other intangible assets, divided by total common shares outstanding. "Tangible common equity to tangible assets" is defined as total shareholders' 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 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 these disclosures as a substitute for results determined in accordance with GAAP, and these disclosures are not necessarily comparable to that of other companies that use non-GAAP measures. The following table reconciles these non-GAAP financial measures for Hilltop to the most comparable GAAP financial measures, "book value per common share" and "Hilltop shareholders' equity to total assets" (in thousands, except per share data):

	As of March 31,		As of December 31,				
	2012	2011	2011	2010	2009	2008	2007
Book value per common share	$ 11.56	$ 11.58	$ 11.60	$ 11.56	$ 11.77	$ 11.91	$ 12.49
Effect of goodwill and intangible assets per common share	$ (0.58)	$ (0.61)	$ (0.59)	$ (0.61)	$ (0.64)	$ (0.67)	$ (0.70)
Tangible book value per share common share	$ 10.97	$ 10.97	$ 11.01	$ 10.95	$ 11.13	$ 11.24	$ 11.79
Hilltop Holdings Inc. shareholders' equity	$ 651,297	$ 654,072	$ 655,383	$ 653,055	$ 783,777	$ 791,455	$ 824,185
Less: preferred stock					119,108	119,108	119,108
Less: goodwill and intangible assets, net	32,753	34,198	33,062	34,587	36,229	37,990	39,493
Tangible common equity	618,544	619,874	622,321	618,468	628,440	634,357	665,584
Total assets	924,310	941,565	925,425	939,641	1,040,752	1,048,770	1,085,491
Less: goodwill and intangible assets, net	32,753	34,198	33,062	34,587	36,229	37,990	39,493
Tangible assets	891,557	907,367	892,363	905,054	1,004,523	1,010,780	1,045,998

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SELECTED CONSOLIDATED HISTORICAL FINANCIAL DATA OF PLAINSCAPITAL

Set forth below is certain consolidated financial data of PlainsCapital as of and for the years ended December 31, 2007 through December 31, 2011 and as of and for the three months ended March 31, 2012 and 2011. The results of operations for the three months ended March 31, 2012 and 2011 are not necessarily indicative of the results of operations for the full year or any other interim period. PlainsCapital management prepared the unaudited consolidated information as of and for the three months ended March 31, 2012 and 2011 on the same basis as it prepared PlainsCapital's audited consolidated financial statements as of and for the year ended December 31, 2011. In the opinion of PlainsCapital management, this unaudited consolidated information reflects all adjustments, consisting of only normal recurring adjustments, necessary for a fair presentation of this data for those dates. You should read this information in conjunction with PlainsCapital's consolidated financial statements and related notes for the year ended December 31, 2011 and PlainsCapital's unaudited consolidated financial statements and related notes for the three months ended March 31, 2012, which are included in this document and from which this information is derived.

	Three Months Ended March 31		Year Ended December 31,				
	2012	2011	2011	2010	2009	2008	2007
	(unaudited)		(in thousands, except per share data)				
Income Statement Data:							
Total interest income	$ 56,556	$ 52,003	$ 219,443	$ 218,425	$ 202,823	$ 193,392	$ 220,895
Total interest expense	7,347	9,578	36,512	38,725	42,464	66,069	104,805
Net interest income	49,209	42,425	182,931	179,700	160,359	127,323	116,090
Provision for loan losses	2,221	6,500	21,757	83,226	66,673	22,818	5,517
Net interest income after provision for loan losses	46,988	35,925	161,174	96,474	93,686	104,505	110,573
Total noninterest income	150,106	85,340	477,758	432,183	334,908	119,066	84,281
Total noninterest expense	164,102	109,041	554,018	480,046	382,191	185,983	150,815
Income from continuing operations before income taxes	32,992	12,224	84,914	48,611	46,403	37,588	44,039
Federal income tax provision	11,254	4,508	30,068	15,412	14,855	13,027	14,904
Net income	21,738	7,716	54,846	33,199	31,548	24,561	29,135
Less: Net income attributable to noncontrolling interest	481	122	1,650	790	220	437	543
Net income attributable to PlainsCapital Corporation	21,257	7,594	53,196	32,409	31,328	24,124	28,592
Dividends on preferred stock and other	1,094	1,400	7,488	5,569	5,704		
Income applicable to PlainsCapital Corporation common shareholders	20,163	6,194	45,708	26,840	25,624	24,124	28,592
Less: income applicable to participating securities	702	217	1,670	976	953		
Income applicable to PlainsCapital Corporation common shareholders for basic earnings per common share	$ 19,461	$ 5,977	$ 44,038	$ 25,864	$ 24,671	$ 24,124	$ 28,592
Per Share Data:							
Net income basic	$ 0.61	$ 0.19	$ 1.39	$ 0.82	$ 0.79	$ 0.92	$ 1.10
Weighted average shares outstanding basic	31,843,784	31,625,519	31,649,566	31,476,675	31,259,995	26,117,934	26,012,250
Net income diluted	$ 0.59	$ 0.18	$ 1.36	$ 0.80	$ 0.77	$ 0.92	$ 1.09
Weighted average shares outstanding diluted	33,924,350	33,523,518	33,492,717	33,547,896	33,352,858	26,256,165	26,195,211
Book value per common share	$ 13.26	$ 11.33	$ 12.70	$ 11.33	$ 10.66	$ 9.99	$ 8.97
Tangible book value per common share	$ 11.79	$ 9.79	$ 11.21	$ 9.76	$ 9.02	$ 8.82	$ 7.54
Dividends per common share	$ 0.06	$ 0.05	$ 0.24	$ 0.20	$ 0.20	$ 0.20	$ 0.19

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

PlainsCapital 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 PlainsCapital's total shareholders' equity, excluding preferred stock, reduced by goodwill and other intangible assets, divided by total common shares outstanding. "Tangible common equity to tangible assets" is defined as PlainsCapital's total shareholders' 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 PlainsCapital 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 PlainsCapital's disclosure is not necessarily comparable to that of other companies that use non-GAAP measures. The following table reconciles these non-GAAP financial measures to the most comparable GAAP financial measures, "book value per common share" and "PlainsCapital Corporation shareholders' equity to total assets" (in thousands, except per share data):

	As of March 31,		As of December 31,				
	2012	2011	2011	2010	2009	2008	2007
Book value per common share	$ 13.26	$ 11.33	$ 12.70	$ 11.33	$ 10.66	$ 9.99	$ 8.97
Effect of goodwill and intangible assets per share	$ (1.47)	$ (1.54)	$ (1.49)	$ (1.57)	$ (1.64)	$ (1.17)	$ (1.43)
Tangible book value per common share	$ 11.79	$ 9.79	$ 11.21	$ 9.76	$ 9.02	$ 8.82	$ 7.54
PlainsCapital Corporation shareholders' equity	$ 539,133	$ 447,851	$ 517,031	$ 446,491	$ 422,500	$ 399,815	$ 233,890
Less: preferred stock	114,068	89,399	114,068	89,193	88,400	87,631	
Less: goodwill and intangible assets, net	46,877	48,807	47,265	49,321	51,496	36,568	37,307
Tangible common equity	378,188	309,645	355,698	307,977	282,604	275,616	196,583
Total assets	5,787,557	5,404,364	5,700,020	5,313,405	4,570,769	3,951,996	3,182,863
Less: goodwill and intangible assets, net	46,877	48,807	47,265	49,321	51,496	36,568	37,307
Tangible assets	5,740,680	5,355,557	5,652,755	5,264,084	4,519,273	3,915,428	3,145,556
Equity to assets	9.32%	8.29%	9.07%	8.40%	9.24%	10.12%	7.35%
Tangible common equity to tangible assets	6.59%	5.78%	6.29%	5.85%	6.25%	7.04%	6.25%

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UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

The following unaudited pro forma condensed combined financial statements are based on the separate historical financial statements of Hilltop and PlainsCapital after giving effect to the merger and the issuance of Hilltop common stock in connection therewith, and the assumptions and adjustments described in the accompanying notes to the unaudited pro forma condensed combined financial statements. The unaudited pro forma condensed combined balance sheet as of March 31, 2012 is presented as if the merger with PlainsCapital had occurred on March 31, 2012. The unaudited pro forma condensed combined income statements for the year ended December 31, 2011 and the three months ended March 31, 2012 are presented as if the merger had occurred on January 1, 2011. The historical consolidated financial information has been adjusted to reflect factually supportable items that are directly attributable to the merger and, with respect to the income statements 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 identifiable long-lived tangible and identifiable intangible assets of PlainsCapital. Accordingly, the unaudited pro forma adjustments, including the allocations of the purchase price, are preliminary and have been made solely for the purpose of providing unaudited pro forma condensed combined financial information.

A final determination of the acquisition consideration and fair values of PlainsCapital's assets and liabilities, which cannot be made prior to the completion of the merger, will be based on the actual net tangible and intangible assets of PlainsCapital that exist as of the date of completion of the transaction. Consequently, amounts preliminarily allocated to goodwill and identifiable intangibles could change significantly from those allocations used in the unaudited pro forma condensed combined 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 PlainsCapital following the completion of the merger, Hilltop anticipates that nonrecurring charges, such as costs associated with systems implementation, severance, 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 joint proxy statement/prospectus. However, these charges could affect the results of operations of Hilltop and PlainsCapital, as well as those of the combined company following the completion of the merger, in the period in which they are recorded. 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 transaction, as they are nonrecurring in nature and not factually supportable at the time that the unaudited pro forma condensed combined financial statements were prepared. Additionally, the unaudited pro forma adjustments do not give effect to any nonrecurring or unusual restructuring charges that may be incurred as a result of the integration of the two companies or any anticipated disposition of assets that may result from such integration. Transaction-related expenses estimated at $13.1 million are not included in the unaudited pro forma condensed combined income statements.

The actual amounts recorded as of the completion of the 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 PlainsCapital's operations between the signing of the merger agreement and completion of the merger;

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- the timing of the completion of the merger;
- other changes in PlainsCapital'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 change the future discounted cash flow projections.

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 adjustments required 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, 2011, included in Hilltop's Annual Report on Form 10-K for the year ended December 31, 2011;
- PlainsCapital's separate audited historical consolidated financial statements and accompanying notes as of and for the year ended December 31, 2011, included in this joint proxy statement/prospectus beginning on page F-1;
- Hilltop's separate unaudited historical consolidated financial statements and accompanying notes as of and for the three months ended March 31, 2012 included in Hilltop's Quarterly Report on Form 10-Q for the three months ended March 31, 2012;
- PlainsCapital's separate unaudited historical consolidated financial statements and accompanying notes as of and for the three months ended March 31, 2012, included in this joint proxy statement/prospectus beginning on page F-1; and
- other information pertaining to Hilltop and PlainsCapital contained in or, with respect to Hilltop, incorporated by reference into this joint proxy statement/prospectus. See "Selected Consolidated Historical Financial Data of Hilltop" and "Selected Consolidated Historical Financial Data of PlainsCapital" included elsewhere in this joint proxy statement/prospectus.

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HILLTOP HOLDINGS INC. UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET AS OF MARCH 31, 2012

	Historical		Pro Forma	Pro Forma	
	Hilltop	PlainsCapital	Adjustments	Combined	Notes
	(In thousands)				
Assets:					
Cash, cash equivalents, and amounts due from banks	$ 579,639	$ 244,864	$ (336,840)	$ 487,663	A
Federal funds sold and securities purchased under agreements to resell		19,858		19,858	
Investments in securities:					
Trading		66,804		66,804	
Available for sale	162,961	616,609	(4,061)	775,509	B
Held to maturity		175,647	6,090	181,737	C
Total investments in securities	162,961	859,060	2,029	1,024,050	
Other investments	56,560			56,560	
Loans		3,269,255	(86,588)	3,182,667	D
Loans held for sale		853,801		853,801	
Broker-dealer and clearing organization receivables		196,990		196,990	
Premiums receivable	25,197			25,197	
Fee award receivable		17,706		17,706	
Deferred acquisition costs	19,395			19,395	
Reinsurance recoverable	25,932			25,932	
Intangible assets	8,765	10,997	75,903	95,665	E
Goodwill	23,988	35,880	176,452	236,320	F
Property and equipment	2,139	92,335	26,430	120,904	G
Other real estate owned		23,590	(9,015)	14,575	H
Other assets	19,734	163,221	47,832	230,787	I
Total assets	$ 924,310	$ 5,787,557	$ (103,797)	$ 6,608,070	
Liabilities:					
Deposits	$	$ 4,168,776	$ 7,073	$ 4,175,849	J
Broker-dealer and clearing organization payables		220,012		220,012	
Short-term borrowings		606,774		606,774	
Reserve for losses and loss adjustment expenses	47,861			47,861	
Unearned premiums	82,796			82,796	
Notes payable	131,450	51,828		183,278	
Junior subordinated debentures		67,012		67,012	
Other liabilities	10,906	132,193	31,896	174,995	K
Total liabilities	273,013	5,246,595	38,969	5,558,577	
Stockholders' Equity:					
Preferred stock		114,068		114,068	L
Common stock	564	32	241	837	M
Additional paid-in capital	917,165	159,835	126,764	1,203,764	N
Accumulated other comprehensive income	10,582	4,857	(4,857)	10,582	O
Accumulated earnings (deficit)	(277,014)	262,411	(266,984)	(281,587)	P
Unearned ESOP shares		(2,070)	2,070		Q
Total stockholders' equity before noncontrolling interest	651,297	539,133	(142,766)	1,047,664	
Noncontrolling interest		1,829		1,829	
Total stockholders' equity	651,297	540,962	(142,766)	1,049,493	

Total liabilities and stockholders' equity	$	924,310	$	5,787,557	$	(103,797)	$ 6,608,070

See accompanying Notes to Unaudited Pro Forma Condensed Financial Statements.

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HILLTOP HOLDINGS INC. UNAUDITED PRO FORMA CONDENSED COMBINED INCOME STATEMENT FOR THE THREE MONTHS ENDED MARCH 31, 2012

	Historical		Pro Forma	Pro Forma	
	Hilltop	PlainsCapital	Adjustments	Combined	Notes
	(In thousands, except per share data)				
Interest income:					
Loans, including fees	$	$ 48,600	$ 982	$ 49,582	R
Net investment and other interest income	3,259	7,956	(202)	11,013	S
Total interest income	3,259	56,556	780	60,595	
Interest expense:					
Deposits		5,265		5,265	
Short-term borrowings		428		428	
Notes payable	2,139	723		2,862	
Junior subordinated debentures		648		648	
Other interest expense		283		283	
Total interest expense	2,139	7,347		9,486	
Net interest income	1,120	49,209	780	51,109	
Provision for loan losses		2,221	342	2,563	T
Net interest income after provision for loan losses	1,120	46,988	438	48,546	
Noninterest income:					
Net gains from sale of loans		99,718		99,718	
Mortgage loan origination fees		18,325		18,325	
Investment advisory and securities brokerage fees and commissions		24,595		24,595	
Net premiums earned	35,155			35,155	
Other noninterest income	1,732	7,468		9,200	
Total noninterest income	36,887	150,106		186,993	
Noninterest expense:					
Loss and loss adjustment expenses	22,542			22,542	
Policy acquisition and other underwriting expenses	12,915			12,915	
Employees' compensation and benefits	2,220	105,774		107,994	
Occupancy & equipment	271	17,082		17,353	
General and administrative and other expenses	(486)	41,246	3,407	44,167	U
Total noninterest expense	37,461	164,102	3,407	204,970	
Income before income tax expense	546	32,992	(2,969)	30,569	
Income tax expense	203	11,254	(1,069)	10,388	V
Net Income	343	21,738	(1,900)	20,181	
Less: net income attributable to noncontrolling interest		481		481	
Less: dividends on preferred stock and other		1,094		1,094	
Net income attributable to common stockholders	$ 343	$ 20,163	$ (1,900)	$ 18,606	
Net income per share attributable to common stockholders:					
Basic	$ 0.01	$ 0.61		$ 0.22	
Diluted	$ 0.01	$ 0.59		$ 0.22	
Weighted average common shares outstanding:					
Basic	56,499	32,991	(5,670)	83,820	
Diluted	56,555	33,924	(6,603)	83,876	

See accompanying Notes to Unaudited Pro Forma Condensed Financial Statements.

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HILLTOP HOLDINGS INC. UNAUDITED PRO FORMA CONDENSED COMBINED INCOME STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2011

	Historical		Pro Forma	Pro Forma	
	Hilltop	PlainsCapital	Adjustments	Combined	Notes
	(In thousands, except per share data)				
Interest income:					
Loans, including fees	$	$ 180,209	$ 3,457	$ 183,666	R
Net investment and other interest income	10,538	39,234	(808)	48,964	S
Total interest income	10,538	219,443	2,648	232,629	
Interest expense:					
Deposits		28,172		28,172	
Short-term borrowings		1,700		1,700	
Notes payable	8,985	3,141		12,126	
Junior subordinated debentures		2,502		2,502	
Other interest expense		997		997	
Total interest expense	8,985	36,512		45,497	
Net interest income	1,553	182,931	2,648	187,132	
Provision for loan losses		21,757	(12,757)	9,000	T
Net interest income after provision for loan losses	1,553	161,174	15,405	178,132	
Noninterest income:					
Net gains from sale of loans		293,469		293,469	
Mortgage loan origination fees		72,351		72,351	
Investment advisory and securities brokerage fees and commissions		92,101		92,101	
Net premiums earned	134,048			134,048	
Other noninterest income	7,602	19,837		27,439	
Total noninterest income	141,650	477,758		619,408	
Noninterest expense:					
Loss and loss adjustment expenses	96,734			96,734	
Policy acquisition and other underwriting expenses	47,425			47,425	
Employees' compensation and benefits	7,714	348,121		355,835	
Occupancy & equipment	958	64,682		65,640	
General and administrative and other expenses	1,911	141,215	12,880	156,006	U
Total noninterest expense	154,743	554,018	12,880	721,641	
Income before income tax expense	(11,540)	84,914	2,525	75,899	
Income tax expense	(5,009)	30,068	909	25,968	V
Net Income	(6,531)	54,846	1,616	49,931	
Less: net income attributable to noncontrolling interest		1,650		1,650	
Less: dividends on preferred stock and other		7,488		7,488	
Net income attributable to common stockholders	$ (6,531)	$ 45,708	$ 1,616	$ 40,793	
Net income per share attributable to common stockholders:					
Basic	$ (0.12)	$ 1.39		$ 0.49	
Diluted	$ (0.12)	$ 1.36		$ 0.49	
Weighted average common shares outstanding:					
Basic	56,499	32,851	(5,530)	83,820	
Diluted	56,511	33,493	(6,172)	83,832	

See accompanying Notes to Unaudited Pro Forma Condensed 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, 2012 and the unaudited pro forma condensed combined income statements for the three months ended March 31, 2012 and the year ended December 31, 2011 are based on the historical financial statements of Hilltop and PlainsCapital after giving effect to the completion of the merger and the assumptions and adjustments described in the accompanying notes. It does not reflect cost savings or operating synergies expected to result from the merger, 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 transaction will be accounted for under the acquisition method of accounting in accordance with Accounting Standards Codification ("ASC") Topic 805, *Business Combinations* ("ASC 805"). 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 acquisition 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.

Under ASC 805, 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 excess of the acquisition consideration over the fair value of assets acquired and liabilities assumed, if any, is allocated to goodwill. Changes in deferred tax asset valuation allowances and income tax uncertainties after the acquisition date generally affect income tax expense. Subsequent to the completion of the merger, Hilltop and PlainsCapital 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 Acquisition Consideration

On May 8, 2012, Hilltop entered into a definitive agreement and plan of merger with PlainsCapital and Meadow Corporation, pursuant to which PlainsCapital will merge with and into Meadow Corporation and become a subsidiary of Hilltop. The purchase consideration to PlainsCapital shareholders includes approximately 27.3 million shares of Hilltop common stock, 114,068 shares of Hilltop preferred stock, and approximately $317 million of cash. At the closing (as defined in the merger agreement) each outstanding share of PlainsCapital common stock will be converted into the right to receive 0.776 shares of Hilltop common stock and $9.00 in cash (collectively, the "Merger Consideration"), subject to certain adjustments. Each outstanding and unexercised option to purchase shares of PlainsCapital common stock will vest in full and the holder thereof will be entitled to receive the Merger Consideration in respect of each share of PlainsCapital common stock underlying such stock option, less the applicable exercise price and withholding taxes. Each outstanding PlainsCapital restricted stock unit and share of PlainsCapital restricted common stock will vest in full and will be converted into the right to receive the Merger Consideration, less applicable withholding taxes. Each share of PlainsCapital Series C preferred stock will be converted into one share of preferred stock of Hilltop having the same rights, preferences, privileges, voting powers, limitations, and restrictions as the PlainsCapital Series C preferred stock.

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Based on PlainsCapital's estimated shares of common stock and equity awards outstanding as of August 3, 2012, and assuming that all equity awards are vested and exercised as of the closing of the merger, the preliminary estimated acquisition consideration is as follows (in thousands):

Preliminary Estimated Acquisition Consideration

Number of shares of PlainsCapital common stock outstanding at March 31, 2012	32,255	
Escrow common shares expected to be issued prior to closing of the merger(1)	1,042	
Restricted stock units that will vest upon closing of the merger	939	
Restricted shares that will vest upon closing of the merger	453	
Stock options that will vest and be exercised prior to closing of the merger	519	
Total PlainsCapital common stock upon closing of the merger	35,208	
Per share exchange ratio	0.776	
Number of shares of Hilltop common stock as exchanged	27,321	
Multiplied by Hilltop common stock price on August 1, 2012	$ 10.50	
Estimated fair value of Hilltop common stock issued		$ 286,872
Estimated fair value of Hilltop preferred stock issued		114,068
Estimated cash distribution to PlainsCapital common stockholders(2)		316,870
Total Preliminary Estimated Acquisition Consideration		$ 717,810

(1) Escrow common shares expected to be issued represent the estimated number of PlainsCapital shares that will be released from escrow and delivered to former First Southwest stockholders under the terms of its December 2008 merger agreement with PlainsCapital and is based on the estimated fair value of certain auction rate securities.

(2) The estimated cash distribution to PlainsCapital common shareholders equals the cash portion of the Merger Consideration of $9.00, multiplied by the total PlainsCapital common stock upon closing of the merger.

3. Preliminary Estimated Acquisition Consideration Allocation

Under the acquisition method of accounting, the total acquisition consideration is allocated to the acquired tangible and intangible assets and assumed liabilities of PlainsCapital based on their estimated fair values as of the closing of the merger. The excess of the acquisition consideration over the fair value of assets acquired and liabilities assumed, if any, is allocated to goodwill.

The allocation of the estimated acquisition 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 acquisition consideration allocation unaudited pro forma adjustments will remain preliminary until Hilltop management determines the final acquisition consideration and the fair values of assets acquired and liabilities assumed. The final determination of the acquisition consideration allocation is anticipated to be completed as soon as practicable after the completion of the merger and will be based on the value of the Hilltop share price at the closing of the transaction. 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.

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The total preliminary estimated acquisition consideration as shown in the table above is allocated to PlainsCapital's tangible and intangible assets and liabilities as of March 31, 2012 based on their preliminary estimated fair values as follows (in thousands):

Preliminary Estimated Acquisition Consideration Allocation

Cash, cash equivalents, and amounts due from banks	$	230,470
Federal funds sold and securities purchased under agreements to resell		19,858
Investment securities		861,089
Loans held for sale		853,801
Loans		3,182,667
Broker-dealer and clearing organization receivables		196,990
Fee award receivable		17,706
Property and equipment		118,765
Other real estate owned		14,575
Other assets		210,050
Deposits		(4,175,849)
Broker-dealer and clearing organization payables		(220,012)
Short-term borrowings		(606,774)
Notes payable		(51,828)
Junior subordinated debentures		(67,012)
Other liabilities		(164,089)
Noncontrolling interest		(1,829)
Intangible assets		86,900
Goodwill		212,332
Preliminary Estimated Acquisition Consideration	$	717,810

Approximately $86.9 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*, or "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 criterion or the contractual-legal criterion described in ASC 805. The preliminary allocation to intangible assets is as follows (dollar amounts in thousands):

			Estimated Useful Life (Years)
Core deposit intangible	$	42,700	9
Customer contracts and relationships		14,500	14
Non-compete agreements		14,100	5
Trademarks and trade names		12,000	23
Internally-developed software		3,600	3
Total intangible assets	$	86,900	

Goodwill. Goodwill represents the excess of the preliminary estimated acquisition consideration over the preliminary fair value of the underlying net tangible and intangible assets. Among the factors

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that contributed to a purchase price in excess of the fair value of the net tangible and intangible assets are the skill sets, operations, customer base and organizational cultures that can be leveraged to enable the combined company to build an enterprise greater than the sum of its parts. In accordance with ASC Topic 350, *Intangibles Goodwill and Other*, goodwill will not be amortized, but instead will be tested for impairment at least annually and whenever events or circumstances have occurred that may indicate a possible impairment. In the event management determines that the value of goodwill has become impaired, the combined company will incur an accounting charge for the amount of the impairment during the period in which the determination is made.

4. Preliminary Unaudited Pro Forma and Acquisition Accounting Adjustments

The unaudited pro forma financial information is not necessarily indicative of what the financial position actually would have been had the merger been completed at the date indicated, 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 merger.

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 PlainsCapital. 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 PlainsCapital	$	(316,870)
	To reflect cash proceeds to PlainsCapital from assumed stock option exercises, immediately prior to closing of the merger		5,374
	To reflect cash paid by PlainsCapital to settle executive compensation obligations		(12,267)
	To reflect cash used to pay estimated transaction costs of Hilltop		(5,577)
	To reflect cash used to pay estimated transaction costs of PlainsCapital		(7,500)
		$	(336,840)
B	Adjustment to available for sale investments		
	To reflect estimated fair value at acquisition date	$	(4,061)
C	Adjustment to held to maturity investments		
	To reflect estimated fair value at acquisition date	$	6,090
D	Adjustment to loans		
	To reflect estimated fair value at acquisition date	$	(86,588)
E	Adjustments to intangible assets		
	To eliminate PlainsCapital historical acquired intangible assets	$	(10,997)
	To record the estimated fair value of acquired identifiable intangible assets		86,900
		$	75,903
F	Adjustments to goodwill		
	To eliminate PlainsCapital historical acquired goodwill	$	(35,880)
	To reflect the goodwill associated with the PlainsCapital acquisition		212,332
		$	176,452

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G	Adjustment to property and equipment		
	To reflect estimated fair value at acquisition date	$	26,430
H	Adjustment to other real estate owned		
	To reflect estimated fair value at acquisition date	$	(9,015)
I	Adjustments to other assets		
	To reflect acquired current tax recoverable from estimated transaction costs of PlainsCapital	$	1,350
	To reflect current tax recoverable from estimated transaction costs of Hilltop		1,004
	To reflect deferred tax asset changes resulting from pro forma adjustments		45,478
		$	47,832
J	Adjustment to deposits		
	To reflect estimated fair value at acquisition date	$	7,073
K	Adjustments to other liabilities		
	To eliminate contingent liability related to First Southwest escrow shares	$	(13,273)
	To reflect liability for change in control payments due under existing contracts		13,404
	To reflect cash paid by PlainsCapital to settle executive compensation obligations		(12,267)
	To reflect liability for indemnification reserve		5,000
	To reflect deferred tax liability changes resulting from pro forma adjustments		39,032
		$	31,896
L	Adjustments to preferred stock		
	To eliminate PlainsCapital historical preferred stock	$	(114,068)
	To reflect the issuance of Hilltop preferred stock, at fair value		114,068
		$	
M	Adjustments to common stock		
	To eliminate PlainsCapital historical common stock	$	(32)
	To reflect the issuance of Hilltop common stock to PlainsCapital shareholders		273
		$	241
N	Adjustments to additional paid-in capital		
	To eliminate PlainsCapital historical additional paid-in capital	$	(159,835)
	To reflect the issuance of Hilltop common stock to PlainsCapital shareholders		286,599
		$	126,764
O	Adjustment to accumulated other comprehensive income		
	To eliminate PlainsCapital historical accumulated other comprehensive income	$	(4,857)
P	Adjustments to accumulated deficit		
	To eliminate PlainsCapital retained earnings	$	(262,411)
	To reflect estimated transactions costs of Hilltop, net of tax		(4,573)
		$	(266,984)
Q	Adjustment to unearned ESOP shares		
	To reflect vesting of PlainsCapital unearned ESOP shares	$	2,070

Pursuant to the acquisition method of accounting, the final acquisition consideration will be based on the price of Hilltop's common stock immediately prior to the effective time of the merger. A 20% difference in per share price at the closing of the merger compared to the amount used in these unaudited pro forma condensed combined financial statements would increase or decrease total acquisition consideration and goodwill by approximately $57 million.

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Income Statements

		Three Months Ended March 31, 2012	Year Ended December 31, 2011
R	Adjustment to loan interest income		
	To reflect amortization of loan discounts resulting from loan fair value pro forma adjustment	$ 982	$ 3,457
S	Adjustment to net investment and other interest income		
	To reflect foregone interest resulting from pro forma cash adjustments	$ (202)	$ (808)
T	Adjustment to provision for loan losses		
	To reflect changes to loan loss provision	$ 342	$ (12,757)
U	Adjustments to general and administrative and other expenses		
	To eliminate PlainsCapital historical amortization expense	$ (388)	$ (2,100)
	To reflect amortization of acquired intangible assets	2,600	10,200
	To reflect additional depreciation expense resulting from property and equipment pro forma adjustment	1,195	4,780
		$ 3,407	$ 12,880
V	Adjustment to income tax expense		
	To reflect the income tax effect of pro forma adjustments R - U at Hilltop's estimated combined statutory tax rate of 36%	$ (1,069)	$ 909

Note that the estimated transaction costs included as part of the unaudited pro forma condensed combined balance sheet as of March 31, 2012, have not been included in the above unaudited pro forma condensed combined income statements.

5. Earnings per Common Share

Unaudited pro forma earnings per common share for the three months ended March 31, 2012 and for the year ended December 31, 2011 have been calculated using Hilltop's historic weighted average common shares outstanding plus the common shares assumed to be issued to PlainsCapital shareholders per the merger agreement.

The following table sets forth the calculation of basic and diluted unaudited pro forma earnings per common share for the three months ended March 31, 2012 and the year ended December 31, 2011 (in thousands, except per share data).

	Three Months Ended March 31, 2012		Year Ended December 31, 2011	
	Basic	Diluted	Basic	Diluted
Pro forma net income	$ 18,606	$ 18,606	$ 40,793	$ 40,793
Weighted average common shares outstanding:				
Historic Hilltop	56,499	56,555	56,499	56,511
Common shares issued to PlainsCapital	27,321	27,321	27,321	27,321
Pro forma	83,820	83,876	83,820	83,832
Pro forma net income per common share	$ 0.22	$ 0.22	$ 0.49	$ 0.49

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UNAUDITED COMPARATIVE PER SHARE DATA

The following table sets forth for Hilltop common stock and PlainsCapital common stock certain historical, pro forma and pro forma-equivalent per share financial information. The pro forma and pro forma-equivalent per share information gives effect to the merger and the planned conversion of the outstanding PlainsCapital Series C preferred stock into shares of a new series of Hilltop preferred stock with equivalent rights and preferences as if such transactions had been effective on the dates presented, in the case of the book value data, and as if the transactions had become effective on January 1, 2011, in the case of the net income and dividends declared data.

The unaudited pro forma per share data in the tables assume that the merger is accounted for using the acquisition method of accounting and represents a current estimate based on available information of the combined company's results of operations. The unaudited pro forma condensed combined financial statement adjustments record the assets and liabilities of PlainsCapital at their estimated fair values and are subject to adjustment as additional information becomes available and as additional analyses are performed. See "Unaudited Pro Forma Condensed Combined Financial Statements" included elsewhere in this joint proxy statement/prospectus. The information in the following table is based on, and should be read together with, the historical financial information that Hilltop presented in its prior filings with the SEC and that Hilltop and PlainsCapital have included in this joint proxy statement/prospectus. See "Where You Can Find More Information" included elsewhere in this joint proxy statement/prospectus.

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 Comparative Per Share Data Table for the three months ended March 31, 2012 and the year ended December 31, 2011 combines the historical income per share data of Hilltop and subsidiaries and PlainsCapital and subsidiaries after giving effect to the transactions contemplated by the merger agreement as if such transactions had become effective on January 1, 2011. 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 PlainsCapital will be reflected in the consolidated financial statements of Hilltop on a prospective basis.

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	Hilltop Historical	PlainsCapital Historical	Pro Forma Combined	Per Equivalent PlainsCapital Share(2)
Income (loss) from operations for the year ended December 31, 2011:				
Basic earnings (loss) per share	$ (0.12)	$ 1.39	$ 0.49	$ 0.38
Diluted earnings (loss) per share	$ (0.12)	$ 1.36	$ 0.49	$ 0.38
Dividends paid for the year ended December 31, 2011:	$	$ 0.24	$ 0.10	$ 0.08
Book value per share as of December 31, 2011:	$ 11.60	$ 12.70	N/A	N/A
Tangible book value per share as of December 31, 2011:	$ 11.01	$ 11.21	N/A	N/A
Income from operations for the three months ended March 31, 2012:				
Basic earnings per share	$ 0.01	$ 0.61	$ 0.22	$ 0.17
Diluted earnings per share	$ 0.01	$ 0.59	$ 0.22	$ 0.17
Dividends paid for the three months ended March 31, 2012:	$	$ 0.06	$ 0.02	$ 0.02
Book value per share as of March 31, 2012:	$ 11.56	$ 13.26	$ 11.16	$ 8.66
Tangible book value per share as of March 31, 2012(1):	$ 10.97	$ 11.79	$ 7.19	$ 5.58

(1) Please see " Hilltop Non-GAAP to GAAP Reconciliation and Mangement's Explanation of Non-GAAP Financial Measures" and " PlainsCapital Non-GAAP to GAAP Reconciliation and Mangement's Explanation of Non-GAAP Financial Measures" for a reconciliation of each company's tangible book value per common share to book value per common share.

(2) The per equivalent PlainsCapital share data is based only on the 0.776 shares of Hilltop common stock to be issued to PlainsCapital shareholders as the stock portion of the merger consideration for each share of PlainsCapital common stock and does not give effect to the $9.00 in cash to be received by PlainsCapital shareholders as the cash portion of the merger consideration for each share of PlainsCapital common stock.

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RECENT DEVELOPMENTS

On August 3, 2012, PlainsCapital announced its results of operations for the quarter ended June 30, 2012. The following is a summary of PlainsCapital's unaudited results for the three and six months ended June 30, 2012 and 2011. This summary is not intended to be a comprehensive statement of PlainsCapital's unaudited financial results for these periods. Full financial results will be included in PlainsCapital's Quarterly Report on Form 10-Q for the period ended June 30, 2012.

The following table presents certain data from PlainsCapital's consolidated results of operations for the three and six months ended June 30, 2012 and 2011 (in thousands, except per share amounts):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Net interest income	$ 49,985	$ 45,185	$ 99,194	$ 87,610
Provision for loan losses	3,419	7,238	5,640	13,738
Noninterest income	168,419	107,589	318,525	192,929
Noninterest expense	172,791	121,930	336,893	230,971
Income before income taxes	42,194	23,606	75,186	35,830
Income tax provision	15,962	7,992	27,216	12,500
Consolidated net income	$ 26,232	$ 15,614	$ 47,970	$ 23,330
Diluted earnings per common share	$ 0.72	$ 0.42	$ 1.32	$ 0.60
Dividends per common share	$ 0.06	$ 0.05	$ 0.12	$ 0.10

PlainsCapital announced consolidated net income for the second quarter of 2012 of $26.2 million, a 68% increase over its second quarter 2011 earnings of $15.6 million. On a per share basis, earnings were $0.72 per diluted common share for the three months ended June 30, 2012, compared to $0.42 per diluted common share reported for the quarter ended a year earlier. Consolidated net income for the six months ended June 30, 2012 was $48.0 million, a 106% increase over earnings of $23.3 million for the six months ended June 30, 2011. On a per share basis, earnings were $1.32 per diluted share for the first six months of 2012, compared to $0.60 per diluted share reported for the six-month period ended June 30, 2011. Returns on average assets and average shareholders' equity for the six months ended June 30, 2012 were 1.63% and 17.38%, respectively, compared to 0.87% and 10.28% for the six months ended June 30, 2011.

Net interest income increased $4.8 million for the second quarter of 2012, from $45.2 million in the second quarter of 2011 to $50.0 million in the second quarter of 2012, and $11.6 million for the six months ended June 30, 2012, from $87.6 million in the first half of 2011 to $99.2 million in the first half of 2012. The increase for both periods was due to increases in average loan volumes within PlainsCapital's banking segment and decreases in market interest rates paid on deposits.

The provision for loan losses was $3.4 million and $5.6 million for the three and six months ended June 30, 2012, respectively. Provision for loan losses decreased by $3.8 million for the second quarter of 2012 and $8.1 million for the six months ended June 30, 2012 compared with the corresponding periods in 2011. The decrease was primarily a result of a decrease in non-performing loans during the first half of 2012 compared with the first half of 2011 resulting from the improving economic and financial environment for banking in Texas.

Noninterest income was $168.4 million for the second quarter of 2012 compared with $107.6 million for the second quarter of 2011, an increase of $60.8 million. Noninterest income was $318.5 million for the six months ended June 30, 2012 compared with $192.9 million for the six months ended June 30, 2011, an increase of $125.6 million. The increase for both periods was primarily due to

increased mortgage loan origination volume, which increased 58% during the second quarter of 2012 and 67% during the six months ended June 30, 2012 compared with the corresponding periods in 2011. The increased mortgage loan origination volume resulted from PrimeLending's efforts to add staff and open mortgage banking offices in recent years, in addition to a more favorable interest rate environment in the first half of 2012, compared to the same period in 2011. The increased mortgage origination volume led to higher combined net gains on the sale of mortgage loans and mortgage loan origination fees during the first half of 2012. PrimeLending expects its rate of mortgage loan origination volume growth to moderate throughout the remainder of 2012.

Noninterest expense was $172.8 million for the second quarter of 2012 compared with $121.9 million for the second quarter of 2011, an increase of $50.9 million. Noninterest expense was $336.9 million for the six months ended June 30, 2012, compared with $231.0 million for the same period in 2011, an increase of $105.9 million. The largest component of the increase was employees' compensation and benefits, which increased primarily due to higher variable costs for commissions incurred by the mortgage origination segment as a result of an increase in the volume of mortgage loan originations during the first half of 2012 compared with the first half of 2011.

The following table presents certain balance sheet data for PlainsCapital as of June 30, 2012 and December 31, 2011 (in millions):

	June 30, 2012	December 31, 2011
Total assets	$ 5,846	$ 5,700
Loans, including loans held for sale	4,272	4,127
Deposits	3,953	4,246
PlainsCapital Corporation shareholders' equity	562	517

As of June 30, 2012, on a consolidated basis, PlainsCapital had total assets of approximately $5.8 billion, total loans, including loans held for sale, of approximately $4.3 billion, and shareholders' equity of approximately $0.6 billion. PlainsCapital had deposits of $4.0 billion at June 30, 2012, a decrease of $293 million compared with December 31, 2011. The decrease in deposits was due primarily to PlainsCapital's decision to replace certain maturing time deposits with lower cost sources of funding, including advances from the Federal Home Loan Bank.

As of June 30, 2012, PlainsCapital exceeded all regulatory capital requirements with a total capital to risk weighted assets ratio of 14.34%, Tier 1 capital to risk weighted assets ratio of 12.87% and a Tier 1 capital to average assets, or leverage, ratio of 10.17%.

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RISK FACTORS

In addition to the other information included and incorporated by reference in this document, Hilltop shareholders should consider the matters described below in determining whether to approve the issuance of Hilltop common stock to PlainsCapital shareholders as contemplated by the merger agreement and PlainsCapital shareholders should consider the matters described below in determining 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, PlainsCapital shareholders cannot be sure of the value of the merger consideration they will receive.

Upon completion of the merger, each share of PlainsCapital common stock will be converted into merger consideration consisting of $9.00 in cash and 0.776 of a share of Hilltop common stock, subject to certain adjustments. The market value of the merger consideration may vary from the closing price of Hilltop common stock on the date we announced the merger, on the date that this document was mailed to PlainsCapital shareholders, on the date of the special meeting of the PlainsCapital shareholders and on the date we complete the merger 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 PlainsCapital shareholders will receive upon completion of the merger. In addition, the aggregate merger consideration payable by Hilltop will not increase in the event that additional shares of PlainsCapital common stock are issued or become outstanding following the execution of the merger agreement, other than in connection with certain equity awards. As a result, if additional shares of PlainsCapital common stock are issued or become outstanding other than as permitted in the merger agreement, the per share merger consideration will decrease. Accordingly, at the time of the special meeting, PlainsCapital shareholders will not know or be able to calculate the value of the merger consideration they would receive upon completion of the merger. Neither company is permitted to terminate the merger agreement or resolicit the vote of its shareholders 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 our control. We urge you to obtain current market quotations for shares of Hilltop common stock before you vote your shares at the PlainsCapital special meeting.

We may fail to realize all of the anticipated benefits of the merger.

The success of the merger will depend, in part, on our ability to successfully combine the Hilltop and PlainsCapital organizations. If we are not able to achieve this objective, the anticipated benefits of the merger may not be realized fully or at all or may take longer than expected to be realized.

Hilltop and PlainsCapital have operated and, until the completion of the merger, will continue to operate, independently. It is possible that the acquisition of PlainsCapital by Hilltop could result in the loss of key employees and the disruption of each company's ongoing businesses. The companies may have difficulty addressing possible differences in corporate cultures and management philosophies. It is also possible that clients, customers, depositors and counterparties of PlainsCapital could choose to discontinue their relationships with the combined company post-merger because they prefer doing business with an independent company or for any other reason, which would adversely affect the future performance of the combined company. Transition efforts between the two companies will also divert management attention and resources. These transition matters could have an adverse effect on each of

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PlainsCapital and Hilltop during the pre-merger period and for an undetermined period after consummation of the merger.

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 PlainsCapital.

The businesses of Hilltop and PlainsCapital 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 PlainsCapital. 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 Holdings Inc." and the documents incorporated by reference in this document and referred to under "Where You Can Find More Information" included elsewhere in this joint proxy statement/prospectus. For a discussion of the business of PlainsCapital and of certain factors to consider in connection with PlainsCapital's business, see "Information About the Companies PlainsCapital Corporation" included elsewhere in this joint proxy statement/prospectus and the consolidated financial statements of PlainsCapital beginning on page F-1 of this joint proxy statement/prospectus.

The merger agreement limits Hilltop's and PlainsCapital's ability to pursue an alternative transaction and requires Hilltop or PlainsCapital to pay a termination fee of $17.5 million under limited circumstances relating to alternative acquisition proposals.

The merger agreement prohibits Hilltop and PlainsCapital from soliciting, initiating, endorsing or knowingly encouraging or facilitating certain alternative acquisition proposals with any third party, subject to exceptions set forth in the merger agreement. See "The Merger Agreement No Solicitation" included elsewhere in this joint proxy statement/prospectus. The merger agreement also provides for the payment by Hilltop or PlainsCapital of a termination fee in the amount of $17.5 million in the event that the other party terminates the merger agreement for certain reasons involving a material and adverse change in the recommendation of Hilltop's or PlainsCapital's board of directors, a failure of Hilltop's shareholders to approve the share issuance proposal or a termination of the merger agreement in certain circumstances followed by an acquisition of PlainsCapital 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 PlainsCapital or Hilltop from considering or proposing such an acquisition. Furthermore, if the merger agreement is terminated and PlainsCapital's board of directors seeks another party to acquire PlainsCapital, PlainsCapital shareholders cannot be certain that PlainsCapital will be able to find a party willing 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 joint proxy statement/prospectus.

The fairness opinions that Hilltop and PlainsCapital have obtained from Stephens and J.P. Morgan, respectively, have not been, and are 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 Hilltop and PlainsCapital by Stephens and J.P. Morgan, which are Hilltop's and PlainsCapital's respective financial advisors, regarding the fairness, from a financial point of view, of the consideration to be paid in connection with the merger, speak only as of May 8, 2012. Changes in the operations and prospects of Hilltop or PlainsCapital, general market and economic conditions and other factors which may be beyond the control of Hilltop and PlainsCapital, and on which the fairness opinions were based, may have altered the value of Hilltop or PlainsCapital or the market price of shares of Hilltop common stock as of the date of this document, or may alter such values and market price by the time the merger is completed. Stephens and J.P. Morgan do not have

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any obligation to update, revise or reaffirm their respective opinions to reflect subsequent developments, and have not done so. For a description of the opinions that Hilltop and PlainsCapital received from their respective financial advisors, please refer to "The Merger Opinion of Hilltop's Financial Advisor" included elsewhere in this joint proxy statement/prospectus and "The Merger Opinion of PlainsCapital's Financial Advisor" included elsewhere in this joint proxy statement/prospectus. For a description of the other factors considered by Hilltop's board of directors in determining to approve the merger, please refer to "The Merger Hilltop's Reasons for the Merger; Recommendation of the Hilltop Board of Directors" included elsewhere in this joint proxy statement/prospectus. For a description of the other factors considered by PlainsCapital's board of directors in determining to approve the merger, please refer to "The Merger PlainsCapital's Reasons for the Merger; Recommendation of the PlainsCapital Board of Directors" included elsewhere in this joint proxy statement/prospectus.

The merger is subject to the receipt of consents and approvals from government entities that may impose conditions that could have an adverse effect on the combined company following the merger.

Before the merger may be completed, various approvals or consents must be obtained from the Federal Reserve Board, the Texas Department of Banking and various other securities, antitrust, and other regulatory authorities. These government entities may impose conditions on the completion of the merger or require changes to the terms of the merger. Although Hilltop and PlainsCapital 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 completion of the merger or imposing additional costs on or limiting the revenues of the combined company following the merger, any of which might have an adverse effect on the combined company following the merger.

Hilltop's ability to engage in nonbanking activities may be adversely affected if it is unable to obtain financial holding company status.

Hilltop's existing insurance activities, which are conducted through NLASCO, its wholly owned subsidiary, and certain of PlainsCapital's existing activities, including its merchant banking activities, will be deemed impermissible activities for Hilltop under the Bank Holding Company Act as of the closing of the merger, and must be terminated or disposed of by the expiration of a two-year grace period or any extensions granted thereof. While these activities may be continued if Hilltop is able to elect to become a financial holding company under the Bank Holding Company Act, Hilltop may be unable to satisfy the financial holding company requirements prior to the expiration of the grace period, and activities, businesses or investments that would be permissible for a financial holding company but not for a bank holding company will need to be terminated or disposed of. This could adversely affect the business, results of operations or financial position of the combined company following the merger.

PlainsCapital will be subject to business uncertainties, and Hilltop and PlainsCapital 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 PlainsCapital and consequently on Hilltop. These uncertainties may impair PlainsCapital's ability to attract, retain and motivate key personnel until the merger is completed, and could cause customers and others that deal with PlainsCapital to seek to change existing business relationships with PlainsCapital. 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 the uncertainty or a desire not to remain with the business, Hilltop's business following the merger could be negatively impacted.

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In addition, the merger agreement restricts Hilltop and PlainsCapital from making certain acquisitions and taking other specified actions until the merger occurs without the consent of the other party. These restrictions may prevent Hilltop and PlainsCapital from pursuing attractive business opportunities that may arise prior to the completion of the merger. See "The Merger Agreement Covenants and Agreements Conduct of Business Prior to the Completion of the Merger" included elsewhere in this joint proxy statement/prospectus for a description of the restrictive covenants applicable to Hilltop and PlainsCapital.

In addition, PlainsCapital'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. Further, if the merger agreement is terminated because the PlainsCapital shareholders fail to approve the merger proposal and the termination fee is not otherwise payable pursuant to the merger agreement, PlainsCapital will be required to pay $5 million to Hilltop in respect of Hilltop's expenses in connection with the merger agreement.

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 the value of PlainsCapital common stock to decline.

The merger is subject to customary conditions to closing, including the receipt of required regulatory approvals and approvals of the Hilltop and PlainsCapital shareholders. If any condition to the merger is not satisfied or waived, to the extent permitted by law, the merger will not be completed. In addition, Hilltop and PlainsCapital may terminate the merger agreement under certain circumstances even if the merger is approved by PlainsCapital and Hilltop shareholders, including if the merger has not been completed on or before December 31, 2012 or if either party's board of directors recommends in favor of an alternative acquisition proposal. If Hilltop and PlainsCapital do not complete the merger, the trading price of Hilltop common stock on the NYSE and the value of PlainsCapital 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 PlainsCapital. For more information on closing conditions to the merger agreement, see "The Merger Agreement Conditions to Completion of the Merger" included elsewhere in this joint proxy statement/prospectus.

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

Current Hilltop shareholders have the right to vote in the election of the Hilltop board of directors and on other matters affecting Hilltop. Current PlainsCapital shareholders have the right to vote in the election of the PlainsCapital board of directors and on other matters affecting PlainsCapital. Immediately after the merger is completed, it is expected that, on a fully diluted basis, current Hilltop shareholders will own approximately 67%, and current PlainsCapital shareholders will own approximately 33%, of the outstanding shares of Hilltop common stock. As a result of the merger, current Hilltop shareholders will have less influence on the management and policies of Hilltop post-merger than they currently have, and current PlainsCapital shareholders will have less influence on the management and policies of Hilltop post-merger than they currently have with respect to PlainsCapital.

Current PlainsCapital shareholders may not receive dividends on the Hilltop common stock that they receive in the merger.

Hilltop has not historically paid cash dividends on its common stock. Hilltop has agreed to cause its board of directors to consider a policy for the payment of dividends on the Hilltop common stock,

subject to applicable law, and taking into account the level of dividends historically paid on the PlainsCapital common stock. However, any decision to approve such a policy, and any future declaration of dividends, will be at the discretion of the Hilltop board of directors and will depend on Hilltop's results of operations, financial condition, capital requirements, regulatory contractual restrictions, business strategy and other factors that the Hilltop board of directors deems relevant at that time. Current PlainsCapital shareholders may not continue to receive dividends on their common stock as holders of Hilltop common stock following completion of the merger at the same level as they receive today, or at all.

The financial analyses and forecasts considered by Hilltop and PlainsCapital and their respective financial advisors may not be realized, which may adversely affect the market price of Hilltop shares following the merger.

In performing their financial analyses and rendering their opinions regarding the fairness, from a financial point of view, of the merger consideration set forth in the merger agreement, each of the respective financial advisors to Hilltop and PlainsCapital independently reviewed and relied on, among other things, internal standalone and pro forma financial analyses and forecasts as separately provided to each respective financial advisor by Hilltop or PlainsCapital. See the sections titled "The Merger Certain Hilltop Prospective Financial Information" included elsewhere in this joint proxy statement/prospectus and "The Merger Certain PlainsCapital Prospective Financial Information" included elsewhere in this joint proxy statement/prospectus. The financial advisors assumed, at the direction of the board of directors of PlainsCapital (in the case of J.P. Morgan) and of Hilltop (in the case of Stephens Inc.), that such financial information was reasonably prepared on a basis reflecting the best currently available estimates and judgments of the management of PlainsCapital and Hilltop as to the future performance of their respective companies and that such future financial results will be achieved at the times and in the amounts projected by management of PlainsCapital and Hilltop. These analyses and forecasts were prepared by, or as directed by, the managements of Hilltop and PlainsCapital and were also considered by the board of directors of each of Hilltop and PlainsCapital. 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 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 Hilltop and PlainsCapital. Accordingly, Hilltop's and/or PlainsCapital'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.

Some of the executive officers and directors of PlainsCapital have interests in seeing the merger completed that are different from, or in addition to, those of the other PlainsCapital shareholders. Therefore, some of the executive officers and directors of PlainsCapital may have a conflict of interest in recommending the proposals being voted on at the PlainsCapital special meeting.

The executive officers of PlainsCapital may have arrangements that provide them with interests in the merger that are different from, or in addition to, those of shareholders of PlainsCapital generally. These interests include, among others, continued service by current PlainsCapital executive officers as executive officers of Hilltop or PlainsCapital following the merger, and payments to current PlainsCapital executive officers in connection with the merger. These interests may influence the executive officers of PlainsCapital to support or approve the proposals to be presented at the PlainsCapital special meeting.

In addition, certain directors of PlainsCapital may have interests in the merger that are different from, or in addition to, those of shareholders of PlainsCapital generally, including the accelerated vesting of certain equity awards and service as a director of Hilltop following the merger. These interests may influence the directors of PlainsCapital to support or approve the proposals to be presented at the PlainsCapital special meeting.

See "The Merger Interests of Certain Directors and Executive Officers in the Merger" included elsewhere in this joint 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 PlainsCapital is a party.

The completion of the merger may trigger change in control provisions in certain agreements to which PlainsCapital is a party. Such agreements include a line of credit provided by and term notes issued to JPMorgan Chase Bank, N.A. under which PlainsCapital's subsidiary, PlainsCapital Bank, had an aggregate of $39.5 million in indebtedness as of March 31, 2012. If PlainsCapital 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 PlainsCapital 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.

The shares of Hilltop common stock to be received by PlainsCapital shareholders as a result of the merger will have different rights from the shares of PlainsCapital common stock.

Upon completion of the merger, PlainsCapital shareholders will become Hilltop shareholders and their rights as shareholders will be governed by the Hilltop charter and the Hilltop bylaws. The rights associated with PlainsCapital common stock are different from the rights associated with Hilltop common stock. See "Comparison of Shareholders' Rights" included elsewhere in this joint proxy statement/prospectus for a discussion of the different rights associated with Hilltop common stock.

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

If the merger agreement is terminated, there may be various consequences. For example, PlainsCapital'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 PlainsCapital. If the merger agreement is terminated and PlainsCapital's board of directors seeks another merger or business combination, PlainsCapital shareholders cannot be certain that PlainsCapital will be able to find a party willing 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, PlainsCapital may be required to pay $5 million to Hilltop in respect of Hilltop's expenses in connection with the merger agreement or pay Hilltop a termination fee of $17.5 million, or Hilltop may be required to pay PlainsCapital a termination fee of $17.5 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 PlainsCapital 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 PlainsCapital 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.

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

Hilltop and PlainsCapital 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 PlainsCapital 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 is consummated, Hilltop will become a bank holding company pursuant to the Bank Holding Company Act and its operations will be limited to activities permissible by bank holding companies.

A bank holding company ("BHC") is subject to ongoing supervision, regulation, examination and enforcement by the Federal Reserve. This Federal Reserve jurisdiction also extends to any company that is directly or indirectly controlled by a BHC, such as subsidiaries and other companies in which the BHC has a controlling investment. If the merger is consummated, Hilltop will become a BHC and any legal entity that is deemed to control Hilltop also will be required to become a BHC.

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It is a policy of the Federal Reserve that a BHC should serve as a source of financial and managerial strength to the depository institutions that it controls. In furtherance thereof, the regulators may require certain financial and other actions by a BHC in support of controlled depository institutions including raising and contributing capital, even if such actions are not in the best interests of the BHC or its shareholders. The types of activities and investments that can be conducted, directly or indirectly, by a BHC are limited by applicable law to those that are generally related to the banking business. A BHC is generally not permitted to engage in commercial, manufacturing or industrial activities. The Gramm-Leach-Bliley Act expanded the universe of activities and investments permissible for those BHCs that meet certain criteria to qualify as a "financial holding company" that Hilltop intends to seek to meet. In general, a financial holding company may engage in activities that are (i) financial in nature or incidental to such financial activity or (ii) complementary to a financial activity. Permissible activities for a financial holding company include the activities permissible for a BHC, as well as: insurance agency and underwriting activities; financial, investment or economic advisory services; underwriting, dealing in or making a market in securities; and limited investing in non-financial companies subject to various restrictions. Because, upon consummation of the merger, Hilltop will become a BHC, regulators could require Hilltop to take certain financial and other actions in support of PlainsCapital Bank even if such actions are not in the best interests of the combined company or its shareholders and the activities and investments of Hilltop will be limited in the future as described above.

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

Hilltop and PlainsCapital have structured the merger to qualify as a reorganization within the meaning of Section 368(a) of the Code. Neither Hilltop nor PlainsCapital intends to request any ruling from the Internal Revenue Service as to the tax consequences of the exchange of shares of PlainsCapital common stock for shares of Hilltop common stock in the merger. If the merger fails to qualify as a reorganization, a PlainsCapital shareholder would generally recognize gain or loss for U.S. federal income tax purposes on each share of PlainsCapital common stock exchanged in the merger in an amount equal to the difference between that shareholder'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 PlainsCapital shareholder receives or may receive in exchange for each such share of PlainsCapital 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 joint proxy statement/prospectus.

The unaudited pro forma financial statements included in this document are presented for illustrative purposes only and may not be an indication of the combined company's financial condition or results of operations following the merger.

The unaudited pro forma financial statements contained in this document 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 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.

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Risk Factors Relating to PlainsCapital's Business

An adverse change in real estate market values may result in losses and otherwise adversely affect the profitability of the combined company following the merger.

As of December 31, 2011, approximately 40% of PlainsCapital's loan portfolio 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. The negative developments in the financial industry and economy as a whole over the past several years have adversely affected real estate market values generally and in PlainsCapital's market areas in Texas specifically and may continue to decline. A decline in real estate values could further impair the value of PlainsCapital's collateral and PlainsCapital's ability to sell the collateral upon any foreclosure. In the event of a default with respect to any of these loans, the amounts PlainsCapital receives upon sale of the collateral may be insufficient to recover the outstanding principal and interest on the loan. As a result, the profitability and financial condition of the combined company following the merger may be adversely affected by a further decrease in real estate market values.

PlainsCapital's allowance for loan losses may not be adequate to cover actual losses.

As a lender, PlainsCapital is exposed to the risk that it could sustain losses because borrowers, guarantors, and related parties may fail to perform in accordance with the terms of their loans. PlainsCapital has historically addressed this risk by maintaining an allowance for loan losses in an amount intended to cover management's estimate of losses inherent in the loan portfolio. As a result of the merger, the combined company will be required under generally accepted accounting principles to estimate the fair value of the loan portfolio after the consummation of the merger and write the portfolio down to that estimate. For most loans, this will mean computing the net present value of estimated cash flows to be received from borrowers. PlainCapital's allowance for loan losses that had been maintained will be eliminated in this accounting. A new allowance for loan losses will be established for loans made subsequent to consummation of the merger and for any subsequent decrease in the estimate of cash flows to be received from the loans held.

The estimate of fair value as of the consummation of the merger will be based on economic conditions at such time and on management's projections regarding both future economic conditions and the ability of PlainsCapital Bank's borrowers to continue to repay their loans. However, if management's assumptions and projections prove to be incorrect, the estimate of fair value may be higher than the actual fair value and the combined company 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 fair value and the allowance to cover current losses, no underwriting and credit monitoring policies and procedures that the combined company could adopt to address credit risk could provide complete assurance that there will not be unexpected losses. These losses could have a material adverse effect on the combined company's business, financial condition, results of operations and cash flows. In addition, federal regulators periodically evaluate the adequacy of the allowance for loan losses and may require the combined company to increase its provision for loan losses or recognize further loan charge-offs based on judgments different from those of management.

Negative developments in the financial industry and the domestic and international credit markets during the past several years may adversely affect our operations and results.

The U.S. and global economies have suffered a dramatic downturn during the past several years, which has negatively impacted many industries, including the financial industry. Although economic

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conditions have improved, certain sectors, such as real estate and manufacturing, remain weak and unemployment remains high.

As a result, commercial as well as consumer loan portfolio performances deteriorated at many financial institutions and have only recently begun to rebound, and the competition for deposits and quality loans has increased significantly. In addition, the values of real estate collateral supporting many commercial loans and home mortgages declined, which contributed to a greater degree of loan defaults. Financial institutions were also particularly impacted by the lack of liquidity and loss of confidence in the financial sector. These factors collectively had a negative impact on PlainsCapital's business, financial condition and results of operations. While market conditions are improving, there is no clear indication of the magnitude of any improvement, or its sustainability. Concerns about the European Union's sovereign debt crisis and the soundness of its banking system have also caused uncertainty for financial markets globally. Should these market conditions worsen or the U.S. or global economies suffer a future downturn, the credit quality of PlainsCapital's loan portfolio and the results of operations and financial condition of the combined company following the merger could be adversely affected.

In response to some of these concerns, and with the intent of preventing future crises, the federal government adopted significant new laws and regulations relating to financial institutions, including the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act"). Numerous other actions have been taken by the Federal Reserve Board, the U.S. Congress, the U.S. Department of the Treasury ("U.S. Treasury"), the FDIC, the SEC and others to address financial stability, and neither PlainsCapital nor Hilltop can predict the full effect of these actions or any future regulatory reforms. Negative developments in the financial industry and the domestic and international credit markets, and the impact of new or future legislation in response to those developments, may negatively impact PlainsCapital's operations by restricting its business operations, including its ability to originate or sell loans, price financial products and services and attract and retain experienced personnel, and adversely impact the combined company's financial performance.

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

PlainsCapital conducts its banking operations primarily in Texas. Substantially all of the real estate loans in PlainsCapital's loan portfolio are secured by properties located in Texas, with more than 75% secured by properties located in the Dallas/Fort Worth and Austin/San Antonio markets as of December 31, 2011. Likewise, substantially all of the real estate loans in PlainsCapital'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 2011, approximately 26% and 16% by dollar volume of PlainsCapital's mortgage loans originated were collateralized by properties located in Texas and California, respectively. PlainsCapital's businesses are affected by general economic conditions such as inflation, recession, unemployment and many other factors beyond its control. Adverse economic conditions in Texas may result in a reduction in the value of the collateral securing PlainsCapital's loans. Any regional or local economic downturn that affects Texas or existing or prospective property or borrowers in Texas may affect PlainsCapital and its profitability more significantly and more adversely than its competitors that are less geographically concentrated.

PlainsCapital's business is subject to interest rate risk, and fluctuations in interest rates may adversely affect the earnings, capital levels and overall results of the combined company following the merger.

The majority of PlainsCapital's assets are monetary in nature and, as a result, PlainsCapital is subject to significant risk from changes in interest rates. Changes in interest rates may impact PlainsCapital's net interest income as well as the valuation of its assets and liabilities. PlainsCapital's

earnings are significantly dependent on its 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. PlainsCapital expects to periodically experience "gaps" in the interest rate sensitivities of its assets and liabilities, meaning that either its interest-bearing liabilities will be more sensitive to changes in market interest rates than its interest-earning assets, or vice versa. In either event, if market interest rates should move contrary to PlainsCapital's position, this "gap" may work against it, and the earnings of the combined company 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 PlainsCapital'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 PlainsCapital'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 PlainsCapital'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 PlainsCapital's net yield on interest-earning assets, loan origination volume and its overall results.

Market interest rates are affected by many factors outside of PlainsCapital's control, including inflation, recession, unemployment, money supply, and international disorder and instability in domestic and foreign financial markets. PlainsCapital 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 its business. PlainsCapital 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 the earnings and capital levels and overall results of the combined company following the merger.

PlainsCapital 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.

PlainsCapital is subject to extensive federal and state regulation and supervision, including that of the Federal Reserve Board, the Texas Department of Banking, the FDIC, the Consumer Financial Protection Bureau ("CFPB"), the SEC and Financial Industry Regulatory Authority ("FINRA"). Banking regulations are primarily intended to protect depositors' funds, federal deposit insurance funds and the banking system as a whole, not shareholders. Likewise, regulations promulgated by FINRA are primarily intended to protect customers of broker-dealer businesses rather than shareholders. These regulations affect PlainsCapital's lending practices, capital structure, investment practices, dividend policy and growth, among other things. Failure to comply with laws, regulations or policies could result in sanctions by regulatory agencies, damages, civil money penalties or reputational damage, which could have a material adverse effect on the business, financial condition and results of operations of the combined company following the merger. There can be no assurance that such violations will not occur.

The U.S. Congress and federal regulatory agencies frequently revise banking and securities laws, regulations and policies. On July 21, 2010, President Obama signed into law the Dodd-Frank Act, which significantly alters the regulation of financial institutions and the financial services industry. The Dodd-Frank Act establishes the CFPB and requires the CFPB and other federal agencies to implement many provisions of the Dodd-Frank Act. PlainsCapital 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 PlainsCapital's business. Compliance with these new laws and

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regulations likely will result in additional costs, which could be significant and may adversely impact the results of operations, financial condition, and liquidity of the combined company following the merger.

During the second quarter of 2010, PlainsCapital Bank received its 2008 CRA Performance Evaluation from the Federal Reserve Board. The Federal Reserve Board lowered PlainsCapital Bank's overall Community Reinvestment Act ("CRA") rating from "satisfactory" to "needs to improve" as a result of alleged fair lending issues associated with PlainsCapital's mortgage origination segment in prior years. In the fourth quarter of 2011, PlainsCapital Bank received the results of its current CRA Performance Evaluation, which returned PlainsCapital Bank's CRA rating to "satisfactory." During such time as PlainsCapital Bank's CRA rating was "needs to improve," PlainsCapital could not commence new activities that were "financial in nature" or acquire companies engaged in these activities. In addition, a CRA rating of less than "satisfactory" adversely affected PlainsCapital Bank's ability to establish new branches. If PlainsCapital Bank fails to maintain its "satisfactory" rating, it would again be subject to these restrictions on its activities, acquisitions and ability to establish new branches.

Neither PlainsCapital nor Hilltop can predict whether or in what form any other proposed regulations or statutes will be adopted or the extent to which PlainsCapital's business may be affected by any new regulation or statute. Such changes could subject PlainsCapital'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 combined company may be unable to increase or maintain its level of qualified small business lending, which could subject the combined company to higher dividend rates on its outstanding preferred stock.

On September 27, 2011, PlainsCapital sold approximately $114.1 million of its Series C Preferred Stock to the Secretary of the Treasury pursuant to the Small Business Lending Fund (the "SBLF"), and such preferred stock will be exchanged for preferred stock of Hilltop in connection with the merger. The SBLF encourages participant banks to increase their lending to small businesses by offering banks reduced dividend rates on the senior preferred shares they issued to the Secretary of the Treasury if they meet certain thresholds of increased small business lending. If PlainsCapital and the combined company following the merger do not increase their qualified lending to small businesses from its "baseline" level, the combined company could become subject to higher dividend rates and penalties in the future. Until December 31, 2013, the dividend rate the combined company will pay on any outstanding shares of such preferred stock will fluctuate on a quarterly basis between one percent (1%) and five percent (5%) per annum, based upon changes in the level of qualified small business lending by PlainsCapital Bank against its baseline. From January 1, 2014 through March 26, 2016, if PlainsCapital and the combined company have not sufficiently increased their small business lending, the combined company may become subject to a dividend rate as high as seven percent (7%) per annum, and may be required to pay a dividend rate penalty of 0.5% per quarter. Beginning March 27, 2016, the dividend rate on any outstanding shares of such preferred stock will be fixed at nine percent (9%) per annum. The future demands for additional lending are unclear and uncertain, and the combined company's ability to make qualifying small business loans depends on a number of factors, many of which may be outside of its control. These factors include, among other things, general economic conditions, demand for loans, the effectiveness of its marketing efforts, the ability of borrowers to meet its lending standards, competition from other lenders, the lending policies of its competitors and regulatory restrictions. If PlainsCapital and the combined company fail to increase their level of qualified small business lending from the applicable baseline, the resulting increase in the dividend rate on the preferred stock could increase the combined company's cost of capital and adversely affect its results of operations and financial condition.

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

As of December 31, 2011, PlainsCapital's fifteen largest depositors, excluding First Southwest, its indirect wholly owned subsidiary, accounted for 20.24% of its total deposits, and its five largest depositors, excluding First Southwest, accounted for 12.38% of its total deposits. Brokered deposits as of December 31, 2011 accounted for 10.06% of PlainsCapital's total deposits. Loss of one or more of the largest customers of PlainsCapital Bank, a significant decline in PlainsCapital's deposit balances due to ordinary course fluctuations related to these customers' businesses, or a loss of a significant amount of PlainsCapital's brokered deposits could adversely affect PlainsCapital's liquidity. Additionally, such circumstances could require PlainsCapital to raise deposit rates in an attempt to attract new deposits, or purchase federal funds or borrow funds on a short-term basis at higher rates, which would adversely affect the results of operations of the combined company. Under applicable regulations, if PlainsCapital Bank were no longer "well capitalized," PlainsCapital Bank would not be able to accept brokered deposits without the approval of the FDIC.

The combined company will be subject to losses due to fraudulent and negligent acts.

PlainsCapital's business is subject to potential losses resulting from fraudulent activities. PlainsCapital's banking segment is subject to the risk that its customers may engage in fraudulent activities, including fraudulent access to legitimate customer accounts or the use of a false identity to open an account, or the use of forged or counterfeit checks for payment. The banking segment is subject to the risk of higher than expected charge-offs for loans it holds to maturity on its balance sheet if its borrowers supply fraudulent information. Such types of fraud may be difficult to prevent or detect, and PlainsCapital may not be able to recover losses caused by such activities. Any such losses could have a material adverse effect on PlainsCapital's business, financial condition and operating results.

PlainsCapital's mortgage origination segment relies heavily upon information supplied by third parties including the information contained in the loan application, property appraisal, title information and employment and income documentation. If any of this information is intentionally or negligently misrepresented and such misrepresentation is not detected prior to loan funding, the investment value of the loan may be significantly lower than expected. Whether a misrepresentation is made by the loan applicant, another third party or one of PlainsCapital's employees, PlainsCapital generally bears the risk of loss associated with the misrepresentation. A mortgage loan subject to a material misrepresentation is typically unsalable to investors in the secondary market. If PlainsCapital has already sold the loan when the material misrepresentation is discovered, then the loan is subject to repurchase, but PlainsCapital will often instead agree to indemnify the purchaser for any losses arising from such loan because, in the general course of business, PlainsCapital does not seek to hold for investment the mortgage loans it originates. Even though PlainsCapital may have rights against persons and entities who made or knew about the misrepresentation, such persons and entities are often difficult to locate, and it is often difficult to collect any monetary losses that PlainsCapital has suffered from them. If PlainsCapital experiences a significant number of such fraudulent or negligent acts, the business, financial condition, liquidity and results of operations of the combined company following the merger could be significantly harmed. Neither PlainsCapital nor Hilltop can assure you that PlainsCapital has detected or will detect all misrepresented information in its loan originations.

First Southwest engages in the underwriting of municipal and other tax-exempt and taxable debt securities. As an underwriter, First Southwest may be liable jointly and severally under federal, state and foreign securities laws for false and misleading statements concerning the securities, or the issuer of the securities, that it underwrites. First Southwest is sometimes brought into lawsuits in connection with its correspondent clearing business based on actions of its correspondents. In addition, First Southwest may act as a fiduciary in other capacities. Liability under such laws or under common law

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fiduciary principles could have a material adverse effect on the business, financial condition, liquidity and results of operations of the combined company.

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

PlainsCapital intends to sell, and not hold for investment, all residential mortgage loans that it originates through PrimeLending. At times, however, PrimeLending may originate a loan or execute an interest rate lock commitment ("IRLC") with a customer pursuant to which it 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, PrimeLending will bear interest rate risk on an IRLC until, and unless, it is able to find a buyer for the loan underlying such IRLC and the risk of investment on a loan until, and unless, it 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 PrimeLending to repurchase the loan at the full amount that it paid. During periods of market downturn, PrimeLending 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 PrimeLending holds on its books to perform adequately will have a material adverse effect on the financial condition, liquidity and results of operations of the combined company.

First Southwest is subject to various risks associated with the securities industry, particularly those impacting the public finance industry.

PlainsCapital's financial advisory business, conducted primarily through First Southwest, 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 PlainsCapital'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 PlainsCapital 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. During the recent market downturn, First Southwest's business has been, and could continue to be, adversely affected in many ways. In addition, First Southwest is an operating subsidiary of PlainsCapital Bank, which means that its activities are limited to those that are permissible for PlainsCapital Bank.

Financial markets are susceptible to disruptive events that may lead to little or no liquidity for auction rate bonds.

As of December 31, 2011, PlainsCapital Bank held in its securities portfolio auction rate bonds backed by pools of student loans under the Federal Family Education Loan Program with approximately $107.3 million in face value and an estimated fair market value of $90.7 million. These auction rate bonds were acquired by PlainsCapital Bank in connection with PlainsCapital's acquisition

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of First Southwest at the end of 2008. The market for auction rate securities began experiencing disruptions in late 2007 through the failure of auctions for auction rate securities issued by leveraged closed-end funds, municipal governments, state instrumentalities and student loan companies backed by pools of student loans guaranteed by the U.S. Department of Education. These conditions will likely continue until either these securities are restructured or refunded or a liquid secondary market re-emerges for these securities. If PlainsCapital Bank were forced to sell these securities, the results of operations of the combined company could be adversely affected. The estimated fair value of these auction rate bonds may further decline and require write-downs and losses as additional market information is obtained or in the event the current market conditions continue or worsen, in which case, the results of operations of the combined company would be adversely affected.

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

First Southwest 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 First Southwest's public finance group represented the largest component of First Southwest's net revenues for the year ended December 31, 2011. 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 factors such as changes in interest rates, property tax bases, budget pressures on certain issuers caused by uncertain economic times and other factors. PlainsCapital expects that First Southwest's reliance 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 the business and results of operations of the combined company.

Negative publicity regarding PlainsCapital, or financial institutions in general, could damage the reputation and adversely impact the business and results of operations of the combined company.

The combined company's ability to attract and retain customers and conduct its business could be adversely affected to the extent its reputation is damaged. Reputational risk, or the risk to the business of the combined company, earnings and capital from negative public opinion regarding the combined company, or financial institutions in general, is inherent in the combined company's business. Adverse perceptions concerning the combined company's reputation could lead to difficulties in generating and maintaining accounts as well as in financing them. In particular, negative perceptions concerning the combined company's reputation could lead to decreases in the level of deposits that consumer and commercial customers and potential customers choose to maintain with PlainsCapital. 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 the combined company or the financial institutions industry generally; and general company performance; or from actions taken by government regulators and community organizations in response to such activities or circumstances. The negative publicity surrounding such activities or circumstances could adversely affect the combined company's reputation and brand image. Furthermore, the combined company's failure to address, or the perception that it has failed to address, these issues appropriately could impact the combined company's ability to keep and attract customers and/or employees and could expose it to litigation and/or regulatory action, which could have an adverse effect on the business and results of operations of the combined company.

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An interruption in, or cybersecurity breach of, PlainsCapital's information systems may result in a loss of customer business or subject the combined company to financial liability.

PlainsCapital relies heavily on communications and information systems to conduct its business. Any failure or interruption or breach in security of these systems, including those that could result from planned changes, upgrades and maintenance of these systems, could result in failures or disruptions in PlainsCapital's customer relationship management, securities trading, general ledger, deposits, servicing or loan origination systems. If such failures or interruptions occur, PlainsCapital may not be able to adequately address them in a timely fashion or at all. The occurrence of any failures or interruptions could result in a loss of customer business, impose substantial costs and expenses upon PlainsCapital, such as for new internal use software, reimbursements to customers, reissuing debit cards, other remedial measures and applicable insurance deductibles, expose PlainsCapital to civil litigation and possible financial liability and could have a material adverse effect on the public relations, reputation, results of operations and financial condition of the combined company.

Changes in government monetary policies may have an adverse effect on the combined company's earnings.

PlainsCapital's earnings are affected by domestic economic conditions and the monetary and fiscal policies of the U.S. government and its agencies. The monetary policies of the Federal Reserve Board have had, and are likely to continue to have, an important impact on the operating results of financial institutions through its power to implement national monetary policy in order to, among other things, curb inflation or combat a recession. The monetary policies of the Federal Reserve Board affect the levels of bank loans, investments and deposits through its control over the issuance of U.S. government securities, its regulation of the discount rate applicable to member banks and its influence over reserve requirements to which member banks are subject. Neither PlainsCapital nor Hilltop can predict the nature or impact of future changes in monetary and fiscal policies, and any such changes may have an adverse effect upon the combined company's liquidity, capital resources and results of operations.

PlainsCapital faces strong competition from other financial institutions and financial service companies, which may adversely affect the operations and financial condition of the combined company.

PlainsCapital'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 PlainsCapital. PlainsCapital 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 PlainsCapital is able to provide. In addition, some of PlainsCapital's non-bank competitors are not subject to the same extensive regulations that govern PlainsCapital. The banking business in Texas, particularly in the Austin, Dallas/Fort Worth, Lubbock and San Antonio metropolitan and surrounding areas, has become increasingly competitive over the past several years, and PlainsCapital expects the level of competition it faces to further increase. PlainsCapital's profitability depends on our ability to compete effectively in these markets. This competition may reduce or limit PlainsCapital's margins on banking services, reduce its market share and adversely affect the results of operations and financial condition of the combined company.

Additionally, the financial advisory and investment banking industries are intensely competitive industries and will likely remain competitive. PlainsCapital'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. First Southwest competes on the basis of a number of factors, including the quality of advice and service, innovation, reputation and price. Many of First Southwest'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 directors to serve their clients' needs, greater global reach and more established relationships with their customers than First Southwest. Additionally, some of First Southwest's competitors 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 First Southwest's competitors collectively, could materially and adversely affect our 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, First Southwest may from time to time make certain pricing, service or marketing decisions that also could materially and adversely affect the business and results of operations of the combined company.

PlainsCapital's mortgage origination business is subject to seasonal fluctuations and fluctuations in interest rates, and, as a result, its results of operations for any given quarter may not be indicative of the results that may be achieved for the full fiscal year.

PlainsCapital's mortgage origination business is subject to several variables that can impact loan origination volume, including seasonal and interest rate fluctuations. It typically experiences increased loan origination volume from purchases of homes during the spring and summer, 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 PlainsCapital'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 PlainsCapital'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, PlainsCapital's results of operations for any single quarter are not necessarily indicative of the results that may be achieved for a full fiscal year.

PlainsCapital is subject to claims and litigation that could have a material adverse effect on the business of the combined company.

PlainsCapital faces significant legal risks in the business segments in which it operates, and the volume of claims and amount of damages and penalties claimed in litigation and regulatory proceedings against financial institutions 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 the combined company or any of its subsidiaries (including PlainsCapital) could have a material adverse effect on the results of operations of the combined company or cause significant reputational harm to it, which could seriously harm the business and prospects of the combined company. 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 PlainsCapital 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 PlainsCapital's business, which, in turn, could have a material adverse effect on the financial condition and results of operations of the combined company. Specifically, First Southwest is involved in legal proceedings

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related to the procurement of guaranteed investment contracts and other investment products for the reinvestment of bond proceeds by municipalities.

PlainsCapital may be subject to environmental liabilities in connection with the foreclosure on real estate assets securing its loan portfolio.

Hazardous or toxic substances or other environmental hazards may be located on the real estate that secures PlainsCapital's loans. If PlainsCapital acquires such properties as a result of foreclosure, or otherwise, it could become subject to various environmental liabilities. For example, PlainsCapital could be held liable for the cost of cleaning up or otherwise addressing contamination at or from these properties. PlainsCapital 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, PlainsCapital could be held liable for costs relating to environmental contamination at or from our current or former properties. PlainsCapital may not detect all environmental hazards associated with these properties. If PlainsCapital ever became subject to significant environmental liabilities, the business, financial condition, liquidity and results of operations of the combined company could be harmed.

PlainsCapital's medium-sized business target market may have fewer financial resources to weather a downturn in the economy.

PlainsCapital targets its business development and marketing strategy primarily to serve the banking and financial services needs of businesses with an annual revenue between $5 million and $250 million. These medium-sized businesses generally have fewer financial resources in terms of capital or borrowing capacity than larger entities. If general economic conditions adversely impact these businesses within Texas, the results of operations and financial condition of the combined company may be adversely affected.

Other Risk Factors of Hilltop

Hilltop's business is and will be subject to the risks described above. In addition, Hilltop is, and will continue to be, subject to the risks described in Hilltop's Annual Report on Form 10-K for the fiscal year ended December 31, 2011, as updated by subsequent Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, all of which are filed with the SEC and incorporated by reference into this joint proxy statement/prospectus. See "Where You Can Find More Information" included elsewhere in this joint proxy statement/prospectus for the location of information incorporated by reference in this joint proxy statement/prospectus.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This document 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, PlainsCapital 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," "project," "potential," "possible" or other similar expressions which identify these forward-looking statements and appear in a number of places in this joint proxy statement/prospectus (and the documents to which we refer you in this joint 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 PlainsCapital 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 this joint proxy statement/prospectus, as well as, among others, the following:

- those discussed and identified in public filings with the SEC made by Hilltop;
- fluctuations in the market price of Hilltop common stock and the related effect on the market value of the merger consideration that common shareholders 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, shareholder 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 PlainsCapital 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;

inflation;

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- customer borrowing, repayment, investment and deposit practices;
- the introduction, withdrawal, success and timing of business initiatives;
- changes in accounting policies;
- 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 document or the date of any document incorporated by reference in this document.

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

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THE HILLTOP SPECIAL MEETING

The Hilltop board of directors is using this document to solicit proxies from the holders of shares of Hilltop common stock for use at the Hilltop special meeting.

Together with this document, Hilltop is also sending you a notice of the special meeting and a form of proxy that is solicited by the Hilltop board of directors. The Hilltop special meeting will be held on September 20, 2012, at 10:00 a.m., local time at the Crescent Club at 200 Crescent Court, 17th Floor, Dallas, Texas 75201.

Matters to be Considered

At the Hilltop special meeting, Hilltop will ask its shareholders to consider and vote on:

- a proposal to approve the issuance of Hilltop common stock to PlainsCapital shareholders in connection with the merger (the "share issuance proposal");
- a proposal to approve the adoption of the Hilltop Holdings Inc. 2012 Equity Incentive Plan (the "Equity Incentive Plan proposal");
- a proposal to approve the adoption of the Hilltop Holdings Inc. Annual Incentive Plan (the "Annual Incentive Plan proposal"); and
- a proposal to approve the adjournment of the Hilltop special meeting, if necessary or appropriate, to solicit additional proxies, in the event that there are not sufficient votes at the time of the Hilltop special meeting to approve the share issuance proposal (the "Hilltop adjournment proposal").

Proxies

Each copy of this document mailed to holders of Hilltop common stock is accompanied by a form of proxy with instructions for voting by mail, by telephone or through the internet. If you hold stock in your name as a shareholder of record and are voting by mail, you should complete and return all proxy cards that you receive to ensure that your vote is counted at the Hilltop special meeting, or at any adjournment or postponement of the Hilltop special meeting, regardless of whether you plan to attend in person. You may also vote your shares by telephone or through the internet. Information and applicable deadlines for voting by telephone or through the internet are set forth in the enclosed proxy card.

If you hold your stock in "street name" through a bank, broker or other nominee, you must direct your bank, broker or nominee to vote in accordance with the instructions you have received from your bank, broker or nominee.

If you hold stock in your name as a shareholder of record, you may revoke any proxy at any time before it is voted by signing and returning a proxy card with a later date, delivering a written revocation letter to Corey G. Prestidge, General Counsel and Secretary of Hilltop, or by attending the special meeting in person, notifying the Secretary, and voting by ballot at the special meeting. If you have voted your shares by telephone or through the internet, you may revoke your prior telephone or internet vote by recording a different vote, or by signing and returning a proxy card dated as of a date that is later than your last telephone or internet vote.

Any shareholder entitled to vote in person at the special meeting may vote in person regardless of whether a proxy has been previously given, but the mere presence (without notifying the Secretary) of a shareholder at the special meeting will not constitute revocation of a previously given proxy.

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Written notices of revocation and other communications about revoking your proxy should be addressed to:

Hilltop Holdings Inc.
200 Crescent Court, Suite 1330
Dallas, Texas 75201
Attn: Corey G. Prestidge, General Counsel & Secretary

If your shares are held in "street name" by a bank, broker or other nominee, you should follow the instructions of your bank, broker or nominee regarding the revocation of proxies.

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 or as instructed via internet or telephone.

If you sign and return your proxy card, but make no specification on your proxy card as to how you want your shares voted your proxy will be voted "FOR" approval of the share issuance proposal, "FOR" approval of the Equity Incentive Plan proposal, "FOR" approval of the Annual Incentive Plan proposal and "FOR" approval of the Hilltop adjournment proposal. In accordance with to the Hilltop bylaws, business to be conducted at the Hilltop special meeting will be limited to the objects stated in Hilltop's notice of the special meeting.

Solicitation of Proxies

Hilltop will bear the entire cost of soliciting proxies from its shareholders. In addition to solicitation of proxies by mail, Hilltop will request that banks, brokers, and other record holders send proxies and proxy material to the beneficial owners of Hilltop common stock and secure their voting instructions. Hilltop will reimburse the record holders for their reasonable expenses in taking those actions. Hilltop has also made arrangements with D.F. King & Co., Inc. to assist it in soliciting proxies and has agreed to pay them $12,000, plus reasonable expenses for these services. If necessary, Hilltop may use several of its regular employees, who will not be specially compensated, to solicit proxies from Hilltop shareholders, either personally or by telephone, facsimile, letter or other electronic means.

Record Date

The close of business on August 3, 2012 has been fixed as the record date for determining the Hilltop shareholders entitled to receive notice of and to vote at the Hilltop special meeting. At that time, 56,363,647 shares of Hilltop common stock were outstanding, held by approximately 166 holders of record.

Quorum

In order to conduct business at the Hilltop 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 Hilltop special meeting requires the presence of shareholders or their proxies who are entitled to cast at least a majority of the votes that all shareholders are entitled to cast. Abstentions and broker non-votes will be counted for the purpose of determining whether a quorum is present.

Vote Required

Approval of each of (i) the share issuance proposal, (ii) the Equity Incentive Plan proposal and (iii) the Annual Incentive Plan proposal requires the affirmative vote of the holders of at least a majority of the shares of Hilltop common stock voting on that proposal, provided that the total votes cast on the proposal (including abstentions) must represent a majority of the shares of Hilltop common stock outstanding on the record date for the Hilltop special meeting. Approval of the Hilltop

adjournment proposal requires the affirmative vote of the holders of at least a majority of the shares of Hilltop common stock represented in person or by proxy at the Hilltop special meeting and entitled to vote on the proposal. Each holder of Hilltop common stock will be entitled to one vote per share on each of the proposals presented at the Hilltop annual meeting.

The Hilltop board of directors urges Hilltop shareholders to promptly vote by: (1) accessing the internet site listed in the proxy card instructions if voting through the internet; (2) calling the toll-free number listed in the proxy card instructions if voting by telephone; or (3) completing, dating, and signing the accompanying proxy card and returning it promptly in the enclosed postage-paid envelope. If you hold your stock in "street name" through a bank or broker, please vote by following the voting instructions of your bank or broker.

Shareholders will vote at the meeting by ballot. Votes properly cast at the meeting, in person or by proxy, will be tallied by Hilltop's inspector of election. As of the record date, there were 56,363,647 shares of Hilltop common stock outstanding and entitled to vote at the Hilltop special meeting.

As of the record date, to the knowledge of Hilltop, directors and executive officers of Hilltop (including shares held by Diamond A Financial, L.P. as discussed below) had the right to vote approximately 16,910,159 shares of Hilltop common stock, or approximately 30% of the outstanding shares of Hilltop common stock entitled to vote at the special meeting. We currently expect that each of these individuals will vote their shares of Hilltop common stock in favor of the proposals to be presented at the special meeting.

Diamond A Financial, L.P., a limited partnership whose sole general partner is Gerald J. Ford, Chairman of the Hilltop board of directors, has entered into a voting and support agreement with PlainsCapital. Pursuant to such agreement, Diamond A Financial has agreed to vote all of its shares of Hilltop common stock in favor of the share issuance proposal and certain related matters, subject to certain exceptions. As of the record date for the Hilltop special meeting and to the knowledge of Hilltop, Diamond A Financial owned and had the ability to vote approximately 15,048,102 shares of Hilltop common stock, or approximately 26.7% of the outstanding shares of Hilltop common stock entitled to vote at the special meeting.

Recommendation of the Hilltop Board of Directors

The Hilltop board of directors has unanimously adopted and approved the merger agreement and the transactions it contemplates, including the merger. The Hilltop board of directors determined that the merger, merger agreement and the transactions contemplated by the merger agreement are advisable and in the best interests of Hilltop and its shareholders and recommends that you vote "FOR" the share issuance proposal, "FOR" the Equity Incentive Plan proposal, "FOR" the Annual Incentive Plan proposal and "FOR" the Hilltop adjournment proposal. See "The Merger Hilltop's Reasons for the Merger; Recommendation of the Hilltop Board of Directors" included elsewhere in this joint proxy statement/prospectus for a more detailed discussion of the Hilltop board of directors' recommendation.

Attending the Special Meeting

All holders of Hilltop common stock, including shareholders of record and shareholders who hold their shares through banks, brokers, nominees or any other holder of record, are invited to attend the special meeting. If you hold your Hilltop shares in an account at a brokerage firm or bank, your name will not appear on our shareholder list. Please bring an account statement or a letter from your broker showing your Hilltop shareholdings. Please show this documentation at the meeting registration desk to attend the meeting. Everyone who attends the special meeting must abide by the rules for the conduct of the meeting. These rules will be printed on the meeting agenda.

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PROPOSALS SUBMITTED TO HILLTOP SHAREHOLDERS

Issuance of Hilltop Common Stock in Connection with the Merger (Proposal 1)

This joint proxy statement/prospectus is being furnished to Hilltop shareholders as part of the solicitation of proxies by the Hilltop board of directors for use at the Hilltop special meeting to consider and vote on the proposal to issue Hilltop common stock in connection with the merger as contemplated by the merger agreement. **IF HILLTOP SHAREHOLDERS FAIL TO APPROVE THE ISSUANCE OF HILLTOP COMMON STOCK IN CONNECTION WITH THE MERGER AS CONTEMPLATED BY THE MERGER AGREEMENT, THE MERGER CANNOT BE COMPLETED**. Holders of Hilltop common stock should read this joint 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 joint proxy statement/prospectus as Annex A.

The merger agreement provides that Hilltop will issue shares of Hilltop common stock in the merger. Upon the completion of the merger, each share of PlainsCapital common stock issued and outstanding immediately prior to the completion of the merger will be converted into the right to receive $9.00 in cash and 0.776 of a share of Hilltop common stock, subject to certain adjustments if PlainsCapital issues additional shares of its common stock other than pursuant to the exercise of certain equity awards outstanding on the date of the merger agreement. The exchange ratio will not be adjusted to reflect changes in the market prices of Hilltop common stock or PlainsCapital common stock prior to closing.

Under the NYSE Listed Company Manual, a company listed on the NYSE is required to obtain shareholder approval prior to the issuance of common stock, or of securities convertible into or exercisable for common stock, in any transaction or series of related transactions if the number of shares of common stock to be issued is, or will be upon issuance, equal to or in excess of 20% of the number of shares of common stock outstanding before the issuance of the common stock or of securities convertible into or exercisable for common stock. If we complete the merger, we estimate that Hilltop would issue or reserve for issuance approximately 27.3 million shares of Hilltop common stock in connection with the merger, including shares reserved for issuance under various equity plans. On an as-converted basis, the aggregate number of shares of Hilltop common stock that Hilltop will issue in the merger will exceed 20% of the shares of Hilltop common stock outstanding before such issuance, and for this reason Hilltop must obtain the approval of Hilltop shareholders for the issuance of shares of Hilltop common stock to holders of PlainsCapital common stock in connection with the merger.

Approval of the share issuance proposal requires the affirmative vote of the holders of at least a majority of the shares of Hilltop common stock voting on the proposal, provided that the total votes cast on the proposal (including abstentions) must represent a majority of the shares of Hilltop common stock outstanding on the record date for the Hilltop special meeting. Therefore, assuming that a quorum is present, your failure to vote, an abstention or a broker non-vote will have no effect on the approval of the share issuance proposal. However, it may make it more difficult for Hilltop to meet the NYSE requirement that the total votes cast on such proposal (including abstentions) represent a majority of the shares of Hilltop common stock outstanding on the record date for the Hilltop special meeting.

The Hilltop board of directors recommends that its shareholders vote "FOR" the issuance of Hilltop common stock to the shareholders of PlainsCapital in connection with the merger.

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Approval of the Adoption of the Hilltop Holdings Inc. 2012 Equity Incentive Plan (Proposal 2)

Hilltop is asking its shareholders to approve the adoption of the Hilltop Holdings Inc. 2012 Equity Incentive Plan ("Equity Incentive Plan"). The Equity Incentive Plan was adopted, subject to shareholder approval, by the Hilltop board of directors on August 2, 2012.

The following is a summary of the material terms of the Equity Incentive Plan. The full text of the Equity Incentive Plan is attached as Annex F to this joint proxy statement/prospectus, and the following summary is qualified in its entirety by reference to the terms of the Equity Incentive Plan. Shareholders are urged to review the Equity Incentive Plan before determining how to vote on this proposal.

Hilltop shareholders are being asked to approve the Equity Incentive Plan, including the performance criteria described below and the issuance of shares of common stock to eligible participants in accordance with the Equity Incentive Plan, in order to assist Hilltop in meeting the purposes set forth below, to provide Hilltop with additional flexibility to grant equity awards to its expanded employee population, including the approximately 3,500 employees of PlainsCapital who will become employees of Hilltop if the merger is consummated, and to permit Hilltop to design incentive awards that are eligible to meet the requirements of "performance-based" compensation under Section 162(m) of the Code.

Under Section 162(m) of the Code, Hilltop is not entitled to a federal income tax deduction for compensation in excess of $1 million paid in any year to a "covered employee" (within the meaning of Section 162(m) of the Code), subject to certain exceptions. Compensation that qualifies as "performance-based" under Section 162(m) of the Code is exempt from this limitation. The Equity Incentive Plan sets forth a list of alternative performance goals, the attainment of which may determine the degree of payout and/or vesting with respect to awards that are designed to qualify for the performance-based exception to Section 162(m) of the Code. Under the Equity Incentive Plan, the committee may grant awards in a manner that qualifies them for the exemption for performance-based compensation, or it may grant awards that do not qualify for the exemption. The applicable conditions of the performance-based compensation exemption include, among others, a requirement that the shareholders of Hilltop approve the material terms of the Equity Incentive Plan.

Hilltop believes the Equity Incentive Plan will help Hilltop to focus directors, officers and other employees and consultants on business performance that creates shareholder value, to encourage innovative approaches to the business of Hilltop, to encourage ownership of Hilltop common stock by directors, officers and other employees and consultants and to continue to attract and retain employees in a competitive labor market, which is essential to Hilltop's long-term growth and success.

Summary of the Equity Incentive Plan

General. Awards granted under the Equity Incentive Plan may be in the form of stock options, stock appreciation rights ("SARs"), restricted stock, restricted stock units, performance units, other stock-based awards or any combination of those awards. The Equity Incentive Plan provides that awards may be made under the Equity Incentive Plan for ten years.

Administration. Under the terms of the Equity Incentive Plan, the Equity Incentive Plan will be administered by the Hilltop board of directors or, if the Hilltop board so elects, by the Compensation Committee or such other committee of the Hilltop board of directors as may be designated by the Hilltop board of directors and which consists entirely of two or more "outside directors" within the meaning of Section 162(m) of the Code and who are "non-employee directors" as defined in Rule 16b-3 under the Securities Exchange Act of 1934. Unless and until the Hilltop board of directors designates a committee to administer the Equity Incentive Plan, the Equity Incentive Plan will be administered by the Hilltop board of directors (which will hereinafter be referred to in this summary as the "Committee").

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Under the terms of the Equity Incentive Plan, the Committee can make rules and regulations and establish such procedures for the administration of the Equity Incentive Plan as it deems appropriate. Any determination made by the Committee under the Equity Incentive Plan will be made in the sole discretion of the Committee and such determinations will be final and binding on all persons.

Shares Available; Individual Share Limits. The Equity Incentive Plan provides that the aggregate number of shares of Hilltop common stock that may be subject to awards under the Equity Incentive Plan cannot exceed 4,000,000, subject to adjustment in certain circumstances to prevent dilution or enlargement. No participant may be granted, in each case during any calendar year, performance-based equity awards intended to qualify under Section 162(m) of the Code (other than stock options and SARs) covering in excess of 500,000 shares or stock options and SARs covering in excess of 750,000 shares. The maximum number of shares that may be granted pursuant to incentive stock options is 2,000,000.

If the Equity Incentive Plan is approved by Hilltop shareholders, no new awards may be granted under the 2003 Hilltop Equity Incentive Plan (the "Prior Plan"). However, awards previously granted and outstanding under the Prior Plan will remain in full force and effect under such Prior Plan according to their respective terms and dividend equivalents may continue to be issued under the Prior Plan in respect of awards granted under such Prior Plan which are outstanding as of the Effective Date.

Shares underlying awards that expire or are forfeited or terminated without being exercised or awards that are settled for cash will again be available for the grant of additional awards within the limits provided by the Equity Incentive Plan. Shares withheld by or delivered to us to satisfy the exercise price of stock options or tax withholding obligations with respect to any award granted under the Equity Incentive Plan will nonetheless be deemed to have been issued under the Equity Incentive Plan.

Eligibility. The Equity Incentive Plan provides for awards to the directors, officers, employees and consultants of the company and its subsidiaries and affiliates and prospective directors, officers, employees and consultants who have accepted offers of employment or consultancy from the company or its subsidiaries or affiliates. As of the date of this joint proxy statement/prospectus, there were approximately 3,500 directors, officers and employees eligible to participate in the Equity Incentive Plan. Hilltop's current executive officers and each of Hilltop's directors are among the individuals eligible to receive awards under the Equity Incentive Plan.

Stock Options. Subject to the terms and provisions of the Equity Incentive Plan, stock options to purchase shares of Hilltop common stock may be granted to eligible individuals at any time and from time to time as determined by the Committee. Stock options may be granted as incentive stock options, which are intended to qualify for favorable treatment to the recipient under Federal tax law, or as nonqualified stock options, which do not qualify for this favorable tax treatment. Subject to the limits provided in the Equity Incentive Plan, the Committee determines the number of stock options granted to each recipient. Each stock option grant will be evidenced by a stock option agreement that specifies the stock option exercise price, whether the stock options are intended to be incentive stock options or nonqualified stock options, the duration of the stock options, the number of shares to which the stock options pertain and such additional limitations, terms and conditions as the Committee may determine.

The Committee determines the exercise price for each stock option granted, except that the stock option exercise price may not be less than 100 percent of the fair market value of a share of Hilltop common stock on the date of grant. As of August 1, 2012, the fair market value (as that term is defined under the Equity Incentive Plan) of a share of Hilltop common stock was $10.50. All stock options granted under the Equity Incentive Plan will expire no later than ten years from the date of grant. Stock options are nontransferable except by will or by the laws of descent and distribution or, in

the case of nonqualified stock options, as otherwise expressly permitted by the Committee. The granting of a stock option does not accord the recipient the rights of a shareholder, and such rights accrue only after the exercise of a stock option and the registration of shares of Hilltop common stock in the recipient's name.

Stock Appreciation Rights. The Committee in its discretion may grant SARs under the Equity Incentive Plan. SARs may be "tandem SARs," which are granted in conjunction with a stock option, or "free-standing SARs," which are not granted in conjunction with a stock option. A SAR entitles the holder to receive from us upon exercise an amount equal to the excess, if any, of the aggregate fair market value of a specified number of shares of Hilltop common stock to which such SAR pertains over the aggregate exercise price for the underlying shares. The exercise price of a Free-Standing SAR shall not be less than 100% of the fair market value of a share of Hilltop common stock on the date of grant.

A tandem SAR may be granted at the grant date of the related stock option. A tandem SAR will be exercisable only at such time or times and to the extent that the related stock option is exercisable and will have the same exercise price as the related stock option. A tandem SAR will terminate or be forfeited upon the exercise or forfeiture of the related stock option, and the related stock option will terminate or be forfeited upon the exercise or forfeiture of the tandem SAR.

Each SAR will be evidenced by an award agreement that specifies the base price, the number of shares to which the SAR pertains and such additional limitations, terms and conditions as the Committee may determine. The company may make payment of the amount to which the participant exercising SARs is entitled by delivering shares of Hilltop common stock, cash or a combination of stock and cash as set forth in the award agreement relating to the SARs. SARs are not transferable except by will or the laws of descent and distribution or, with respect to SARs that are not granted in "tandem" with a stock option, as expressly permitted by the Committee.

Restricted Stock. The Equity Incentive Plan provides for the award of shares of Hilltop common stock that are subject to forfeiture and restrictions on transferability as set forth in the Equity Incentive Plan, the applicable award agreement and as may be otherwise determined by the Committee. Except for these restrictions and any others imposed by the Committee, upon the grant of restricted stock, the recipient will have rights of a shareholder with respect to the restricted stock, including the right to vote the restricted stock and to receive all dividends and other distributions paid or made with respect to the restricted stock on such terms as will be set forth in the applicable award agreement. During the restriction period set by the Committee, the recipient may not sell, transfer, pledge, exchange or otherwise encumber the restricted stock.

Restricted Stock Units. The Equity Incentive Plan authorizes the Committee to grant restricted stock units. Restricted stock units are not shares of Hilltop common stock and do not entitle the recipients to the rights of a shareholder, although the award agreement may provide for rights with respect to dividend equivalents. The recipient may not sell, transfer, pledge or otherwise encumber restricted stock units granted under the Equity Incentive Plan prior to their vesting. Restricted stock units will be settled in cash, shares of Hilltop common stock, or a combination thereof as provided in the applicable award agreement, in an amount based on the fair market value of Hilltop common stock on the settlement date.

Performance Units. The Equity Incentive Plan provides for the award of performance units that are valued by reference to a designated amount of cash or other property other than shares of Hilltop common stock. The payment of the value of a performance unit is conditioned upon the achievement of performance goals set by the Committee in granting the performance unit and may be paid in cash, shares of Hilltop common stock, other property or a combination thereof. The maximum value of cash, shares or other property that may be paid to a participant pursuant to a performance unit intended to

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be a qualified performance-based award under Section 162(m) of the Code in any calendar year is $10,000,000. Any terms relating to the termination of a participant's employment shall be set forth in the applicable award agreement.

Other Stock-Based Awards. The Equity Incentive Plan also provides for the award of shares of Hilltop common stock and other awards that are valued by reference to Hilltop common stock, including unrestricted stock, dividend equivalents and convertible debentures.

Performance Goals. The Equity Incentive Plan provides that performance goals may be established by the Committee in connection with the grant of any award under the Equity Incentive Plan. In the case of an award intended to qualify for the performance-based compensation exception of Section 162(m) of the Code:

such goals shall be based on the attainment of specified levels of one or more of the following measures: stock price, earnings (including earnings before taxes, earnings before interest and taxes or earnings before interest, taxes, depreciation and amortization), earnings per share (whether on pre-tax, after-tax, operations or other basis), operating earnings, total return to shareholders, ratio of debt to debt plus equity, net borrowing, credit quality or debt ratings, return on assets or operating assets, asset quality, net interest margin, loan portfolio growth, efficiency ratio, deposit portfolio growth, liquidity, market share, objective customer service measures or indices, shareholder value added, embedded value added, loss ratio, expense ratio, combined ratio, premiums, pre- or after-tax income, net income, cash flow (before or after dividends), expense or expense levels, economic value added, cash flow per share (before or after dividends), free cash flow, gross margin, risk-based capital, revenues, revenue growth, sales growth, return on capital (including return on total capital or return on invested capital), capital expenditures, cash flow return on investment, cost, cost control, gross profit, operating profit, economic profit, profit before tax, net profit, cash generation, unit volume, sales, net asset value per share, asset quality, cost saving levels, market-spending efficiency, core non-interest income or change in working capital, in each case with respect to the company or any one or more subsidiaries, divisions, business units or business segments of the company either in absolute terms or relative to the performance of one or more other companies (including an index covering multiple companies);

the performance goals may be adjusted as determined by the Committee in a manner consistent with Section 162(m) of the Code and the terms of the Equity Incentive Plan; and

such performance goals will be set by the Committee within the time period and other requirements prescribed by Section 162(m) of the Code and the regulations promulgated thereunder.

Change in Control. In the event of a "change in control" of Hilltop (as defined in the Equity Incentive Plan and described below), unless determined otherwise by the Committee, (i) all outstanding stock options and SARs shall become fully vested and exercisable, (ii) all restrictions on any restricted stock, restricted stock units or other stock-based awards that are not subject to performance goals shall lapse, and such awards shall become free of all restrictions and become fully vested and transferable to the full extent of the original grant and (iii) all restrictions on any restricted stock, restricted stock units, performance units or other stock-based awards that are subject to performance goals shall lapse and be deemed to be achieved at the level set forth in the applicable award agreement, and such awards shall become free of all restrictions and become fully vested and transferable, in each case, to the extent set forth in the applicable award agreement. The Committee shall establish such terms and conditions as may be required to permit a participant to exercise a stock option or SAR that shall terminate in connection with the change in control.

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For the purposes of the Equity Incentive Plan, a "change in control" will be deemed to occur upon:

- the acquisition by any individual, entity or group of "beneficial ownership" (pursuant to the meaning given in Rule 13d-3 under the Exchange Act) of 33% or more (on a fully diluted basis) of either (a) the outstanding shares of Hilltop's common stock or (b) the combined voting power of Hilltop's then outstanding voting securities, with each of clauses (a) and (b) subject to certain exceptions, such as acquisitions from Hilltop, or acquisitions by an employee benefit plan of Hilltop, a corporation controlled by Hilltop or an individual entity or group who currently holds or controls 10% of Hilltop's common stock;

- a majority of the directors who constituted Hilltop's board of directors at the time the Equity Incentive Plan was adopted are replaced by directors whose appointment or election is not endorsed by at least two-thirds of the incumbent directors then on the board of directors;

- consummation of a merger, consolidation or sale of all or substantially all of Hilltop's assets, other than a transaction in which all or substantially all of the shareholders of Hilltop receive 50% or more of the stock of the company resulting from the transaction, at least a majority of the board of directors of the resulting corporation were members of the incumbent board, and after which no individual, entity or group owns 33% or more of the stock of the resulting corporation, who did not own such stock immediately before the transaction; or

- approval by Hilltop's shareholders of Hilltop's complete dissolution or liquidation.

Amendment. The Hilltop board of directors or the Committee may amend, alter, or discontinue the Equity Incentive Plan, but no amendment, alteration or discontinuation shall be made which would materially impair the rights of the participant with respect to a previously granted award without such participant's consent, except such an amendment made to comply with applicable law, including, without limitation, Section 409A of the Code, stock exchange rules or accounting rules. In addition, no such amendment shall be made without the approval of the company's shareholders to the extent such approval is required by applicable law or the listing standards of the applicable stock exchange.

Federal Income Tax Consequences

The following is a summary of certain federal income tax consequences of awards made under the Equity Incentive Plan based upon the laws in effect on the date hereof. The discussion is general in nature and does not take into account a number of considerations which may apply in light of the circumstances of a particular participant under the Equity Incentive Plan. The income tax consequences under applicable state and local tax laws may not be the same as under federal income tax laws.

Nonqualified Stock Options. A participant will not recognize taxable income at the time of grant of a nonqualified stock option, and Hilltop will not be entitled to a tax deduction at such time. A participant will recognize compensation taxable as ordinary income (and subject to income tax withholding in respect of an employee) upon exercise of a nonqualified stock option equal to the excess of the fair market value of the shares purchased over their exercise price, and Hilltop generally will be entitled to a corresponding deduction.

Incentive Stock Options. A participant will not recognize taxable income at the time of grant of an incentive stock option. A participant will not recognize taxable income (except for purposes of the alternative minimum tax) upon exercise of an incentive stock option. If the shares acquired by exercise of an incentive stock option are held for the longer of two years from the date the stock option was granted and one year from the date the shares were transferred, any gain or loss arising from a subsequent disposition of such shares will be taxed as long-term capital gain or loss, and Hilltop will not be entitled to any deduction. If, however, such shares are disposed of within such two- or one-year

periods, then in the year of such disposition the participant will recognize compensation taxable as ordinary income equal to the excess of the lesser of the amount realized upon such disposition and the fair market value of such shares on the date of exercise over the exercise price, and Hilltop generally will be entitled to a corresponding deduction. The excess of the amount realized through the disposition date over the fair market value of the stock on the exercise date will be treated as capital gain.

SARs. A participant will not recognize taxable income at the time of grant of a SAR, and Hilltop will not be entitled to a tax deduction at such time. Upon exercise, a participant will recognize compensation taxable as ordinary income (and subject to income tax withholding in respect of an employee) equal to the fair market value of any shares delivered and the amount of cash paid by us, and Hilltop generally will be entitled to a corresponding deduction.

Restricted Stock. A participant will not recognize taxable income at the time of grant of shares of restricted stock, and Hilltop will not be entitled to a tax deduction at such time, unless the participant makes an election under Section 83(b) of the Code to be taxed at such time. If such election is made, the participant will recognize compensation taxable as ordinary income (and subject to income tax withholding in respect of an employee) at the time of the grant equal to the excess of the fair market value of the shares at such time over the amount, if any, paid for such shares. If such election is not made, the participant will recognize compensation taxable as ordinary income (and subject to income tax withholding in respect of an employee) at the time the restrictions lapse in an amount equal to the excess of the fair market value of the shares at such time over the amount, if any, paid for such shares. Hilltop is entitled to a corresponding deduction at the time the ordinary income is recognized by the participant, except to the extent the deduction limits of Section 162(m) of the Code apply. In addition, a participant receiving dividends with respect to restricted stock for which the above-described election has not been made and prior to the time the restrictions lapse will recognize compensation taxable as ordinary income (and subject to income tax withholding in respect of an employee), rather than dividend income, and Hilltop will be entitled to a corresponding deduction, except to the extent the deduction limits of Section 162(m) of the Code apply.

Restricted Stock Units. A participant will not recognize taxable income at the time of grant of a restricted stock unit, and Hilltop will not be entitled to a tax deduction at such time. A participant will recognize compensation taxable as ordinary income (and subject to income tax withholding in respect of an employee) at the time of settlement of the award equal to the fair market value of any shares delivered and the amount of cash paid by Hilltop, and Hilltop will be entitled to a corresponding deduction, except to the extent the deduction limits of Section 162(m) of the Code apply.

Performance Units. A participant will not recognize taxable income at the time of grant of performance units, and Hilltop will not be entitled to a tax deduction at such time. A participant will recognize compensation taxable as ordinary income (and subject to income tax withholding in respect of an employee) at the time of settlement of the award equal to the fair market value of any shares or property delivered and the amount of cash paid by Hilltop, and Hilltop will be entitled to a corresponding deduction, except to the extent the deduction limits of Section 162(m) of the Code apply.

Section 162(m) Limitations. As explained above, Section 162(m) of the Code generally places a $1 million annual limit on a company's tax deduction for compensation paid to certain senior executives, other than compensation that satisfies the applicable requirements for a performance-based compensation exception. The Equity Incentive Plan is designed so that stock options and SARs qualify for this exemption, and it also permits the Committee to grant other awards designed to qualify for this exception. However, the Committee reserves the right to grant awards that do not qualify for this exception, and, in some cases, the exception may cease to be available for some or all awards that

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otherwise so qualify. Thus, it is possible that Section 162(m) of the Code may disallow compensation deductions that would otherwise be available to the company.

The foregoing general tax discussion is intended for the information of shareholders considering how to vote with respect to this proposal and not as tax guidance to participants in the Equity Incentive Plan. Participants are strongly urged to consult their own tax advisors regarding the federal, state, local, foreign and other tax consequences to them of participating in the Equity Incentive Plan.

New Plan Benefits

It cannot be determined at this time what benefits or amounts, if any, will be received by or allocated to any person or group of persons under the Equity Incentive Plan if the Equity Incentive Plan is adopted or what benefits or amounts would have been received by or allocated to any person or group of persons for the last fiscal year if the Equity Incentive Plan had been in effect.

Required Vote

Approval of the adoption of the Hilltop Holdings Inc. 2012 Equity Incentive Plan and the material terms of the performance goals thereunder requires the affirmative vote of the holders of at least a majority of the shares of Hilltop common stock voting on the proposal, provided that the total votes cast on the proposal (including abstentions) must represent a majority of the shares of Hilltop common stock outstanding on the record date for the Hilltop special meeting. Therefore, assuming that a quorum is present, your failure to vote, an abstention or a broker non-vote will have no effect on the approval of the Equity Incentive Plan proposal. However, it may make it more difficult for Hilltop to meet the NYSE requirement that the total votes cast on such proposal (including abstentions) represent a majority of the shares of Hilltop common stock outstanding on the record date for the Hilltop special meeting.

The Hilltop board of directors unanimously recommends that its shareholders vote "FOR" the adoption of the Hilltop Holdings Inc. 2012 Equity Incentive Plan and the material terms of the performance goals thereunder.

Equity Compensation Plan Information

The following table sets forth as of December 31, 2011, information concerning Hilltop's equity compensation plans, including the number of shares issued and available for issuance under our plans, options, warrants and rights; weighted average exercise price of outstanding options, warrants and rights; and the number of securities remaining available for future issuance.

Plan Category	Number of Securities to Be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans
Equity compensation plans approved by security holders*	700,000	$ 8.32	423,831
Total	700,000	$ 8.32	423,831

*

Excludes shares of restricted stock granted, as all of these shares are vested. No exercise price is required to be paid upon the vesting of the restricted shares of common stock granted. These shares are issuable under the Hilltop 2003 equity incentive plan, which provides for the grant of equity-based incentives, including restricted shares of Hilltop common stock, stock options, grants of shares and other equity-based awards, to Hilltop's directors, officers and other employees and those of Hilltop's subsidiaries selected by Hilltop's Compensation Committee for participation in

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the 2003 equity incentive plan. At inception, 1,992,387 shares were authorized for grant pursuant to this plan. All shares outstanding, whether vested or unvested, are entitled to receive dividends and to vote, unless forfeited. No participant in Hilltop's 2003 equity incentive plan may be granted awards in any fiscal year covering more than 500,000 shares of Hilltop common stock. Assuming completion of the transaction between Hilltop and PlainsCapital, no new awards will be granted under the equity incentive plans maintained by PlainsCapital.

Approval of the Adoption of the Hilltop Holdings Inc. 2012 Annual Incentive Plan (Proposal 3)

Hilltop is asking its shareholders to approve the adoption of the Hilltop Holdings Inc. Annual Incentive Plan (the "Annual Incentive Plan"). The Annual Incentive Plan was adopted, subject to shareholder approval, by the board of directors on August 2, 2012.

The following is a summary of the material terms of the Annual Incentive Plan. The full text of the Annual Incentive Plan is attached as Annex G to this joint proxy statement/prospectus, and the following summary is qualified in its entirety by reference to the terms of the Annual Incentive Plan. Capitalized terms used in this proposal are defined in the Annual Incentive Plan. In the event of any inconsistency between the Annual Incentive Plan and this summary, the Annual Incentive Plan will control. Hilltop shareholders are urged to review the Annual Incentive Plan before determining how to vote on this proposal.

Hilltop shareholders are being asked to approve the Annual Incentive Plan, including the performance criteria described below, in order to assist Hilltop in meeting the purposes set forth below and to permit Hilltop to design annual incentive awards that are eligible to meet the requirements of "performance-based" compensation under Section 162(m) of the Code. Under Section 162(m) of the Code, Hilltop is not entitled to a federal income tax deduction for compensation in excess of $1 million paid in any year to a "covered employee" (within the meaning of Section 162(m) of the Code), subject to certain exceptions. Compensation that qualifies as "performance-based" under Section 162(m) of the Code is exempt from this limitation. The Annual Incentive Plan sets forth a list of alternative performance goals, the attainment of which may determine the degree of payout with respect to awards that are designed to qualify for the performance-based exception to Section 162(m) of the Code. The applicable conditions of the performance-based compensation exemption include, among others, a requirement that the shareholders of the Hilltop approve the material terms, including the performance goals, of the Annual Incentive Plan.

Summary of the Annual Incentive Plan

Purpose

The purposes of the Annual Incentive Plan are to reward executives whose performance during the fiscal year enabled Hilltop to achieve favorable business results and to assist Hilltop in attracting and retaining executives. The Annual Incentive Plan is designed to allow the Committee to grant awards that focus the executive's efforts on the achievement of specific goals in support of the company's business strategy.

Eligible Employees

The Compensation Committee selects executives who are eligible to receive awards under the Annual Incentive Plan and who will be participants in the Annual Incentive Plan during any performance period in which they may earn an award. Eligible employees include each officer of Hilltop (as such term is used in Section 16 of the Securities Exchange Act of 1934, as amended) and any other executive of Hilltop or any of its subsidiaries as determined by the Compensation Committee.

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Performance Goals

The Annual Incentive Plan provides that, in order to meet the performance-based compensation exception under Section 162(m) of the Code, performance goals shall be established by the Compensation Committee for each performance period. The performance goals applicable to awards granted pursuant to the Annual Incentive Plan may provide for a targeted level or levels of achievement using one or more of the following measures: stock price, earnings (including earnings before interest, taxes, depreciation and amortization), earnings per share (whether on pre-tax, after-tax, operations or other basis), operating earnings, total return to shareholders, ratio of debt to debt plus equity, net borrowing, credit quality or debt ratings, return on assets or operating assets, asset quality, net interest margin, loan portfolio growth, efficiency ratio, deposit portfolio growth, liquidity, market share, objective customer service measures or indices, shareholder value added, embedded value added, loss ratio, expense ratio, combined ratio, premiums, premium growth, investment income, pre- or after-tax income, net income, cash flow (before or after dividends), expense or expense levels, economic value added, cash flow per share (before or after dividends), free cash flow, gross margin, risk-based capital, revenues, revenue growth, sales growth, return on capital (including return on total capital or return on invested capital), capital expenditures, cash flow return on investment, cost, cost control, gross profit, operating profit, economic profit, profit before tax, net profit, cash generation, unit volume, sales, net asset value per share, asset quality, cost saving levels, market-spending efficiency, core non-interest income or change in working capital in each case, with respect to the company or any one or more of its subsidiaries, divisions, business units or business segments. The performance goals may be based on absolute target numbers or relative results in one or more such categories compared to a prior period or to the performance of one or more other companies (including an index covering multiple companies). The Compensation Committee may adjust the performance goals applicable to any awards to reflect any unusual or non-recurring events and other extraordinary items, impact of charges for restructurings, discontinued operations, and the cumulative effects of accounting or tax changes, each as defined by generally accepted accounting principles or as identified in Hilltop's financial statements, notes to the financial statements, management's discussion and analysis or other Hilltop filings with the SEC, *provided* that such adjustment does not violate Section 162(m) of the Code.

Incentive Award Payment

Determination of Award Amounts; Maximum Award Limit. After the performance period ends, the Compensation Committee will determine the payment amount of individual awards based on the achievement of the applicable previously designated performance goal(s), *provided* that no payment to any individual participant based on the achievement of these goal(s) may be greater than $10,000,000 in any fiscal year of the company.

Payment Eligibility. Unless determined otherwise by the Compensation Committee, participants generally must be actively employed on the date final awards are approved by the Compensation Committee, as applicable.

Form of Payment. Awards are paid to participants in cash, *provided* that the Compensation Committee, in its discretion, may determine for any performance period that all or a portion of awards to one or more participants will instead be paid in shares of (or equity awards in respect of) Hilltop common stock, which shares or awards would be granted under the applicable Hilltop equity plan and have such terms and conditions as may be determined by the Compensation Committee.

Timing of Payment. Awards are paid as soon as practicable after the end of the performance period, but in no event more than two and a half months after the end of the calendar year with respect to which the award was earned, unless the Compensation Committee determines to defer payment of all or a portion of an award (including by electing to pay all or a portion of an award in

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the form of equity awards), or the Participant has submitted a timely election to defer receipt of all or a portion of the award in accordance with a deferred compensation plan approved by the Compensation Committee.

Administration; Amendment and Termination

The Annual Incentive Plan is interpreted and administered by the Compensation Committee. The Annual Incentive Plan will be interpreted and construed in a manner so as to cause payments intended to constitute performance-based compensation under Section 162(m) of the Code to qualify as performance-based compensation under Section 162(m) of the Code. The Annual Incentive Plan may be amended or terminated at any time for any reason by the Compensation Committee. Shareholder approval will be obtained in connection with any amendment for which shareholder approval is necessary.

Unfunded Plan; Participants are General Creditors

Award amounts are paid from Hilltop's general funds and participants are considered unsecured general creditors with no special or prior right to any of Hilltop's assets for payments under the Annual Incentive Plan. Nothing in the Annual Incentive Plan is intended to create a trust for the benefit of any participant or to create a fiduciary relationship between Hilltop and any participant with respect to any of Hilltop's assets.

Tax Withholding

Awards paid under the Annual Incentive Plan are subject to all applicable withholding taxes.

Section 162(m) of the Code

The following is a summary of certain federal income tax consequences to the company of awards made under the Annual Incentive Plan, based upon the laws in effect on the date hereof. The discussion is general in nature and does not take into account a number of considerations which may apply in light of particular circumstances. This general tax discussion is intended for the information of shareholders considering how to vote with respect to this proposal and not as tax guidance to participants in the Annual Incentive Plan.

If an award under the Annual Incentive Plan is paid in cash or its equivalent, a participant will recognize compensation taxable as ordinary income (and subject to income tax withholding in respect of an employee) at the time the award is paid in an amount equal to the cash or the fair market value of its equivalent, and Hilltop will be entitled to a corresponding deduction, except to the extent the deduction limits of Section 162(m) of the Code apply.

Section 162(m) of the Code limits the deductibility of certain compensation of Hilltop's chief executive officer and the three other highest paid executive officers (other than the chief financial officer). Compensation paid to such an officer during a year in excess of $1 million that does not satisfy the performance-based exception under Section 162(m) of the Code would not be deductible on Hilltop's federal income tax return for that year. It is intended that compensation attributable to awards payable under the Annual Incentive Plan will be eligible to qualify as performance-based compensation under Section 162(m) of the Code. However, the Compensation Committee reserves the right to grant bonus awards that do not qualify for this exception, and, in some cases, the exception may cease to be available for some or all bonus awards that otherwise so qualify. Thus, it is possible that Section 162(m) of the Code may disallow compensation deductions that would otherwise be available to the company.

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New Plan Benefits

Except for with respect to Alan B. White, the amount of awards payable under the Annual Incentive Plan, if any, to any participant is not determinable as awards have not yet been determined under the Annual Incentive Plan. Participation in the Annual Incentive Plan does not guarantee the payment of an award, and all awards under the Annual Incentive Plan are discretionary and subject to approval by Hilltop's Compensation Committee, as described above. Mr. White, who will be an executive officer of Hilltop following the completion of merger, has a guaranteed minimum bonus set forth in his retention agreement. The retention agreement provides that if a certain specified performance threshold is obtained, Mr. White will be guaranteed an annual bonus equal to no less than the average bonus paid in respect of the three most recently completed calendar years (which is currently approximately $535,000).

Required Vote

Approval of the adoption of the Hilltop Holdings Inc. 2012 Annual Incentive Plan and the material terms of the performance goals thereunder requires the affirmative vote of the holders of at least a majority of the shares of Hilltop common stock voting on the proposal, provided that the total votes cast on the proposal (including abstentions) must represent a majority of the shares of Hilltop common stock outstanding on the record date for the Hilltop special meeting. Therefore, assuming that a quorum is present, your failure to vote, an abstention or a broker non-vote will have no effect on the approval of the Annual Incentive Plan proposal. However, it may make it more difficult for Hilltop to meet the NYSE requirement that the total votes cast on such proposal (including abstentions) represent a majority of the shares of Hilltop common stock outstanding on the record date for the Hilltop special meeting.

The Hilltop board of directors unanimously recommends that its shareholders vote "FOR" the adoption of the Hilltop Holdings Inc. 2012 Annual Incentive Plan and the material terms of the performance goals thereunder.

Approval of the Adjournment or Postponement of the Hilltop Special Meeting (Proposal 4)

The Hilltop 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 share issuance proposal.

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

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

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

The Hilltop board of directors recommends that holders of Hilltop 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 the share issuance proposal.

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THE PLAINSCAPITAL SPECIAL MEETING

This section contains information about the special meeting of PlainsCapital shareholders that has been called to consider, adopt and approve the merger agreement.

Together with this document, PlainsCapital is also sending you a notice of the PlainsCapital special meeting and a form of proxy that is solicited by the PlainsCapital board of directors. The PlainsCapital special meeting will be held on September 20, 2012, at 10:00 a.m., local time, at PlainsCapital's conference facility located at 2323 Victory Avenue, 5th Floor, Dallas, Texas 75219.

Matters to be Considered

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

- a proposal to adopt and approve the merger agreement as such agreement may be amended from time to time (the "merger proposal");
- a proposal to approve, on a non-binding, advisory basis, compensation that may be paid or become payable to PlainsCapital'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 PlainsCapital special meeting, if necessary or appropriate, to solicit additional proxies, in the event that there are not sufficient votes at the time of the PlainsCapital special meeting to approve the merger proposal (the "PlainsCapital adjournment proposal").

Proxies

Each copy of this document mailed to holders of PlainsCapital common stock is accompanied by a form of proxy with instructions for voting. If you hold stock in your name as a shareholder 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 PlainsCapital proxy card, vote by accessing the internet site listed on the PlainsCapital proxy card or vote in person at the PlainsCapital 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 PlainsCapital;
- vote by calling the toll-free number listed on the PlainsCapital proxy card or accessing the internet site listed on the PlainsCapital proxy card by 6:00 p.m., Central time on September 19, 2012; or
- attend the PlainsCapital special meeting and vote in person.

If you wish to revoke rather than change your vote, you must send a written, signed revocation to PlainsCapital Corporation, 2323 Victory Avenue, Suite 1400, Dallas, Texas 75219, Attn: Scott J. Luedke, General Counsel and Secretary, 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.

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 "FOR" the merger proposal, "FOR" the compensation proposal and "FOR" approval of the PlainsCapital adjournment proposal.

PlainsCapital shareholders with shares represented by stock certificates should not send PlainsCapital stock certificates with their proxy cards. After the merger is completed, holders of PlainsCapital common stock certificates will be mailed a transmittal form with instructions on how to exchange their PlainsCapital stock certificates for the merger consideration. Shares of PlainsCapital common stock held in book-entry form will automatically be exchanged for the merger consideration.

ESOP Voting Instructions

If you are a participant in PlainsCapital's Employees' Stock Ownership Plan (the "ESOP"), then you may be receiving this material because of the common stock held for you in the ESOP. In that case, you should use the enclosed proxy card to instruct the ESOP trustees how to vote those shares. Return your proxy card, which serves as your voting instructions to the ESOP trustees, as described on the card itself. **To allow sufficient time for voting by the ESOP trustees, your ESOP voting instructions must be received no later than September 17, 2012 at 5:00 p.m. Central time.** PlainsCapital's transfer agent will tabulate the ESOP voting instructions it receives and provide aggregate ESOP voting instructions to the ESOP trustees. The ESOP trustees will vote the shares in accordance with such instructions and the terms of the ESOP. **Please note that you will not be able to vote the shares of common stock held for you in the ESOP in person at the special meeting as these shares may only be voted by the ESOP trustees.**

The ESOP trustees may vote the shares held for you even if you do not direct them how to vote. The ESOP trustees will vote any shares held in the ESOP for which they do not timely receive instructions in their own, or the ESOP committee's, discretion and in accordance with the ESOP plan documents.

If your shares of common stock are held by you in both your record name and in the ESOP, you may use the same enclosed proxy card to vote the shares held in your record name and to direct the ESOP trustees to vote the shares held for you in the ESOP. **You must timely return the enclosed proxy card to direct the vote of the shares held for you in the ESOP.**

Solicitation of Proxies

PlainsCapital will bear the entire cost of soliciting proxies from its shareholders. In addition to solicitation of proxies by mail, PlainsCapital will request that banks, brokers, and other record holders send proxies and proxy material to the beneficial owners of PlainsCapital common stock and secure their voting instructions. PlainsCapital will reimburse the record holders for their reasonable expenses in taking those actions. PlainsCapital has also made arrangements with Morrow & Co., LLC to assist PlainsCapital in soliciting proxies and has agreed to pay Morrow & Co., LLC $5,500 plus a fixed rate for each shareholder contacted and reasonable fees and expenses. If necessary, PlainsCapital may use several of its regular employees, who will not be specially compensated, to solicit proxies from PlainsCapital shareholders, either personally or by telephone, facsimile, letter or other electronic means.

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Record Date

The close of business on August 3, 2012 has been fixed as the record date for determining the PlainsCapital shareholders entitled to receive notice of and to vote at the PlainsCapital special meeting. At that time, 34,462,390 shares of PlainsCapital common stock were outstanding, held by approximately 980 holders of record.

Quorum

In order to conduct business at the PlainsCapital 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 shareholders or their proxies who are entitled to cast at least a majority of the votes that all shareholders 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 PlainsCapital common stock you held as of the record date. Holders of shares of PlainsCapital preferred stock are not entitled to vote on the adoption and approval of the merger agreement or otherwise at the PlainsCapital special meeting.

Vote Required

Approval of the merger proposal requires the affirmative vote of a majority of the shares of PlainsCapital common stock outstanding on the record date for the PlainsCapital special meeting. Because the affirmative vote of the holders of at least a majority of the shares of PlainsCapital common stock outstanding on the record date for the PlainsCapital 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 each of the compensation proposal and the PlainsCapital adjournment proposal requires the affirmative vote of the holders of at least a majority of the shares of PlainsCapital common stock represented in person or by proxy at the PlainsCapital special meeting. An abstention or broker non-vote will have no effect on the compensation proposal or the PlainsCapital adjournment proposal. Each holder of PlainsCapital common stock will be entitled to one vote per share on each of the proposals presented at the PlainsCapital annual meeting.

The PlainsCapital board of directors urges PlainsCapital shareholders 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 PlainsCapital proxy card; or (3) accessing the internet site listed on the PlainsCapital 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.

As of the record date, to the knowledge of PlainsCapital, directors and executive officers of PlainsCapital may be deemed to have had voting power over approximately 6,321,870 shares of PlainsCapital common stock (including the shares held by the shareholders subject to the voting agreements described below), or approximately 18.3% of the outstanding shares of PlainsCapital common stock entitled to vote at the special meeting. We currently expect that each of these individuals will vote their shares of PlainsCapital common stock in favor of the proposals to be presented at the special meeting.

Alan B. White, Chairman and Chief Executive Officer of PlainsCapital, and certain entities controlled by him, and Hill A. Feinberg, a director of PlainsCapital and Chief Executive Officer of First Southwest, a wholly owned subsidiary of PlainsCapital, have each entered into a voting and support agreement with Hilltop. Pursuant to such agreements, each such shareholder has agreed to vote all of their shares of PlainsCapital common stock in favor of the merger proposal and related matters, subject to certain exceptions. As of the record date for the PlainsCapital special meeting and to the knowledge of PlainsCapital, the shareholders party to these agreements owned and had the ability to vote approximately 4,944,083 shares of PlainsCapital common stock, or approximately 14.3% of the outstanding shares of PlainsCapital common stock entitled to vote at the PlainsCapital special meeting.

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Recommendation of the PlainsCapital Board of Directors

The PlainsCapital board of directors has unanimously approved the merger agreement and the transactions it contemplates, including the merger. See "The Merger PlainsCapital's Reasons for the Merger; Recommendation of the PlainsCapital Board of Directors" included elsewhere in this joint proxy statement/prospectus for a more detailed discussion of the PlainsCapital board of directors' recommendation.

The PlainsCapital board of directors 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 become payable to PlainsCapital'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.

Attending the Special Meeting

All holders of PlainsCapital common stock, including holders of record and shareholders who hold their stock through banks, brokers, nominees or any other holder of record, are invited to attend the PlainsCapital special meeting. Only shareholders of record on the record date can vote in person at the PlainsCapital special meeting. If you are not a shareholder 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 PlainsCapital special meeting. If you plan to attend the PlainsCapital 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. PlainsCapital reserves the right to refuse admittance to anyone without proper proof of share ownership and without proper photo identification.

PROPOSALS SUBMITTED TO PLAINSCAPITAL SHAREHOLDERS

Adoption and Approval of the Merger Agreement (Proposal 1)

This joint proxy statement/prospectus is being furnished to PlainsCapital shareholders as part of the solicitation of proxies by the PlainsCapital board of directors for use at the PlainsCapital special meeting to consider and vote on the proposal to adopt and approve the merger agreement. **IF PLAINSCAPITAL SHAREHOLDERS FAIL TO ADOPT AND APPROVE THE MERGER AGREEMENT, THE MERGER CANNOT BE COMPLETED**. Holders of PlainsCapital common stock should read this joint 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 joint proxy statement/prospectus as Annex A.

After careful consideration, the PlainsCapital board of directors determined that the merger agreement and the transactions contemplated by the merger agreement were advisable and in the best interests of PlainsCapital and its shareholders and approved the merger agreement and the transactions contemplated by the merger agreement, including the merger. See "The Merger PlainsCapital's Reasons for the Merger; Recommendation of the PlainsCapital Board of Directors" included elsewhere in this joint proxy statement/prospectus for a more detailed discussion of the PlainsCapital board of directors' recommendation.

Approval of the merger proposal requires the affirmative vote of a majority of the shares of PlainsCapital common stock outstanding on the record date for the PlainsCapital special meeting.

The PlainsCapital board of directors recommends that its shareholders vote "FOR" the adoption and approval of the merger agreement. For a discussion of interests of PlainsCapital's directors and executive officers in the merger that may be different from, or in addition to, the interest of PlainsCapital's shareholders generally, see "The Merger Interests of Certain Directors and Executive Officers in the Merger" included elsewhere in this joint 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 PlainsCapital to provide its shareholders with the opportunity to vote to approve, on a non-binding, advisory basis, the compensation that may be paid or become payable to the named executive officers of PlainsCapital 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 Compensation."

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

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

Approval of this proposal is not a condition to completion of the merger. **While the PlainsCapital board of directors intends to consider the vote resulting from this proposal, the vote is advisory, and therefore not binding on PlainsCapital or on Hilltop or the board of directors or the compensation committees of PlainsCapital or Hilltop.** Accordingly, such compensation, including amounts that PlainsCapital is contractually obligated to pay, could still be payable regardless of the outcome of this advisory vote, subject only to the conditions applicable thereto.

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The affirmative vote, in person or by proxy, of the holders of at least a majority of the shares of PlainsCapital common stock represented in person or by proxy at the special meeting entitled to be voted and voted for or against the proposal is required to approve the compensation proposal.

The PlainsCapital board of directors recommends that its shareholders vote "FOR" the approval, on a non-binding, advisory basis, of the compensation that may be paid or become payable to PlainsCapital's named executive officers that is based on or otherwise relates to the merger.

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

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

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

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

The PlainsCapital board of directors recommends that holders of PlainsCapital 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 Holdings Inc.

Hilltop is a holding company that endeavors to identify and execute attractive acquisitions and business combinations. As of March 31, 2012, Hilltop had approximately $528 million aggregate available cash and cash equivalents that may be used for this purpose, of which approximately $317 million is expected to be paid to PlainsCapital shareholders in connection with the merger. No assurances can be given that Hilltop will be able to consummate the merger with PlainsCapital, identify additional suitable business combinations, or successfully integrate or operate PlainsCapital or any other business that may be acquired in the future.

On July 29, 2011, Hilltop extended SWS Group, Inc. ("SWS") a $50 million term loan, which bears interest at 8% per annum, is prepayable by SWS subject to certain conditions after three years, and has a maturity of five years. SWS issued Hilltop a warrant to purchase 8,695,652 shares of SWS common stock, $0.10 par value per share, exercisable at a price of $5.75 per share subject to anti-dilution adjustments. Additionally, Hilltop has purchased 1,475,387 shares of SWS common stock on the open market. If the warrant were fully exercised, Hilltop would beneficially own 24.5% of SWS.

Hilltop also provides fire and homeowners insurance to low value dwellings and manufactured homes, primarily in Texas and other areas of the south through its wholly owned property and casualty insurance holding company, NLASCO, Inc. ("NLASCO"). Hilltop acquired NLASCO in January 2007. NLASCO operates through its wholly-owned subsidiaries, National Lloyds Insurance Company ("NLIC") and American Summit Insurance Company ("ASIC").

NLASCO targets underserved markets that require underwriting expertise that many larger carriers have been unwilling to develop given the relatively small volume of premiums produced by local agents. Within these markets, NLASCO attempts to capitalize on its superior local knowledge to identify profitable underwriting opportunities. NLASCO believes that it distinguishes itself from competitors by delivering products that are not provided by many larger carriers, providing a high level of customer service and responding quickly to the needs of its agents and policyholders. NLASCO applies a high level of selectivity in the risks it underwrites and uses a risk-adjusted return approach to capital allocation, which NLASCO believes allows it to generate underwriting profits.

NLIC and ASIC carry a financial strength rating of "A" (Excellent) by A.M. Best. An "A" rating is the third highest of 16 rating categories used by A.M. Best. 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. This rating is intended to provide an independent opinion of an insurer's ability to meet its obligations to policyholders and is not an evaluation directed at investors. This rating assignment is subject to the ability to meet A.M. Best's expectations as to performance and capitalization on an ongoing basis, including with respect to management of liabilities for losses and loss adjustment expenses, and is subject to revocation or revision at any time at the sole discretion of A.M. Best.

Hilltop's common stock is listed on the NYSE under the symbol "HTH."

Hilltop's principal office is located at 200 Crescent Court, Suite 1330, Dallas, Texas 75201, and its telephone number at that location is (214) 855-2177. Hilltop's internet address is *www.hilltop-holdings.com*. Additional information about Hilltop and its subsidiaries is included in documents incorporated by reference in this document. See "Where You Can Find More Information" included elsewhere in this joint proxy statement/prospectus.

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Meadow Corporation

Meadow Corporation is a Maryland corporation and a wholly owned subsidiary of Hilltop. Meadow Corporation was formed in May 2012 for the purpose of effecting the merger. Meadow Corporation has not conducted any activities other than those incidental to its formation and the matters contemplated by the merger agreement.

PlainsCapital Corporation

Business

Overview

PlainsCapital is a Texas-based and Dallas-headquartered financial holding company registered under the Bank Holding Company Act, as amended by the Gramm-Leach-Bliley Act, and was incorporated in 1987. Historically, the majority of PlainsCapital's net income has been derived from its wholly owned bank subsidiary, PlainsCapital Bank. PlainsCapital Bank provides business and consumer banking services from offices located throughout central, north and west Texas. PlainsCapital Bank's subsidiaries have specialized areas of expertise that allow it to provide an array of financial products and services such as mortgage origination and financial advisory services. As of March 31, 2012, on a consolidated basis, PlainsCapital had total assets of approximately $5.8 billion, total deposits of approximately $4.2 billion, total loans, including loans held for sale, of approximately $4.2 billion, and shareholders' equity of approximately $539.1 million.

Geographic Dispersion of PlainsCapital's Deposits and Loan Portfolio

As of March 31, 2012, PlainsCapital had approximately $4.2 billion in deposits. The following table summarizes PlainsCapital's deposit portfolio as of March 31, 2012 (dollar amounts in thousands).

	March 31, 2012				
	West Texas(1)	DFW(2)	Central/South(3)	Other(4)	Total
Demand deposits	$ 135,888	$ 93,473	$ 47,977	$ 53,299	$ 330,637
NOW accounts	82,464	39,974	4,851	503	127,792
Money market deposit accounts	653,059	1,153,648	293,240	11,640	2,111,587
Brokered money market deposit accounts				224,243	224,243
Other savings deposits	40,379	51,212	80,392	1,639	173,622
Time deposits under $100,000	117,176	81,992	7,303	48	206,519
Time deposit of $100,000 or more	240,051	524,146	63,886	21	828,104
Brokered time deposits				166,272	166,272
Total deposits	$ 1,269,017	$ 1,944,445	$ 497,649	$ 457,665	$ 4,168,776
Percentage of total deposits	30.4%	46.6%	12.0%	11.0%	100.0%

(1) "West Texas" consists of deposits originated in Lubbock, Texas.

(2) "DFW" primarily consists of deposits originated in Dallas, Texas and Fort Worth, Texas.

(3) "Central/South" primarily consists of deposits originated in Austin, Texas and San Antonio, Texas.

(4) "Other" consists of deposits that are not managed on a regional basis.

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The following table summarizes PlainsCapital's loans held for investment as of March 31, 2012 (dollar amounts in thousands).

	March 31, 2012				
	West Texas(1)	DFW(2)	Central/South(3)	Other(4)	Total
Commercial and industrial					
Commercial	$ 306,733	$ 871,307	$ 286,858	$	$ 1,464,898
Lease financing				29,425	29,425
Securities (including margin loans)	809	261	2,557	311,203	314,830
Real estate	242,024	634,768	335,480		1,212,272
Construction and land development	18,576	165,491	97,780		281,847
Consumer	13,996	8,698	4,698		27,392
Total loans	$ 582,138	$ 1,680,525	$ 727,373	$ 340,628	$ 3,330,664
Percentage of total loans	17.5%	50.5%	21.8%	10.2%	100.0%

(1) "West Texas" consists of loans originated from Lubbock, Texas.

(2) "DFW" primarily consists of loans originated in Dallas, Texas and Fort Worth, Texas.

(3) "Central/South" primarily consists of loans originated from Austin, Texas and San Antonio, Texas.

(4) "Other" consists of margin loans held by First Southwest and lease financing.

Business Segments

PlainsCapital operates in three business segments: banking, mortgage origination and financial advisory. For more financial information about each of these business segments, see "Information about the Companies Management's Discussion and Analysis" included elsewhere in this joint proxy statement/prospectus. See also Note 24 in the notes to PlainsCapital's audited consolidated financial statements for the years ended December 31, 2011, 2010 and 2009, and Note 17 to the unaudited consolidated financial statements for the three months ended March 31, 2012 and 2011, included elsewhere in this joint proxy statement/prospectus.

Banking

The operations of PlainsCapital Bank comprise PlainsCapital's banking segment. As of March 31, 2012, PlainsCapital's banking segment had approximately $5.2 billion in assets and total deposits of approximately $4.2 billion. The primary source of PlainsCapital's deposits is residents and businesses located in the Texas markets it serves.

Business Banking. PlainsCapital's 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. PlainsCapital provides 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. PlainsCapital's treasury management services, which are designed to reduce the time, burden and expense of collecting, transferring, disbursing and reporting cash, are also available to PlainsCapital's business customers. PlainsCapital offers these business customers lines of credit, equipment loans and leases, letters of credit, agricultural loans, commercial real estate loans and other loan products.

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The table below sets forth a distribution of the banking segment's business loans, by type, and all other loans as of March 31, 2012 (dollar amounts in thousands).

	March 31, 2012	
	Amount	% of Total Loans
Loans:		
Commercial and industrial		
Commercial	$ 1,464,898	38.6%
Lease financing	27,963	0.7%
Subsidiary warehouse lines	784,627	20.6%
Real estate	1,210,668	31.9%
Construction and land development	281,847	7.4%
Total business loans	3,770,003	99.2%
All other loans	31,020	0.8%
Total loans	$ 3,801,023	100.0%

Commercial and industrial loans are primarily made within PlainsCapital's market areas in Texas and are underwritten on the basis of the borrower's ability to service the debt from income. 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 the operations of the business, and those operations may not be successful. 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, PlainsCapital's 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, PlainsCapital actively monitors certain fiscal measures of the borrower, including cash flow, collateral value and other appropriate credit factors. PlainsCapital also has processes in place to analyze and evaluate on a regular basis its exposure to industries, products, market changes and economic trends.

PlainsCapital 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 the properties that are leased to third parties. As a general practice, PlainsCapital Bank requires its commercial mortgage loans to be secured with first lien positions on the underlying property, to generate adequate equity margins, to be serviced by businesses operated by an established management team, and to be guaranteed by the principals of the borrower. PlainsCapital 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.

PlainsCapital Bank offers construction financing for (i) commercial, retail, office, industrial, warehouse and multi-family developments, (ii) residential developments and (iii) single family residential properties. Loans to finance these transactions are generally secured by first liens on the underlying real property. PlainsCapital generally requires that the subject property of a construction loan for commercial real estate be pre-leased. PlainsCapital Bank conducts periodic completion

inspections, either directly or through an agent, prior to approval of periodic draws on these loans. 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. 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. If PlainsCapital 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.

In addition to the real estate lending activities described above, a portion of PlainsCapital 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 of five years or less. Longer term mortgage financing is provided for certain customers within PlainsCapital Bank's private banking group. As of March 31, 2012, PlainsCapital Bank had approximately $214.7 million in one-to-four family residential loans, which represented 5.65% of its total loans held for investment.

Personal Banking. PlainsCapital Bank offers a broad range of personal banking products and services for individuals. Similar to PlainsCapital Bank's business banking operations, PlainsCapital Bank also provides its 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 U.S. PlainsCapital Bank offers a variety of deposit accounts to its personal banking customers including savings, checking, interest-bearing checking, money market and certificates of deposit.

PlainsCapital Bank offers loans 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. As of March 31, 2012, PlainsCapital Bank had approximately $31.0 million of loans for these purposes, which are shown in the previous table as "All other loans."

Wealth and Investment Management. PlainsCapital Bank's 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. PlainsCapital Bank offers trust and asset management services in order to assist these customers in managing, and ultimately transferring, their wealth. PlainsCapital Bank's 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.

Mortgage Origination

PlainsCapital's mortgage origination segment operates through a wholly owned subsidiary of PlainsCapital Bank, PrimeLending. Founded in 1986, PrimeLending is a residential mortgage originator licensed to originate and close loans in 50 states and the District of Columbia. As of March 31, 2012, it operated from 270 locations in 37 states, originating approximately 25% of its mortgages from its Texas locations and approximately 17% of its mortgages from locations in California. In addition to the Dallas market, PrimeLending also serves other Texas markets, including Austin, Fort Worth, Houston and San Antonio. The mortgage lending business is subject to seasonality, as PrimeLending typically experiences 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.

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PrimeLending handles loan processing, underwriting and closings in-house. Mortgage loans originated by PrimeLending are funded through a warehouse line of credit maintained with PlainsCapital Bank. PrimeLending sells substantially all mortgage loans it originates to various investors in the secondary market, servicing released, although it may retain servicing in limited circumstances. As these mortgage loans are sold in the secondary market, PrimeLending pays down its warehouse line of credit with PlainsCapital 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.

PlainsCapital's mortgage lending underwriting strategy, driven in large measure by secondary market investor standards, seeks to originate substantially only conforming loans. PlainsCapital's 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.

In addition to its branch office network, PrimeLending, through PrimeLending Ventures, LLC, has established various "affiliated business arrangements" to originate residential mortgages for customers of referring business partners and for other customers not associated with business partners. As of March 31, 2012, PrimeLending Ventures, LLC had thirteen affiliated business arrangements.

Since its inception, PrimeLending has grown from originating approximately $80 million in mortgage loans annually with a staff of 20 individuals to originating approximately $8.8 billion in loans in 2011 and employing approximately 2,400 persons as of March 31, 2012. PrimeLending offers a variety of loan products catering to the specific needs of borrowers, including 30-year and 15-year fixed rate conventional mortgages, adjustable rate mortgages, jumbo loans, Federal Housing Administration (FHA) and Veteran Affairs (VA) loans, permanent construction financing, relocation programs and refinancing options. Mortgage loans originated by PrimeLending are secured by a first lien on the underlying property. PrimeLending does not currently originate subprime loans (defined as loans to borrowers having a Fair Isaac Corporation (FICO) score lower than 620 or that do not comply with applicable agency or investor-specific underwriting guidelines).

Financial Advisory

PlainsCapital's financial advisory segment operates through First Southwest and, until its sale in July 2012, included Hester Capital Management, LLC ("Hester Capital"). Through First Southwest, PlainsCapital serves families, trusts, endowments, foundations and other non-profit entities, retirement plans, public funds, local governments, public agencies, financial institutions and high net worth investors. PlainsCapital provides these customers with a diverse group of services such as investment advisory, investment banking, underwriting, asset management, arbitrage rebate, continuing disclosure for municipal clients and benefit plan services.

Acquisition of First Southwest. Pursuant to the merger agreement between PlainsCapital and First Southwest Holdings, Inc., dated as of November 7, 2008, as amended (the "First Southwest Merger Agreement"), PlainsCapital acquired First Southwest, which currently operates as PlainsCapital's wholly owned subsidiary. Upon completion of the merger on December 31, 2008, PlainsCapital issued to former stockholders of First Southwest 5,092,677 shares of PlainsCapital common stock and substitute stock options to purchase 285,366 shares of PlainsCapital common stock and placed additional shares

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of PlainsCapital common stock into escrow to satisfy earnout provisions contained in the First Southwest Merger Agreement, as described below.

Pursuant to the earnout provisions in the First Southwest Merger Agreement, PlainsCapital placed 1,697,430 shares of PlainsCapital common stock into escrow. In addition, one quarter of the shares of PlainsCapital common stock issuable pursuant to the substitute stock options issued to the former stockholders of First Southwest Holdings, Inc. are subject to the earnout provisions of the First Southwest Merger Agreement and will be held in escrow if exercised prior to January 31, 2013. As of May 25, 2012, 38,849 shares underlying such substitute stock options have been delivered into escrow pursuant to the exercise of such substitute stock options, for a total of 1,736,279 shares of PlainsCapital common stock held in escrow, and up to an additional 14,116 shares of PlainsCapital common stock underlying additional substitute stock options could be held in escrow if the related substitute stock options are exercised prior to January 31, 2013.

The percentage of shares to be released from escrow and distributed to former First Southwest Holdings, Inc. stockholders will be determined based upon the valuation of certain auction rate bonds held by First Southwest Holdings, Inc. prior to the merger (or to be repurchased from investors following the closing of the merger) as of December 31, 2012 or, if applicable, the aggregate sales price of such auction rate bonds prior to such date. The release of the escrowed shares will be further adjusted for certain specified losses, if any, during the earnout period and any excess dividend payments. The First Southwest Merger Agreement provides that if the value or aggregate sales price, as applicable, of the auction rate bonds is less than 80% of the face value of the auction rate bonds, no shares of PlainsCapital common stock will be distributed from escrow to former First Southwest stockholders. If the value or aggregate sales price of the auction rate bonds falls between 80% and 90% of face value, former First Southwest stockholders will receive an increasing portion of the shares held in escrow. If the value or aggregate sales price of the auction rate bonds equals or exceeds 90% of face value, former First Southwest shareholders will receive all of the shares held in escrow subject to certain specified losses, if any. Any shares issued out of escrow will be accounted for as additional acquisition cost. In connection with the merger, the First Southwest Merger Agreement was amended to provide for the substitution of the merger consideration for the shares of PlainsCapital common stock currently held in escrow.

First Southwest is a diversified investment banking firm and a registered broker-dealer with the SEC and FINRA. First Southwest's primary focus is on providing public finance services.

The operating subsidiary of First Southwest was founded in 1946 in Dallas, Texas and, as of March 31, 2012, employed approximately 400 people and maintained 22 locations nationwide, nine of which are in Texas. As of March 31, 2012, First Southwest maintained $85.8 million in equity capital and had more than 1,600 public sector clients. As of March 31, 2012, it had consolidated assets of approximately $643.8 million.

First Southwest has five primary lines of business: (i) public finance, (ii) capital markets, (iii) correspondent clearing services, (iv) asset management and (v) corporate finance.

Public Finance. First Southwest's public finance group represents its largest department. This group advises cities, counties, school districts, utility districts, tax increment zones, special districts, state agencies and other governmental entities nationwide. In addition, the group provides specialized advisory and investment banking services for airports, convention centers, healthcare institutions, institutions of higher education, housing, industrial development agencies, toll road authorities, and public power and utility providers.

Capital Markets. Through its capital markets group, First Southwest trades fixed income securities to support sales and other customer activities, underwrites tax-exempt and taxable fixed income

securities and trades equities on an agency basis on behalf of its retail and institutional clients. In addition, First Southwest provides asset and liability management advisory services to community banks.

Correspondent Clearing Services. The correspondent clearing services group offers omnibus and fully disclosed clearing services to FINRA member firms for trade executing, clearing and back office services. Services are provided to approximately 70 correspondent firms.

Asset Management. First Southwest Asset Management is an investment advisor registered under the Investment Advisors Act of 1940, providing state and local governments with advice and assistance with respect to arbitrage rebate compliance, portfolio management and local government investment pool administration. In the area of arbitrage rebate, First Southwest Asset Management advises municipalities with respect to the emerging regulations relating to arbitrage rebates. Further, First Southwest Asset Management assists governmental entities with the complexities of investing public funds in the fixed income markets. As an investment adviser registered with the SEC, First Southwest Asset Management promotes cash management-based investment strategies that seek to adhere to the standards imposed by the fiduciary responsibilities of investment officers of public funds. As of March 31, 2012, First Southwest Asset Management served as administrator for local government investment pools totaling approximately $8.9 billion, investment manager of approximately $7.0 billion in short-term fixed income portfolios of municipal governments and investment advisor for approximately $5.3 billion invested by municipal governments.

Corporate Finance. First Southwest's corporate finance group provides focused and tailored investment banking services to institutions and corporations. These services include capital raising, advisory services and corporate restructuring.

Hester Capital. PlainsCapital acquired a majority interest in Hester Capital in 2003. Hester Capital is an investment advisor registered under the Investment Advisors Act of 1940 and primarily serves clients in Austin, Dallas and Fort Worth. It specializes in investment portfolio management services for private clients, including families, trusts and estates; endowments, foundations and other non-profit entities; retirement plans; businesses; and public funds. Hester Capital manages equity, fixed income and balanced portfolios using defined investment objectives and guidelines established with each client. The investment management services offered by Hester Capital involve managing and overseeing investment portfolios containing liquid assets of at least $1.0 million. As of March 31, 2012, Hester Capital had assets under management of approximately $1.1 billion. In July 2012, PlainsCapital sold, at approximately carrying value, all of its controlling membership interest in Hester Capital to an unrelated third party. The operations of Hester Capital were not significant to PlainsCapital or to PlainsCapital's financial advisory segment.

Competition

PlainsCapital faces significant competition with respect to the business segments in which PlainsCapital operates and the geographic markets PlainsCapital serves. PlainsCapital's lending and mortgage origination competitors include commercial banks, savings banks, savings and loan associations, credit unions, finance companies, pension trusts, mutual funds, insurance companies, mortgage bankers and brokers, brokerage and investment banking firms, asset-based non-bank lenders, government agencies and certain other non-financial institutions. Competition for deposits and in providing lending and mortgage origination products and services to businesses in PlainsCapital's market area is intense and pricing is important. Additionally, other factors encountered in competing for savings deposits are convenient office locations and rates offered. Direct competition for savings deposits also comes from other commercial bank and thrift institutions, money market mutual funds and corporate and government securities that may offer more attractive rates than insured depository institutions are willing to pay. Competition for loans includes such additional factors as interest rate, loan origination fees and the range of services offered by the provider.

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PlainsCapital also faces significant competition for financial advisory services on a number of factors such as price, perceived expertise, range of services, and local presence. PlainsCapital'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, are not subject to the broker-dealer regulatory framework. Many of PlainsCapital's competitors have substantially greater financial resources, lending limits and larger branch networks than PlainsCapital does, and offer a broader range of products and services.

Employees

As of March 31, 2012, PlainsCapital employed approximately 3,500 persons, substantially all of whom are full-time. None of PlainsCapital's employees are represented by any collective bargaining unit or a party to any collective bargaining agreement.

Government Supervision and Regulation

General

PlainsCapital, PlainsCapital Bank, PrimeLending, First Southwest and PlainsCapital's other nonbanking subsidiaries are subject to extensive regulation under federal and state laws. The regulatory framework is intended primarily for the protection of customers and clients of PlainsCapital's financial advisory services, depositors, borrowers, the insurance funds of the FDIC and SIPC and the banking system as a whole, and not for the protection of PlainsCapital's shareholders or creditors. In many cases, the applicable regulatory authorities have broad enforcement power over bank holding companies, banks and their subsidiaries, including the power to impose substantial fines and other penalties for violations of laws and regulations. The following discussion describes the material elements of the regulatory framework that applies to PlainsCapital and its subsidiaries. References in this joint proxy statement/prospectus to applicable statutes and regulations are brief summaries thereof, do not purport to be complete, and are qualified in their entirety by reference to such statutes and regulations.

Recent Regulatory Developments. New regulations and statutes are regularly proposed and/or adopted that contain wide-ranging proposals for altering the structures, regulations and competitive relationships of financial institutions operating and doing business in the United States. Certain of these recent proposals and changes are described below.

On July 21, 2010, President Obama signed into law the Dodd-Frank Act. The Dodd-Frank Act aims to restore responsibility and accountability to the financial system by significantly altering the regulation of financial institutions and the financial services industry. Most of the provisions contained in the Dodd-Frank Act have delayed effective dates. Full implementation of the Dodd-Frank Act will require many new rules to be issued by federal regulatory agencies over the next several years, which will profoundly affect how financial institutions will be regulated in the future. The ultimate effect of the Dodd-Frank Act and its implementing regulations on the financial services industry in general, and on PlainsCapital in particular, is uncertain at this time.

The Dodd-Frank Act, among other things:

- Established the CFPB, an independent organization within the Federal Reserve which has the authority to promulgate consumer protection regulations applicable to all entities offering consumer financial products or services, including banks. The CFPB has broad rule-making authority for a wide range of consumer protection laws, including the authority to prohibit "unfair, deceptive or abusive" acts and practices;

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- Established the Financial Stability Oversight Council, tasked with the authority to identify and monitor institutions and systems which pose a systemic risk to the financial system, and to impose standards regarding capital, leverage, liquidity, risk management, and other requirements for financial firms;

- Changed the base for FDIC insurance assessments;

- Increased the minimum reserve ratio for the Deposit Insurance Fund from 1.15% to 1.35% (the FDIC subsequently increased it by regulation to 2.00%);

- Permanently increased the deposit insurance coverage amount from $100,000 to $250,000;

- Directed the Federal Reserve Board to establish interchange fees for debit cards pursuant to a restrictive "reasonable and proportional cost" per transaction standard;

- Limits the ability of banking organizations to sponsor or invest in private equity and hedge funds and to engage in proprietary trading in a provision known as the "Volcker Rule";

- Grants the U.S. government authority to liquidate or take emergency measures with respect to troubled nonbank financial companies that fall outside the existing resolution authority of the FDIC, including the establishment of an orderly liquidation fund;

- Increases regulation of asset-backed securities, including a requirement that issuers of asset-backed securities retain at least 5% of the risk of the asset-backed securities;

- Increases regulation of consumer protections regarding mortgage originations, including originator compensation, minimum repayment standards, and prepayment consideration; and

- Establishes new disclosure and other requirements relating to executive compensation and corporate governance.

In November 2009, the Federal Reserve Board adopted amendments to its Regulation E, effective July 1, 2010, that prohibit financial institutions from charging clients overdraft fees on ATMs and one-time debit card transactions, unless a consumer consents, or opts in, to the overdraft service for those types of transactions. Pursuant to the adopted regulation, consumers must opt in to an overdraft service in order for the financial institution to collect overdraft fees. If a consumer does not opt in, any ATM transaction or debit that overdraws the consumer's account will be denied. Overdrafts on the payment of checks and regular electronic bill payments are not covered by this rule. Before opting in, the consumer must be provided a notice that explains the financial institution's overdraft services, including the fees associated with the service, and the consumer's choices. Financial institutions must provide consumers who do not opt in with the same account terms, conditions and features (including pricing) that they provide to consumers who do opt in.

On June 21, 2010, the Federal Reserve Board, the Office of the Comptroller of the Currency, the Office of Thrift Supervision and the FDIC jointly issued comprehensive final guidance on incentive compensation policies (the "Incentive Compensation Guidance") intended to ensure that the incentive compensation policies of banking organizations do not undermine the safety and soundness of such organizations by encouraging excessive risk-taking. The Incentive Compensation Guidance sets expectations for banking organizations concerning their incentive compensation arrangements and related risk-management, control and governance processes. The Incentive Compensation Guidance, which covers all employees that have the ability to materially affect the risk profile of an organization, either individually or as part of a group, is based upon three primary principles: (i) balanced risk-taking incentives, (ii) compatibility with effective controls and risk management, and (iii) strong corporate governance. Any deficiencies in compensation practices that are identified may be incorporated into the organization's supervisory ratings, which can affect its ability to make acquisitions or perform other actions. In addition, under the Incentive Compensation Guidance, a

banking organization's federal supervisor may initiate enforcement action if the organization's incentive compensation arrangements pose a risk to the safety and soundness of the organization.

On April 14, 2011, the Federal Reserve Board and various other federal agencies published a notice of proposed rulemaking implementing provisions of the Dodd-Frank Act that would require reporting of incentive-based compensation arrangements by a covered financial institution and prohibit incentive-based compensation arrangements at a covered financial institution that provide excessive compensation or that could expose the institution to inappropriate risks that could lead to material financial loss. The Dodd-Frank Act defines "covered financial institution" to include, among other entities, a depository institution or depository institution holding company that has $1 billion or more in assets. There are enhanced requirements for institutions with more than $50 billion in assets. The proposed rule states that it is consistent with the Incentive Compensation Guidance.

On February 28, 2012, the CFPB published a notice and request for information concerning "Impacts of Overdraft Programs on Consumers" where the agency is reviewing existing regulations and supervisory guidance issued by various regulators pertaining to the use of overdraft programs by financial institutions and seeking information from the public on the impact of overdraft programs on consumers.

On May 4, 2012, the SEC approved a notice for release by the Municipal Securities Rulemaking Board (the "MSRB") describing enhanced disclosures and other obligations by dealers who underwrite municipal securities offerings. The MSRB notice, which takes effect on August 2, 2012, is intended to increase the protection of municipal issuers mandated by the Dodd-Frank Act. An underwriter is required to provide specific and robust disclosure to a municipal issuer regarding the underwriter's role, compensation, and conflicts of interest and regarding the financing structure. Additionally, the MSRB notice specifies compensation and fair pricing guidelines for underwriters to follow. Implementation of the MSRB notice may require underwriters to revise and formalize disclosure procedures and modify their approach to complex municipal financings.

On June 7, 2012, the Federal Reserve Board released notices of proposed rulemaking to implement the Basel Committee on Banking Supervision's ("BCBS") final texts of reforms on capital generally referred to as "Basel III" and to implement certain aspects of the "standardized approach" in the BCBS's final text on risk-based capital generally referred to as "Basel II." For more information see " PlainsCapital Corporation Basel III."

PlainsCapital cannot predict whether or in what form any proposed regulation or statute will be adopted or the extent to which PlainsCapital's business may be affected by any new regulation or statute.

PlainsCapital Corporation

PlainsCapital Corporation is a legal entity separate and distinct from PlainsCapital Bank and its other subsidiaries. PlainsCapital is a financial holding company registered under the Bank Holding Company Act, as amended by the Gramm-Leach-Bliley Act. Accordingly, it is subject to supervision, regulation and examination by the Federal Reserve Board. The Dodd-Frank Act, Gramm-Leach-Bliley Act, the Bank Holding Company Act and other federal laws subject financial and bank holding companies to particular restrictions on the types of activities in which they may engage and to a range of supervisory requirements and activities, including regulatory enforcement actions for violations of laws and regulations.

Regulatory Restrictions on Dividends; Source of Strength. It is the policy of the Federal Reserve Board that bank holding companies should pay cash dividends on common stock only out of income available over the past year and only if prospective earnings retention is consistent with the organization's expected future needs and financial condition. The policy provides that bank holding companies should not maintain a level of cash dividends that undermines the bank holding company's ability to serve as a source of strength to its banking subsidiaries.

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Under Federal Reserve Board policy, a bank holding company is expected to act as a source of financial strength to each of its banking subsidiaries and commit resources to their support. Such support may be required at times when, absent this Federal Reserve Board policy, a holding company may not be inclined to provide it. As discussed below, a bank holding company, in certain circumstances, could be required to guarantee the capital plan of an undercapitalized banking subsidiary.

Scope of Permissible Activities. Under the Bank Holding Company Act, PlainsCapital generally may not acquire a direct or indirect interest in, or control of more than 5% of, the voting shares of any company that is not a bank or bank holding company. Additionally, the Bank Holding Company Act may prohibit PlainsCapital from engaging in activities other than those of banking, managing or controlling banks or furnishing services to, or performing services for, its subsidiaries, except that it may engage in, directly or indirectly, certain activities that the Federal Reserve Board has determined to be closely related to banking or managing and controlling banks as to be a proper incident thereto. In approving acquisitions or the addition of activities, the Federal Reserve Board considers, among other things, whether the acquisition or the additional activities can reasonably be expected to produce benefits to the public, such as greater convenience, increased competition, or gains in efficiency, that outweigh such possible adverse effects as undue concentration of resources, decreased or unfair competition, conflicts of interest or unsound banking practices. With respect to interstate acquisitions, the Dodd-Frank Act amends the Bank Holding Company Act by raising the standard by which interstate bank acquisitions are permitted from a standard that the acquiring bank holding company be adequately capitalized and adequately managed, to the higher standard of being well capitalized and well managed.

Notwithstanding the foregoing, the Gramm-Leach-Bliley Act, effective March 11, 2000, eliminated the barriers to affiliations among banks, securities firms, insurance companies and other financial service providers and permits bank holding companies to become financial holding companies and thereby affiliate with securities firms and insurance companies and engage in other activities that are financial in nature. The Gramm-Leach-Bliley Act defines "financial in nature" to include: securities underwriting; dealing and market making; sponsoring mutual funds and investment companies; insurance underwriting and agency; merchant banking activities; and activities that the Federal Reserve Board has determined to be closely related to banking. Prior to enactment of the Dodd-Frank Act, regulatory approval was not required for a financial holding company to acquire a company, other than a bank or savings association, engaged in activities that were financial in nature or incidental to activities that were financial in nature, as determined by the Federal Reserve Board. Effective July 21, 2010, however, the Dodd-Frank Act requires the approval of the Federal Reserve Board when a financial holding company engages in a transaction where the total consolidated assets to be acquired by the financial holding company exceed $10 billion.

Under the Gramm-Leach-Bliley Act, a bank holding company may become a financial holding company by filing a declaration with the Federal Reserve Board if each of its subsidiary banks is "well capitalized" under the Federal Deposit Insurance Corporation Improvement Act prompt corrective action provisions, is "well managed", and has at least a "satisfactory" rating under the CRA. The Dodd-Frank Act underscores the criteria for becoming a financial holding company by amending the Bank Holding Company Act to require that bank holding companies be "well capitalized" and "well managed" in order to become financial holding companies. PlainsCapital became a financial holding company on March 23, 2000.

Safe and Sound Banking Practices. Bank holding companies are not permitted to engage in unsafe and unsound banking practices. The Federal Reserve Board's Regulation Y, for example, generally requires a holding company to give the Federal Reserve Board prior notice of any redemption or repurchase of its equity securities, if the consideration to be paid, together with the consideration paid for any repurchases or redemptions in the preceding year, is equal to 10% or more of the company's

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consolidated net worth. In addition, bank holding companies are required to consult with the Federal Reserve Board prior to making any redemption or repurchase, even within the foregoing parameters. The Federal Reserve Board may oppose the transaction if it believes that the transaction would constitute an unsafe or unsound practice or would violate any law or regulation. Depending upon the circumstances, the Federal Reserve Board could take the position that paying a dividend would constitute an unsafe or unsound banking practice.

The Federal Reserve Board has broad authority to prohibit activities of bank holding companies and their nonbanking subsidiaries that represent unsafe and unsound banking practices or that constitute violations of laws or regulations, and can assess civil money penalties for certain activities conducted on a knowing and reckless basis, if those activities caused a substantial loss to a depository institution. The penalties can be as high as $1.375 million for each day the activity continues. In addition, the Dodd-Frank Act authorizes the Federal Reserve Board to require reports from and examine bank holding companies and their subsidiaries, and to regulate functionally regulated subsidiaries of bank holding companies.

Anti-tying Restrictions. Subject to various exceptions, bank holding companies and their affiliates are generally prohibited from tying the provision of certain services, such as extensions of credit, to certain other services offered by a bank holding company or its affiliates.

Capital Adequacy Requirements. The Federal Reserve Board has adopted a system using risk-based capital guidelines to evaluate the capital adequacy of bank holding companies. Under the guidelines, a risk weight factor of 0% to 100% is assigned to each category of assets based generally on the perceived credit risk of the asset class. The risk weights are then multiplied by the corresponding asset balances to determine a "risk-weighted" asset base. At least half of the risk-based capital must consist of core (Tier 1) capital, which is comprised of:

- common shareholders' equity (includes common stock and any related surplus, undivided profits, disclosed capital reserves that represent a segregation of undivided profits and foreign currency translation adjustments, excluding changes in other comprehensive income (loss));
- certain noncumulative perpetual preferred stock and related surplus; and
- minority interests in the equity capital accounts of consolidated subsidiaries (excludes goodwill and various intangible assets).

The remainder, supplementary (Tier 2) capital, may consist of:

- allowance for loan losses, up to a maximum of 1.25% of risk-weighted assets;
- certain perpetual preferred stock and related surplus;
- hybrid capital instruments;
- perpetual debt;
- mandatory convertible debt securities;
- term subordinated debt;
- intermediate term preferred stock; and
- certain unrealized holding gains on equity securities.

Total capital is the sum of Tier 1 and Tier 2 capital. The guidelines require a minimum ratio of total capital to total risk-weighted assets of 8.0% (of which at least 4.0% is required to consist of Tier 1 capital elements). As of March 31, 2012, PlainsCapital's ratio of Tier 1 capital to total risk-weighted assets was 12.56% and PlainsCapital's ratio of total capital to total risk-weighted assets was 14.04%.

In addition to the risk-based capital guidelines, the Federal Reserve Board uses a leverage ratio as an additional tool to evaluate the capital adequacy of bank holding companies. The leverage ratio is a company's Tier 1 capital divided by its average total consolidated assets. PlainsCapital is required to maintain a leverage ratio of 4.0%, and, as of March 31, 2012, PlainsCapital's leverage ratio was 9.79%.

The federal banking agencies' risk-based and leverage ratios are minimum supervisory ratios generally applicable to banking organizations that meet certain specified criteria, assuming that they have the highest regulatory rating. Banking organizations not meeting these criteria are expected to operate with capital positions well above the minimum ratios. The federal bank regulatory agencies may set capital requirements for a particular banking organization that are higher than the minimum ratios when circumstances warrant. Federal Reserve Board guidelines also provide that banking organizations experiencing internal growth or making acquisitions will be expected to maintain strong capital positions substantially above the minimum supervisory levels, without significant reliance on intangible assets.

The Dodd-Frank Act directs federal banking agencies to establish minimum leverage capital requirements and minimum risk-based capital requirements for insured depository institutions, depository institution holding companies, and nonbank financial companies supervised by the Federal Reserve Board. These minimum capital requirements may not be less than the "generally applicable leverage and risk-based capital requirements" applicable to insured depository institutions, in effect applying the same leverage and risk-based capital requirements that apply to insured depository institutions to most bank holding companies. The Dodd-Frank Act, for the first time, embeds in the law a leverage capital requirement as opposed to leaving it to the regulators to use a risk-based capital requirement. However, it is left to the discretion of the agencies to set the leverage ratio requirement through the rulemaking process.

BASEL III. In December 2010 and January 2011, the BCBS published the final texts of reforms on capital and liquidity generally referred to as "Basel III." For banks in the United States, among the most significant provisions of Basel III concerning capital are the following:

- a minimum ratio of common equity tier 1 ("CET1") to risk-weighted assets reaching 4.5%, plus an additional 2.5% as a capital conservation buffer, by 2019 after a phase-in period;
- a minimum ratio of Tier 1 capital to risk-weighted assets reaching 6.0%, plus the additional 2.5% capital conservation buffer, by 2019 after a phase-in period;
- a minimum ratio of total capital to risk-weighted assets reaching 8.0%, plus the additional 2.5% capital conservation buffer, by 2019 after a phase-in period;
- an additional countercyclical capital buffer to be imposed by applicable banking regulators periodically at their discretion, with advance notice;
- restrictions on capital distributions and discretionary bonuses applicable when capital ratios fall within the buffer zone;
- application of most adjustments to capital to CET1 as opposed to 50%/50% to Tier 1 and Tier 2 capital under the existing guidelines, removal of the existing filter from regulatory capital measurements for unrealized gains and losses accumulated from available for sale securities recorded in accumulated other comprehensive income/loss, and deduction from common equity of deferred tax assets that depend on future profitability to be realized;
- increased capital requirements for counterparty credit risk relating to over-the-counter derivatives, repos and securities financing activities; and
- for capital instruments issued on or after January 13, 2013 (other than common equity), a loss-absorbency requirement such that the instrument must be written off or converted to

common equity if a trigger event occurs, either pursuant to applicable law or at the direction of the banking regulator. A trigger event is an event under which the banking entity would become nonviable without the write-off or conversion, or without an injection of capital from the public sector. The issuer must maintain authorization to issue the requisite shares of common equity if conversion were required.

The Basel III provisions on liquidity include complex criteria establishing: (i) a method to ensure that a bank maintains adequate unencumbered, high quality liquid assets to meet its liquidity needs for 30 days under a severe liquidity stress scenario; and (ii) a method to promote more medium and long-term funding of assets and activities, using a one-year horizon.

On June 7, 2012, the Federal Reserve Board released notices of proposed rulemaking (the "NPRs") to implement the capital reforms of Basel III and to implement certain aspects of the "standardized approach" in the BCBS's final text on risk-based capital generally referred to as "Basel II."

The NPR implementing the Basel III capital framework for the most part follows the BCBS's Basel III final texts. Most of the Basel III provisions, including the application of a CET1 requirement, the revised definitions of other components of capital, and higher minimum capital ratios, would apply to all banks and bank holding companies other than small bank holding companies (defined as those with $500 million or less in total assets), with phase-in periods that generally track Basel III.

Although the Basel III NPR does not specify an effective date or implementation date, it contemplates that implementation will coincide with the Basel III implementation schedule, which commences on January 1, 2013.

The NPR implementing certain aspects of Basel II would revise the standards in the existing Basel I-based capital rules, which the NPRs refer to as the "general risk-based capital requirements," for all banks and bank holding companies, other than small bank holding companies, effective January 1, 2015. When the federal banking agencies considered Basel II and in 2007 adopted portions of Basel II for U.S. banks, they adopted only the advanced internal ratings-based approach to credit risk and the advanced approach for operational risks, and applied them only to certain large or internationally active banks. Basel II also included a standardized approach that is considerably more risk-sensitive than the Basel I-based general risk-based capital requirements and is not dependent upon internal models but is heavily dependent upon credit ratings. In 2008, the federal banking agencies proposed, as an option but not a requirement for U.S. banks that are not subject to the advanced approaches of Basel II, an approach based upon the Basel II standardized approach, but the agencies never proceeded with it.

The proposed revisions in the NPR expand upon the initial endeavors from 2008 but with important differences, including mandatory application as opposed to optional application, and in view of the prohibition in Section 939A of Dodd-Frank on the use of credit ratings, replacement of the Basel II standardized approach's heavy reliance on credit ratings with non-ratings-based alternatives. Key features of the standardized approach NPR include the following:

- expanding the risk-weighting categories from the current four categories (0%, 20%, 50% and 100%) to a much larger and more risk-sensitive number of categories, depending on the nature of the assets, generally ranging from 0% for U.S. government and agency securities, to 600% for certain equity exposures, and resulting in higher risk weights for a variety of asset categories, including many residential mortgages and certain commercial real estate. Specifics include:

  - for residential mortgage exposures, the current approach of a 50% risk weight for high-quality seasoned mortgages and a 100% risk-weight for all other mortgages is replaced with a matrix resulting in a risk weight of 35%, 50%, 75%, 100%, 150% or 200% depending upon the mortgage's loan-to-value ratio and whether the mortgage is a category 1

- residential mortgage exposure (defined by reference to eight criteria that include a 30-year maximum term and preclude negative amortization, balloon payments and increases in the annual rate of interest of more than 2 percentage points in any 12-month period and 6 percentage points over the life of the exposure) versus category 2 residential mortgage exposures (which are all other mortgages); and

- assigning a 150% risk-weighting to certain commercial real estate exposures that currently receive a 100% risk weight but that are high volatility commercial real estate exposures;

- changing the treatment of certain off-balance sheet exposures and over-the-counter derivative contracts that could increase their risk weighting; and

- implementing the requirement of Section 939A of the Dodd-Frank Act that regulations not use credit ratings by, among other things, where applicable, adopting a definition of "investment grade" for determining the risk weight of corporate exposures that is based on an approach that the Office of the Comptroller of the Currency implemented in its investment securities regulations; namely, treating an exposure as investment grade if the obligor "has adequate capacity to meet financial commitments for the projected life of the asset or exposure," with the "adequate capacity" test being met if "the risk of [the obligor's] default is low and the full and timely repayment of principal and interest is expected."

The standardized approach NPR is contemplated to become effective on January 1, 2015, with an option for early adoption.

Although Basel III is described as a "final text," it is subject to the resolution of certain issues and to further guidance and modification, as well as to adoption by United States banking regulators. The United States banking regulators have not proposed rules implementing the liquidity standards of Basel III and have not determined to what extent they will apply to United States banks that are not large, internationally active banks.

PlainsCapital continues to monitor all developments related to Basel III.

Imposition of Liability for Undercapitalized Subsidiaries. Bank regulators are required to take "prompt corrective action" to resolve problems associated with insured depository institutions whose capital declines below certain levels. In the event an institution becomes "undercapitalized," it must submit a capital restoration plan. The capital restoration plan will not be accepted by the regulators unless each company having control of the undercapitalized institution guarantees the subsidiary's compliance with the capital restoration plan up to a certain specified amount. Any such guarantee from a depository institution's holding company is entitled to a priority of payment in bankruptcy.

The aggregate liability of the holding company of an undercapitalized bank is limited to the lesser of 5% of the institution's assets at the time it became undercapitalized or the amount necessary to cause the institution to be "adequately capitalized." The bank regulators have greater power in situations where an institution becomes "significantly" or "critically" undercapitalized or fails to submit a capital restoration plan. For example, a bank holding company controlling such an institution can be required to obtain prior Federal Reserve Board approval of proposed dividends, or might be required to consent to a consolidation or to divest the troubled institution or other affiliates.

Acquisitions by Bank Holding Companies. The Bank Holding Company Act requires every bank holding company to obtain the prior approval of the Federal Reserve Board before it may acquire all or substantially all of the assets of any bank, or ownership or control of any voting shares of any bank, if after such acquisition it would own or control, directly or indirectly, more than 5% of the voting shares of such bank. In approving bank acquisitions by bank holding companies, the Federal Reserve Board is required to consider, among other things, the financial and managerial resources and future prospects of the bank holding company and the banks concerned, the convenience and needs of the

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communities to be served, and various competitive factors. In addition, the Dodd-Frank Act requires the Federal Reserve Board to consider "the risk to the stability of the U.S. banking or financial system" when evaluating acquisitions of banks and nonbanks under the Bank Holding Company Act.

Control Acquisitions. The Change in Bank Control Act prohibits a person or group of persons from acquiring "control" of a bank holding company unless the Federal Reserve Board has been notified and has not objected to the transaction. Under a rebuttable presumption established by the Federal Reserve Board, the acquisition of 10% or more of a class of voting stock of a bank holding company with a class of securities registered under Section 12 of the Exchange Act, would, under the circumstances set forth in the presumption, constitute acquisition of control of such company.

In addition, an entity is required to obtain the approval of the Federal Reserve Board under the Bank Holding Company Act before acquiring 25% (5% in the case of an acquiror that is a bank holding company) or more of any class of PlainsCapital's outstanding common stock, or otherwise obtaining control or a "controlling influence" over PlainsCapital.

Emergency Economic Stabilization Act of 2008 and the Small Business Jobs Act of 2010. The U.S. Congress, the U.S. Treasury and the federal banking regulators have taken broad action since early September 2008 to address volatility in the U.S. banking system. The Emergency Economic Stabilization Act of 2008 ("EESA") authorized the U.S. Treasury to purchase from financial institutions and their holding companies up to $700 billion in mortgage loans, mortgage-backed securities and certain other financial instruments, including debt and equity securities issued by financial institutions and their holding companies in the Troubled Asset Relief Program ("TARP"). The Dodd-Frank Act reduced the TARP authorization contained in the EESA to $475 billion.

The stated purpose of TARP was to restore confidence and stability to the U.S. banking system and to encourage financial institutions to increase their lending to customers and to each other. The U.S. Treasury allocated $250 billion towards the TARP Capital Purchase Program. Under the Capital Purchase Program, the U.S. Treasury purchased debt or equity securities from eligible participating institutions. TARP also provided for the direct purchases or guarantees of troubled assets of financial institutions.

On December 19, 2008, PlainsCapital sold 87,631 shares of its Fixed Rate Cumulative Perpetual Stock, Series A ("Series A Preferred Stock") and a warrant to purchase, upon net exercise, 4,382 shares of PlainsCapital's Fixed Rate Cumulative Perpetual Stock, Series B ("Series B Preferred Stock") to the U.S. Treasury for approximately $87.6 million pursuant to the Capital Purchase Program. The U.S. Treasury immediately exercised its warrant on December 19, 2008, and PlainsCapital issued the underlying shares of Series B Preferred Stock to the U.S. Treasury. As a participant in the Capital Purchase Program, PlainsCapital was subject to executive compensation limits and other restrictions until September 27, 2011 when PlainsCapital entered into and consummated a repurchase letter agreement with the U.S. Treasury to repurchase all 87,631 outstanding shares of its Series A Preferred Stock and 4,382 outstanding shares of its Series B Preferred Stock.

On September 27, 2011, PlainsCapital also entered into a Securities Purchase Agreement with the Secretary of the Treasury (the "Purchase Agreement") pursuant to which PlainsCapital issued 114,068 shares of PlainsCapital's newly designated Series C Preferred Stock, having a liquidation value of $1,000 per share, for a total purchase price of $114,068,000. The proceeds used to redeem and repurchase the Series A and Series B Preferred Stock arose out of the issuance of the Series C Preferred Stock, which was issued pursuant to the SBLF program, a $30 billion fund established under the Small Business Jobs Act of 2010 that was created to encourage lending to small businesses by providing capital to qualified community banks with assets of less than $10 billion.

The Series C Preferred Stock qualifies as Tier 1 capital and is entitled to receive non-cumulative dividends, payable quarterly, on each January 1, April 1, July 1 and October 1, beginning January 1,

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2012. The dividend rate, as a percentage of the liquidation amount, fluctuates on a quarterly basis during the first 10 quarters the Series C Preferred Stock is outstanding, based upon changes in the level of "Qualified Small Business Lending" ("QSBL") at PlainsCapital Bank. The dividend rate for the initial dividend period (which ended September 30, 2011) was five percent (5%). For the second through ninth calendar quarters, the dividend rate may be adjusted to between one percent (1%) and five percent (5%) per annum based upon the increase in QSBL as compared to baseline. For the tenth calendar quarter through four and one half years after issuance, the dividend rate will be fixed at between one percent (1%) and seven percent (7%) based upon the level of QSBL compared to the baseline, and, if the level of the Bank's QSBL has not increased from its baseline, PlainsCapital will be required to pay a quarterly lending incentive fee of 0.5%. After four and one half years from the issuance of the Series C Preferred Stock, the dividend rate will increase to nine percent (9%).

The Series C Preferred Stock may be redeemed at any time at PlainsCapital's option, at a redemption price of 100 percent of the liquidation amount plus accrued but unpaid dividends to the date of redemption for the current period, subject to approval of the Federal Reserve Board.

American Recovery and Reinvestment Act of 2009. The American Recovery and Reinvestment Act of 2009 (the "ARRA") was enacted on February 17, 2009. The ARRA includes a wide variety of programs intended to stimulate the U.S. economy and provide for extensive infrastructure, energy, health and education needs. In addition, the ARRA imposed certain new executive compensation and corporate governance obligations on all current and future TARP participants, until the institution has redeemed the preferred stock issued to the U.S. Treasury, which TARP participants are now permitted to do under the ARRA without regard to the three-year holding period and without the need to raise new capital, subject to approval of its primary federal regulator. The executive compensation restrictions under the ARRA are more stringent than those imposed under the Capital Purchase Program.

The ARRA also sets forth additional corporate governance obligations for TARP participants, including requirements for the Secretary of the Treasury to establish standards that provide for semi-annual meetings of compensation committees of the board of directors to discuss and evaluate employee compensation plans in light of an assessment of any risk posed from such compensation plans. TARP participants are further required by the ARRA to have in place company-wide policies regarding excessive or luxury expenditures, to permit non-binding shareholder "say-on-pay" proposals to be included in proxy materials, and to provide written certifications by the chief executive officer and chief financial officer with respect to compliance with the foregoing. PlainsCapital is no longer subject to the ARRA provisions applicable to TARP participants for the period beginning September 27, 2011.

Office of the Special Master for TARP Executive Compensation. On June 15, 2009, the U.S. Treasury adopted and made effective an Interim Final Rule, which implemented and further expanded the limitations and restrictions imposed on executive compensation and corporate governance by the Capital Purchase Program and EESA, as amended by the ARRA. Pursuant to the Interim Rule, the U.S. Treasury established the Office of the Special Master for TARP Executive Compensation. The Interim Rule grants broad power to the Special Master to review the compensation structures and payments of, and to independently issue advisory opinions to, those institutions that have participated in the Capital Purchase Program with respect to compensation structures and payments made by those institutions during the period that the institution received financial assistance under TARP. If the Special Master finds that a TARP participant's compensation structure or payments that it has made to its employees are inconsistent with the purposes of the EESA or TARP, or otherwise contrary to the public interest, the Special Master may negotiate with the TARP participant and the subject employee for appropriate reimbursements to the TARP participant or the federal government. PlainsCapital is no longer subject to the TARP provisions for the period beginning September 27, 2011.

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Governmental Monetary Policies. PlainsCapital's earnings are affected by domestic economic conditions and the monetary and fiscal policies of the U.S. government and its agencies. The monetary policies of the Federal Reserve Board have had, and are likely to continue to have, an important impact on the operating results of commercial banks through its power to implement national monetary policy in order, among other things, to curb inflation or combat a recession. The monetary policies of the Federal Reserve Board affect the levels of bank loans, investments and deposits through its influence over the issuance of U.S. government securities, its regulation of the discount rate applicable to member banks and its influence over reserve requirements to which member banks are subject. PlainsCapital cannot predict the nature or impact of future changes in monetary and fiscal policies.

PlainsCapital Bank

PlainsCapital Bank is subject to various requirements and restrictions under the laws of the United States, and to regulation, supervision and regular examination by the Texas Department of Banking. PlainsCapital Bank, as a state member bank, is also subject to regulation and examination by the Federal Reserve Board. As a bank with less than $10 Billion in assets, PlainsCapital Bank became subject to the regulations issued by the CFPB on July 21, 2011, although the Federal Reserve Board continues to examine PlainsCapital Bank for compliance with federal consumer protection laws. PlainsCapital Bank is also an insured depository institution and, therefore, subject to regulation by the FDIC, although the Federal Reserve Board is PlainsCapital Bank's primary federal regulator. The Federal Reserve Board, the Texas Department of Banking and the FDIC have the power to enforce compliance with applicable banking statutes and regulations. Such requirements and restrictions include requirements to maintain reserves against deposits, restrictions on the nature and amount of loans that may be made and the interest that may be charged thereon and restrictions relating to investments and other activities of PlainsCapital Bank. In July 2010, the FDIC voted to revise its Memorandum of Understanding with the primary federal regulators to enhance the FDIC's existing backup authorities over insured depository institutions that the FDIC does not directly supervise. As a result, PlainsCapital Bank may be subject to increased supervision by the FDIC.

Restrictions on Transactions with Affiliates. Transactions between PlainsCapital Bank and its nonbanking affiliates, including PlainsCapital, are subject to Section 23A of the Federal Reserve Act. In general, Section 23A imposes limits on the amount of such transactions, and also requires certain levels of collateral for loans to affiliated parties. It also limits the amount of advances to third parties that are collateralized by the securities or obligations of PlainsCapital or its subsidiaries. Among other changes, the Dodd-Frank Act expands the definition of "covered transactions" and clarifies the amount of time that the collateral requirements must be satisfied for covered transactions, and amends the definition of "affiliate" in Section 23A to include "any investment fund with respect to which a member bank or an affiliate thereof is an investment advisor." This amendment will not be effective, however, until July 21, 2012 at the earliest.

Affiliate transactions are also subject to Section 23B of the Federal Reserve Act which generally requires that certain transactions between PlainsCapital Bank and its affiliates be on terms substantially the same, or at least as favorable to PlainsCapital Bank, as those prevailing at the time for comparable transactions with or involving other nonaffiliated persons. The Federal Reserve Board has also issued Regulation W, which codifies prior regulations under Sections 23A and 23B of the Federal Reserve Act and interpretive guidance with respect to affiliate transactions.

Loans to Insiders. The restrictions on loans to directors, executive officers, principal shareholders and their related interests (collectively referred to herein as "insiders") contained in the Federal Reserve Act and Regulation O apply to all insured institutions and their subsidiaries and holding companies. These restrictions include limits on loans to one borrower and conditions that must be met before such a loan can be made. There is also an aggregate limitation on all loans to insiders and their related interests. These loans cannot exceed the institution's total unimpaired capital and surplus, and

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the Federal Reserve Board may determine that a lesser amount is appropriate. Insiders are subject to enforcement actions for knowingly accepting loans in violation of applicable restrictions. The Dodd-Frank Act amends the statutes placing limitations on loans to insiders by including credit exposures to the person arising from a derivatives transaction, repurchase agreement, reverse repurchase agreement, securities lending transaction, or securities borrowing transaction between the member bank and the person within the definition of an extension of credit. This amendment will not be effective, however, until July 21, 2012 at the earliest.

Restrictions on Distribution of Subsidiary Bank Dividends and Assets. Dividends paid by PlainsCapital Bank have provided a substantial part of PlainsCapital's operating funds and for the foreseeable future it is anticipated that dividends paid by PlainsCapital Bank to PlainsCapital will continue to be PlainsCapital's principal source of operating funds. Capital adequacy requirements serve to limit the amount of dividends that may be paid by PlainsCapital Bank. Pursuant to the Texas Finance Code, a Texas banking association may not pay a dividend that would reduce its outstanding capital and surplus unless it obtains the prior approval of the Texas Banking Commissioner. Additionally, the FDIC and the Federal Reserve Board have the authority to prohibit Texas state banks from paying a dividend when they determine the dividend would be an unsafe or unsound banking practice. As a member of the Federal Reserve System, PlainsCapital Bank must also comply with the dividend restrictions with which a national bank would be required to comply. Those provisions are generally similar to those imposed by the state of Texas. Among other things, the federal restrictions require that if losses have at any time been sustained by a bank equal to or exceeding its undivided profits then on hand, no dividend may be paid.

In the event of a liquidation or other resolution of an insured depository institution, the claims of depositors and other general or subordinated creditors are entitled to a priority of payment over the claims of holders of any obligation of the institution to its shareholders, including any depository institution holding company (such as PlainsCapital) or any shareholder or creditor thereof.

Branching. The establishment of a branch must be approved by the Texas Department of Banking and the Federal Reserve Board, which consider a number of factors, including financial history, capital adequacy, earnings prospects, character of management, needs of the community and consistency with corporate powers.

Interstate Branching. Effective June 1, 1997, the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 amended the Federal Deposit Insurance Act and certain other statutes to permit state and national banks with different home states to merge across state lines, with approval of the appropriate federal banking agency, unless the home state of a participating bank had passed legislation prior to May 31, 1997 expressly prohibiting interstate mergers. Under the Riegle-Neal Act amendments, once a state or national bank has established branches in a state, that bank may establish and acquire additional branches at any location in the state at which any bank involved in the interstate merger transaction could have established or acquired branches under applicable federal or state law. If a state opted out of interstate branching within the specified time period, no bank in any other state may establish a branch in the state which has opted out, whether through an acquisition or de novo. Under the Dodd-Frank Act, de novo interstate branching by national banks is permitted if, under the laws of the state where the branch is to be located, a state bank chartered in that state would have been permitted to establish a branch.

Prompt Corrective Action. The Federal Deposit Insurance Corporation Improvement Act of 1991 establishes a system of prompt corrective action to resolve the problems of undercapitalized financial institutions. Under this system, the federal banking regulators have established five capital categories ("well capitalized," "adequately capitalized," "undercapitalized," "significantly undercapitalized" and "critically undercapitalized") in which all institutions are placed. Federal banking regulators are required to take various mandatory supervisory actions and are authorized to take other discretionary

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actions with respect to institutions in the three undercapitalized categories. The severity of the action depends upon the capital category in which the institution is placed. Generally, subject to a narrow exception, the banking regulator must appoint a receiver or conservator for an institution that is critically undercapitalized. The federal banking agencies have specified by regulation the relevant capital level for each category.

An institution that is categorized as "undercapitalized," "significantly undercapitalized" or "critically undercapitalized" is required to submit an acceptable capital restoration plan to its appropriate federal banking agency. A bank holding company must guarantee that a subsidiary depository institution meets its capital restoration plan, subject to various limitations. The controlling holding company's obligation to fund a capital restoration plan is limited to the lesser of 5% of an undercapitalized subsidiary's assets at the time it became undercapitalized or the amount required to meet regulatory capital requirements. An undercapitalized institution is also generally prohibited from increasing its average total assets, making acquisitions, establishing any branches or engaging in any new line of business, except under an accepted capital restoration plan or with FDIC approval. The regulations also establish procedures for downgrading an institution to a lower capital category based on supervisory factors other than capital.

FDIC Insurance Assessments. The FDIC has adopted a risk-based assessment system for insured depository institutions that takes into account the risks attributable to different categories and concentrations of assets and liabilities. The system assigns an institution to one of three capital categories: (1) "well capitalized;" (2) "adequately capitalized;" or (3) "undercapitalized." These three categories are substantially similar to the prompt corrective action categories described above, with the "undercapitalized" category including institutions that are undercapitalized, significantly undercapitalized and critically undercapitalized for prompt corrective action purposes. The FDIC also assigns an institution to one of three supervisory subgroups based on a supervisory evaluation that the institution's primary federal regulator provides to the FDIC and information that the FDIC determines to be relevant to the institution's financial condition and the risk posed to the deposit insurance funds. The FDIC may terminate its insurance of deposits if it finds that the institution has engaged in unsafe and unsound practices, is in an unsafe or unsound condition to continue operations, or has violated any applicable law, regulation, rule, order or condition imposed by the FDIC.

In 2009, the FDIC adopted a final rule requiring a special assessment on insured institutions as part of its effort to rebuild the FDIC deposit insurance fund ("DIF"). The FDIC administers the DIF, and all insured depository institutions are required to pay assessments to the FDIC that fund the DIF. The Dodd-Frank Act broadens the base for FDIC insurance assessments. Assessments will now be based on the average consolidated total assets less tangible equity capital of a financial institution during the assessment period. On February 7, 2011, the FDIC issued a final rule implementing revisions to the assessment system mandated by the Dodd-Frank Act. The new regulation was effective April 1, 2011 and was reflected in the June 30, 2011 FDIC DIF balance and the invoices for assessments due September 30, 2011. Accruals for DIF assessments were $4.8 million, $6.3 million and $6.3 million in 2011, 2010 and 2009, respectively.

The FDIC is required to maintain at least a designated reserve ratio of the DIF to insured deposits in the United States. The Dodd-Frank Act requires the FDIC to assess insured depository institutions to achieve a DIF ratio of at least 1.35% by September 30, 2020. Pursuant to its authority in the Dodd-Frank Act, the FDIC on December 20, 2010, published a final rule establishing a higher long-term target DIF ratio of greater than 2%. As a result of the ongoing instability in the economy and the failure of other U.S. insured depository institutions, the DIF ratio is currently below the required targets, and the FDIC has adopted a restoration plan that will result in substantially higher deposit insurance assessments for all depository institutions over the coming years. Deposit insurance assessment rates are subject to change by the FDIC and will be impacted by the overall economy and the stability of the banking industry as a whole. The FDIC will notify PlainsCapital Bank concerning an

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assessment rate that PlainsCapital will be charged for the assessment period. As a result of the new regulations, PlainsCapital expects to incur higher annual deposit insurance assessments, which could have a significant adverse impact on PlainsCapital's financial condition and results of operations.

The Dodd-Frank Act permanently increased the standard maximum deposit insurance amount from $100,000 to $250,000. The FDIC insurance coverage limit applies per depositor, per insured depository institution for each account ownership category.

The Dodd-Frank Act institutes, for all insured depository institutions, unlimited deposit insurance on noninterest-bearing transaction accounts for the period from December 31, 2010 through December 31, 2012 for all depositors, including consumers, businesses and government entities. This unlimited insurance coverage is separate from, and in addition to, the insurance coverage provided to a depositor's other deposit accounts held at an FDIC-insured institution up to the permissible limit of $250,000.

Community Reinvestment Act. The CRA requires, in connection with examinations of financial institutions, that federal banking regulators (in PlainsCapital Bank's case, the Federal Reserve Board) evaluate the record of each financial institution in meeting the credit needs of its local community, including low and moderate-income neighborhoods. These facts are also considered in evaluating mergers, acquisitions and applications to open a branch or facility. Failure to adequately meet these criteria could impose additional requirements and limitations on PlainsCapital Bank. Additionally, PlainsCapital Bank must publicly disclose the terms of various CRA-related agreements.

During the second quarter of 2010, PlainsCapital Bank received its 2008 CRA Performance Evaluation from the Federal Reserve. Despite "high satisfactory" or "outstanding" ratings on the various components of the CRA rating, the Federal Reserve lowered PlainsCapital Bank's overall CRA rating from "satisfactory" to "needs to improve" as a result of alleged fair lending issues associated with PlainsCapital's mortgage origination segment in prior years. In the fourth quarter of 2011, PlainsCapital Bank received the results of its current CRA Performance Evaluation, which returned PlainsCapital Bank's CRA rating to "satisfactory." During such time as PlainsCapital Bank's CRA rating was "needs to improve," PlainsCapital could not commence new activities that were "financial in nature" or acquire companies engaged in these activities. In addition, a CRA rating of less than "satisfactory" adversely affected PlainsCapital Bank's ability to establish new branches.

Privacy. Under the Gramm-Leach-Bliley Act, financial institutions are required to disclose their policies for collecting and protecting confidential information. Customers generally may prevent financial institutions from sharing nonpublic personal financial information with nonaffiliated third parties except under narrow circumstances, such as the processing of transactions requested by the consumer or when the financial institution is jointly sponsoring a product or service with a nonaffiliated third party. Additionally, financial institutions generally may not disclose consumer account numbers to any nonaffiliated third party for use in telemarketing, direct mail marketing or other marketing to consumers. PlainsCapital Bank and all of its subsidiaries have established policies and procedures to assure compliance with all privacy provisions of the Gramm-Leach-Bliley Act.

Federal Laws Applicable to Credit Transactions. The loan operations of PlainsCapital Bank are also subject to federal laws applicable to credit transactions, such as the:

- Truth-In-Lending Act, governing disclosures of credit terms to consumer borrowers;

- Home Mortgage Disclosure Act of 1975, requiring financial institutions to provide information to enable the public and public officials to determine whether a financial institution is fulfilling its obligation to help meet the housing needs of the community it serves;

- Equal Credit Opportunity Act, prohibiting discrimination on the basis of race, creed or other prohibited factors in extending credit;

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- Fair Credit Reporting Act of 1978, governing the use and provision of information to credit reporting agencies and preventing identity theft;
- Fair Debt Collection Act, governing the manner in which consumer debts may be collected by collection agencies;
- Service Members Civil Relief Act, which amended the Soldiers' and Sailors' Civil Relief Act of 1940, governing the repayment terms of, and property rights underlying, secured obligations of persons in military service;
- Dodd-Frank Act, which established the CFPB, an independent entity within the Federal Reserve, dedicated to promulgating and enforcing consumer protection laws applicable to all entities offering consumer financial services or products; and
- rules and regulations of the various federal agencies charged with the responsibility of implementing these federal laws.

Other Regulations. Interest and other charges collected or contracted for by PlainsCapital Bank are subject to state usury laws and federal laws concerning interest rates.

Federal Laws Applicable to Deposit Operations. The deposit operations of PlainsCapital Bank are subject to the:

- Right to Financial Privacy Act, which imposes a duty to maintain confidentiality of consumer financial records and prescribes procedures for complying with administrative subpoenas of financial records;
- Truth in Savings Act, which requires PlainsCapital Bank to disclose the terms and conditions on which interest is paid and fees are assessed in connection with deposit accounts; and
- Electronic Funds Transfer Act and Regulation E issued by the Federal Reserve Board to implement that act, which govern automatic deposits to and withdrawals from deposit accounts and customers' rights and liabilities arising from the use of ATMs and other electronic banking services. The Dodd-Frank Act amends the Electronic Funds Transfer Act to, among other things, give the Federal Reserve Board the authority to establish rules regarding interchange fees charged for electronic debit transactions by payment card issuers having assets over $10 billion and to enforce a new statutory requirement that such fees be reasonable and proportional to the actual cost of a transaction to the issuer.

Capital Requirements. The Federal Reserve Board and the Texas Department of Banking monitor the capital adequacy of PlainsCapital Bank by using a combination of risk-based guidelines and leverage ratios. The agencies consider PlainsCapital Bank's capital levels when taking action on various types of applications and when conducting supervisory activities related to the safety and soundness of individual banks and the banking system.

Under the regulatory capital guidelines, PlainsCapital Bank must maintain a total risk-based capital to risk-weighted assets ratio of at least 8.0%, a Tier 1 capital to risk-weighted assets ratio of at least 4.0%, and a Tier 1 capital to average total assets ratio of at least 4.0% (3.0% for banks receiving the highest examination rating) to be considered "adequately capitalized." See the discussion herein under "The FDIC Improvement Act." As of March 31, 2012, PlainsCapital Bank's ratio of total risk-based capital to risk-weighted assets was 13.75%, PlainsCapital Bank's ratio of Tier 1 capital to risk-weighted assets was 12.50% and PlainsCapital Bank's ratio of Tier 1 capital to average total assets was 9.74%.

See also "Information About the Companies PlainsCapital Corporation Government Supervision and Regulation PlainsCapital Corporation Basel III."

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FIRREA. The Financial Institutions Reform, Recovery and Enforcement Act of 1989, or FIRREA, includes various provisions that affect or may affect PlainsCapital Bank. Among other matters, FIRREA generally permits bank holding companies to acquire healthy thrifts as well as failed or failing thrifts. FIRREA removed certain cross marketing prohibitions previously applicable to thrift and bank subsidiaries of a common holding company. Furthermore, a multi-bank holding company may now be required to indemnify the DIF against losses it incurs with respect to such company's affiliated banks, which in effect makes a bank holding company's equity investments in healthy bank subsidiaries available to the FDIC to assist such company's failing or failed bank subsidiaries.

In addition, pursuant to FIRREA, any depository institution that has been chartered less than two years, is not in compliance with the minimum capital requirements of its primary federal banking regulator, or is otherwise in a troubled condition must notify its primary federal banking regulator of the proposed addition of any person to its board of directors or the employment of any person as a senior executive officer of the institution at least 30 days before such addition or employment becomes effective. During such 30-day period, the applicable federal banking regulatory agency may disapprove of the addition of or employment of such director or officer. PlainsCapital Bank is not subject to any such requirements. FIRREA also expanded and increased civil and criminal penalties available for use by the appropriate regulatory agency against certain "institution affiliated parties" primarily including: (i) management, employees and agents of a financial institution; and (ii) independent contractors such as attorneys and accountants and others who participate in the conduct of the financial institution's affairs and who caused or are likely to cause more than minimum financial loss to or a significant adverse effect on the institution, who knowingly or recklessly violate a law or regulation, breach a fiduciary duty or engage in unsafe or unsound practices. Such practices can include the failure of an institution to timely file required reports or the submission of inaccurate reports. Furthermore, FIRREA authorizes the appropriate banking agency to issue cease and desist orders that may, among other things, require affirmative action to correct any harm resulting from a violation or practice, including restitution, reimbursement, indemnifications or guarantees against loss. A financial institution may also be ordered to restrict its growth, dispose of certain assets or take other action as determined by the ordering agency to be appropriate.

The FDIC Improvement Act. The Federal Deposit Insurance Corporation Improvement Act of 1991 ("FDICIA"), made a number of reforms addressing the safety and soundness of the deposit insurance system, supervision of domestic and foreign depository institutions, and improvement of accounting standards. This statute also limited deposit insurance coverage, implemented changes in consumer protection laws and provided for least-cost resolution and prompt regulatory action with regard to troubled institutions.

FDICIA requires every bank with total assets in excess of $500 million to have an annual independent audit made of PlainsCapital Bank's financial statements by a certified public accountant to verify that the financial statements of PlainsCapital Bank are presented in accordance with generally accepted accounting principles and comply with such other disclosure requirements as prescribed by the FDIC.

FDICIA also places certain restrictions on activities of banks depending on their level of capital. FDICIA divides banks into five different categories, depending on their level of capital. Under regulations adopted by the FDIC, a bank is deemed to be "well capitalized" if it has a total Risk-Based Capital Ratio of 10.0% or more, a Tier 1 Capital Ratio of 6.0% or more, a Leverage Ratio of 5.0% or more, and the bank is not subject to an order or capital directive to meet and maintain a certain capital level. Under such regulations, a bank is deemed to be "adequately capitalized" if it has a total Risk-Based Capital Ratio of 8.0% or more, a Tier 1 Capital Ratio of 4.0% or more and a Leverage Ratio of 4.0% or more (unless it receives the highest composite rating at its most recent examination and is not experiencing or anticipating significant growth, in which instance it must maintain a Leverage Ratio of 3.0% or more). Under such regulations, a bank is deemed to be "undercapitalized"

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if it has a total Risk-Based Capital Ratio of less than 8.0%, a Tier 1 Capital Ratio of less than 4.0% or a Leverage Ratio of less than 4.0%. Under such regulations, a bank is deemed to be "significantly undercapitalized" if it has a Risk-Based Capital Ratio of less than 6.0%, a Tier 1 Capital Ratio of less than 3.0% and a Leverage Ratio of less than 3.0%. Under such regulations, a bank is deemed to be "critically undercapitalized" if it has a Leverage Ratio of less than or equal to 2.0%. In addition, the FDIC has the ability to downgrade a bank's classification (but not to "critically undercapitalized") based on other considerations even if the bank meets the capital guidelines. According to these guidelines, PlainsCapital Bank was classified as "well capitalized" as of March 31, 2012.

In addition, if a bank is classified as "undercapitalized," the bank is required to submit a capital restoration plan to the federal banking regulators. Pursuant to FDICIA, an "undercapitalized" bank is prohibited from increasing its assets, engaging in a new line of business, acquiring any interest in any company or insured depository institution, or opening or acquiring a new branch office, except under certain circumstances, including the acceptance by the federal banking regulators of a capital restoration plan for the bank.

Furthermore, if a bank is classified as "undercapitalized," the federal banking regulators may take certain actions to correct the capital position of the bank; if a bank is classified as "significantly undercapitalized" or "critically undercapitalized," the federal banking regulators would be required to take one or more prompt corrective actions. These actions would include, among other things, requiring: sales of new securities to bolster capital, improvements in management, limits on interest rates paid, prohibitions on transactions with affiliates, termination of certain risky activities and restrictions on compensation paid to executive officers. If a bank is classified as "critically undercapitalized," FDICIA requires the bank to be placed into conservatorship or receivership within 90 days, unless the federal banking regulators determine that other action would better achieve the purposes of FDICIA regarding prompt corrective action with respect to undercapitalized banks.

The capital classification of a bank affects the frequency of examinations of the bank and impacts the ability of the bank to engage in certain activities and affects the deposit insurance premiums paid by such bank. Under FDICIA, the federal banking regulators are required to conduct a full-scope, on-site examination of every bank at least once every 12 months. An exception to this rule is made, however, that provides that banks (i) with assets of less than $100 million, (ii) that are categorized as "well capitalized," (iii) that were found to be well managed and composite rating was outstanding and (iv) have not been subject to a change in control during the last 12 months, need only be examined once every 18 months.

The Basel III NPR released on June 7, 2012, would amend the prompt corrective action categories to, among other things:

- introduce a CET1 to risk-weighted assets requirement at each level (other than critically undercapitalized), with the required CET1 ratio being 6.5% for well-capitalized status;

- increase the minimum Tier 1 capital to risk-weighted assets requirement for each category, with the minimum Tier 1 capital ratio for well-capitalized status being 8% (as compared to the current 6%); and

- eliminate the current provision that provides that a bank with a composite supervisory rating of 1 may have a 3% leverage ratio and still be well capitalized.

Brokered Deposits. Under FDICIA, banks may be restricted in their ability to accept brokered deposits, depending on their capital classification. "Well capitalized" banks are permitted to accept brokered deposits, but all banks that are not "well capitalized" are not permitted to accept such deposits. The FDIC may, on a case-by-case basis, permit banks that are "adequately capitalized" to accept brokered deposits if the FDIC determines that acceptance of such deposits would not constitute an unsafe or unsound banking practice with respect to the bank. As of March 31, 2012, PlainsCapital Bank was "well capitalized" and therefore not subject to any limitations with respect to its brokered deposits. Brokered deposits are the subject of a study under the Dodd-Frank Act.

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Federal limitations on activities and investments. The equity investments and activities, as a principle of FDIC-insured state-chartered banks, are generally limited to those that are permissible for national banks. Under regulations dealing with equity investments, an insured state bank generally may not directly or indirectly acquire or retain any equity investment of a type, or in an amount, that is not permissible for a national bank.

Check Clearing for the 21st Century Act. The Check Clearing for the 21st Century Act, also known as Check 21, gives "substitute checks," such as a digital image of a check and copies made from that image, the same legal standing as the original paper check.

Federal Home Loan Bank System. The Federal Home Loan Bank, or FHLB, system, of which PlainsCapital Bank is a member, consists of 12 regional FHLBs governed and regulated by the Federal Housing Finance Board. The FHLBs serve as reserve or credit facilities for member institutions within their assigned regions. The reserves are funded primarily from proceeds derived from the sale of consolidated obligations of the FHLB system. The FHLBs make loans (*i.e.*, advances) to members in accordance with policies and procedures established by the FHLB and the boards of directors of each regional FHLB.

As a system member, according to currently existing policies and procedures, PlainsCapital Bank is entitled to borrow from the FHLB of its respective region and is required to own a certain amount of capital stock in the FHLB. PlainsCapital Bank is in compliance with the stock ownership rules with respect to such advances, commitments and letters of credit and home mortgage loans and similar obligations. All loans, advances and other extensions of credit made by the FHLB to PlainsCapital Bank are secured by a portion of the respective mortgage loan portfolio, certain other investments and the capital stock of the FHLB held by PlainsCapital Bank.

Anti-terrorism and Money Laundering Legislation. PlainsCapital Bank is subject to the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism of 2001 (the "USA PATRIOT Act"), the Bank Secrecy Act and rules and regulations of the Office of Foreign Assets Control. These statutes and related rules and regulations impose requirements and limitations on specific financial transactions and account relationships intended to guard against money laundering and terrorism financing. PlainsCapital Bank has established a customer identification program pursuant to Section 326 of the USA PATRIOT Act and the Bank Secrecy Act, and otherwise has implemented policies and procedures intended to comply with the foregoing rules.

PrimeLending

PrimeLending and PlainsCapital Bank are subject to the rules and regulations of the CFPB, FHA, VA, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation and Government National Mortgage Association with respect to originating, processing, selling and servicing mortgage loans and the issuance and sale of mortgage-backed securities. Those rules and regulations, among other things, prohibit discrimination and establish underwriting guidelines which include provisions for inspections and appraisals, require credit reports on prospective borrowers and fix maximum loan amounts, and, with respect to VA loans, fix maximum interest rates. Mortgage origination activities are subject to, among others, the Equal Credit Opportunity Act, Federal Truth-in-Lending Act and the Real Estate Settlement Procedures Act and the regulations promulgated thereunder which, among other things, prohibit discrimination and require the disclosure of certain basic information to borrowers concerning credit terms and settlement costs. PrimeLending and PlainsCapital Bank are also subject to regulation by the Texas Department of Banking with respect to, among other things, the establishment of maximum origination fees on certain types of mortgage loan products. PrimeLending and PlainsCapital Bank will also be subject to the provisions of the Dodd-Frank Act. Among other things, the Dodd-Frank Act established the CFPB and provides mortgage reform provisions regarding a customer's ability to repay, restrictions on variable-rate lending,

loan officers' compensation, risk retention, and new disclosure requirements. The additional regulatory requirements affecting PlainsCapital's mortgage origination operations will result in increased compliance costs and may impact revenue.

The federal financial institution regulatory agencies recently published the final rule implementing the registration requirements of the Secure and Fair Enforcement for Mortgage Licensing Act of 2008 (the "SAFE Act") effective October 1, 2010. The SAFE Act requires mortgage loan originators who are employees of regulated institutions (including banks and certain of their subsidiaries) to register with the Nationwide Mortgage Licensing System and Registry (the "Registry"), a database established by the Conference of State Bank Supervisors and the American Association of Residential Mortgage Regulators to support the licensing of mortgage loan originators by each state. As part of this registration process, mortgage loan originators must furnish the Registry with certain information and fingerprints in order to run a background check. The SAFE Act generally prohibits employees of a regulated financial institution from originating residential mortgage loans without first registering with the Registry. Financial institutions must also adopt policies and procedures to ensure compliance with the SAFE Act.

On August 16, 2010, the Federal Reserve Board published a final rule on loan originator compensation, pursuant to the Dodd-Frank Act, which prohibits certain compensation payments to loan originators and the practice of steering consumers to loans not in their interest when it will result in greater compensation for a loan originator. This final rule was effective on April 1, 2011, but the Federal Reserve Board noted in the final rule that the CFPB may clarify the rule in the future pursuant to the CFPB's authority granted under the Dodd-Frank Act. In addition, the Dodd-Frank Act directed the Federal Reserve Board to promulgate regulations requiring lenders and securitizers to retain an economic interest in the credit risk relating to loans the lender sells and other asset-backed securities that the securitizer issues if the loans have not complied with the ability to repay standards spelled out in the Dodd-Frank Act and its implementing regulations. The risk retention requirement has not become effective to date but is expected to be 5%, subject to increase or decrease by regulation. Final regulations have not yet been issued.

On March 2, 2011, the Federal Reserve Board published a final rule implementing a provision in the Dodd-Frank Act that provides a separate, higher rate threshold for determining when the escrow requirements apply to higher-priced mortgage loans that exceed the maximum principal obligation eligible for purchase by Freddie Mac.

First Southwest

First Southwest Company ("FSC") is a broker-dealer registered with the SEC, FINRA, all 50 U.S. states, the District of Columbia and Puerto Rico. Much of the regulation of broker-dealers, however, has been delegated to self-regulatory organizations, principally FINRA, the Municipal Securities Rulemaking Board and national securities exchanges. These self-regulatory organizations adopt rules (which are subject to approval by the SEC) for governing the industry and for guiding the securities commissions in the states in which a broker-dealer conducts business. FSC is a member of, and is primarily subject to regulation, supervision and regular examination by, FINRA.

The regulations to which broker-dealers are subject cover all aspects of the securities business, including sales methods, trade practices among broker-dealers, capital structure, record keeping and the conduct of directors, officers and employees. Broker-dealers are also subject to the privacy and anti-money laundering laws and regulations discussed previously. Additional legislation, changes in rules promulgated by the SEC and by self-regulatory organizations or changes in the interpretation or enforcement of existing laws and rules often directly affect the method of operation and profitability of broker-dealers. The SEC and the self-regulatory organizations may conduct administrative proceedings that can result in censure, fine, suspension or expulsion of a broker-dealer, its officers or employees.

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The principal purpose of regulation and discipline of broker-dealers is the protection of clients and the securities markets rather than protection of creditors and shareholders of broker-dealers.

Limitation on Businesses. The businesses that FSC may conduct are limited by its agreements with, and its oversight by, FINRA. Participation in new business lines, including trading of new products or participation on new exchanges or in new countries often requires governmental and/or exchange approvals, which may take significant time and resources. In addition, FSC is an operating subsidiary of PlainsCapital Bank, which means its activities are further limited by those that are permissible for PlainsCapital Bank. As a result, FSC may be prevented from entering new businesses that may be profitable in a timely manner, if at all.

Net Capital Requirements. The SEC, FINRA and various other regulatory agencies have stringent rules and regulations with respect to the maintenance of specific levels of net capital by regulated entities. Rule 15c3-1 of the Exchange Act (the "Net Capital Rule") requires that a broker-dealer maintain minimum net capital. Generally, a broker-dealer's net capital is net worth plus qualified subordinated debt less deductions for non-allowable (or non-liquid) assets and other operational charges. As of March 31, 2012, FSC was in compliance with applicable net capital requirements.

The SEC and FINRA impose rules that require notification when net capital falls below certain predefined criteria. These rules also dictate the ratio of debt-to-equity in the regulatory capital composition of a broker-dealer, and constrain the ability of a broker-dealer to expand its business under certain circumstances. If a firm fails to maintain the required net capital, it may be subject to suspension or revocation of registration by the applicable regulatory agency, and suspension or expulsion by these regulators could ultimately lead to the firm's liquidation. Additionally, the Net Capital Rule and certain FINRA rules impose requirements that may have the effect of prohibiting a broker-dealer from distributing or withdrawing capital and requiring prior notice to and approval from the SEC and FINRA for certain capital withdrawals.

Securities Investor Protection Corporation. FSC is required by federal law to belong to the SIPC, whose primary function is to provide financial protection for the customers of failing brokerage firms. SIPC provides protection for clients up to $500,000, of which a maximum of $250,000 may be in cash.

Changing Regulatory Environment. The regulatory environment in which FSC operates is subject to frequent change. Its business, financial condition and operating results may be adversely affected as a result of new or revised legislation or regulations imposed by the U.S. Congress, the SEC or other U.S. and state governmental regulatory authorities, or FINRA. FSC's business, financial condition and operating results also may be adversely affected by changes in the interpretation and enforcement of existing laws and rules by these governmental authorities. In the current era of heightened regulation of financial institutions, FSC can expect to incur increasing compliance costs, along with the industry as a whole.

Properties

As of March 31, 2012, PlainsCapital's banking segment conducted business at 36 locations, including two operations centers. PlainsCapital's principal executive offices are located at

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2323 Victory Avenue, Suite 1400, Dallas, Texas, in space leased by PlainsCapital. In addition to PlainsCapital's principal office, PlainsCapital Bank operates the following banking locations:

	Owned	Leased	Total
Locations in Lubbock market	7	7	14
Locations in Dallas/Fort Worth market	0	14	14
Locations in Austin market	0	5	5
Locations in San Antonio market	0	3	3
Total	7	29	36

PlainsCapital has options to renew leases at most locations.

As of March 31, 2012, PlainsCapital's mortgage origination segment conducted business at 270 locations in 37 states. Each of these locations is leased by PrimeLending.

As of March 31, 2012, PlainsCapital's financial advisory segment conducted business at 24 locations in 11 states and the District of Columbia. Each of these offices is leased by First Southwest, one of its subsidiaries, or Hester Capital.

Legal Proceedings

In November 2006, FSC received subpoenas from the SEC and the U.S. Department of Justice (the "DOJ") in connection with an investigation of possible antitrust and securities law violations, including bid-rigging, in the procurement of guaranteed investment contracts and other investment products for the reinvestment of bond proceeds by municipalities. The investigation is industry-wide and includes approximately 30 or more firms, including some of the largest U.S. investment firms.

As a result of these SEC and DOJ investigations into industry-wide practices, FSC was initially named as a co-defendant in cases filed in several different federal courts by various state and local governmental entities suing on behalf of themselves and a purported class of similarly situated governmental entities and a similar set of lawsuits filed by various California local governmental entities suing on behalf of themselves and a purported class of similarly situated governmental entities. All claims asserted against FSC in these purported class actions were subsequently dismissed. However, the plaintiffs in these purported class actions have filed amended complaints against other entities, and FSC is identified in these complaints not as a defendant, but as an alleged co-conspirator with the named defendants.

Additionally, as a result of these SEC and DOJ investigations into industry-wide practices, FSC has been named as a defendant in 20 individual lawsuits. These lawsuits have been brought by several California public entities and two New York non-profit corporations that do not seek to certify a class. The Judicial Panel on Multidistrict Litigation has transferred these cases to the United States District Court, Southern District of New York. The California plaintiffs allege violations of Section 1 of the Sherman Act and the California Cartwright Act. The New York plaintiffs allege violations of Section 1 of the Sherman Act and the New York Donnelly Act. The allegations against FSC are very limited in scope. FSC has filed answers in each of the twenty lawsuits denying the allegations and asserting several affirmative defenses. FSC intends to defend itself vigorously in these individual actions. The relief sought is unspecified monetary damages.

Like other financial institutions, PlainsCapital is subject to various federal, state and local laws and regulations relating to environmental matters. Under these laws and regulations, PlainsCapital could be held liable for costs relating to environmental contamination at or from properties that secure PlainsCapital's loan portfolio. With respect to PlainsCapital's borrower's properties, the potential liabilities may far exceed the original amount of the loan made by PlainsCapital and secured by the property. Currently, PlainsCapital is not a defendant in any environmental legal proceeding.

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Market Price of and Dividends on PlainsCapital's Common Equity and Related Shareholder Matters

Market Information

There is currently no established public trading market or publicly available quotations for PlainsCapital's common stock. As of August 2, 2012, there were 34,462,390 shares of PlainsCapital's common stock outstanding and held of record by approximately 980 holders (inclusive of those brokerage firms, clearing houses, banks and other nominee holders, holding common stock for clients, with each such nominee being considered as one holder). Such outstanding shares of PlainsCapital common stock include 2,377,809 shares that participate in dividends but are not defined as outstanding under generally accepted accounting principles.

PlainsCapital has a second class of authorized common stock, no shares of which are outstanding. Unless otherwise stated herein, references herein to PlainsCapital's "common stock" refer to PlainsCapital's Original Common Stock (as defined in PlainsCapital's certificate of formation) and not to the "Common Stock" (as defined in PlainsCapital's certificate of formation), none of which is outstanding.

Dividends

Subject to the restrictions discussed below, PlainsCapital's shareholders are entitled to receive dividends when, as, and if declared by PlainsCapital's board of directors out of funds legally available for that purpose. In each of the first and second quarters of 2012, PlainsCapital paid a cash dividend of $0.06 per share of common stock. In the fourth quarter of 2011, PlainsCapital paid a cash dividend of $0.09 per share of common stock. For each of the fifteen completed quarters before the fourth quarter of 2011, PlainsCapital paid a cash dividend of $0.05 per share of PlainsCapital's common stock. PlainsCapital's board of directors exercises discretion with respect to whether PlainsCapital will pay dividends and the amount of such dividend, if any. Factors that affect PlainsCapital's ability to pay dividends on PlainsCapital's common stock in the future (if the merger is not completed) include, without limitation, PlainsCapital's earnings and financial condition, liquidity and capital resources, the general economic and regulatory climate, PlainsCapital's ability to service any equity or debt obligations senior to PlainsCapital's common stock and other factors deemed relevant by PlainsCapital's board of directors.

Under the terms of the Series A Preferred Stock and Series B Preferred Stock issued to the U.S. Treasury pursuant to the TARP Capital Purchase Program, PlainsCapital was obligated to pay a 5% per annum cumulative dividend on the stated value of the Series A Preferred Stock and a 9% per annum cumulative dividend on the stated value of the Series B Preferred Stock until PlainsCapital redeemed the Series A Preferred Stock and Series B Preferred Stock, respectively, on September 27, 2011. During such time as the Series A Preferred Stock and Series B Preferred Stock was outstanding, PlainsCapital was prevented from, among other things, increasing the amount of PlainsCapital's regular quarterly dividends paid on PlainsCapital's common stock without the consent of the U.S. Treasury.

On September 27, 2011, PlainsCapital sold approximately $114.1 million of PlainsCapital's Series C Preferred Stock to the Secretary of the Treasury pursuant to the SBLF. The terms of the Series C Preferred Stock provide for the payment of non-cumulative dividends on a quarterly basis beginning January 1, 2012. The dividend rate, as a percentage of the liquidation amount, fluctuates while the Series C Preferred Stock is outstanding based upon changes in the level of "qualified small business lending" ("QSBL") by PlainsCapital Bank from its average level of QSBL at each of the four quarter ends leading up to June 30, 2010. See "Information About the Companies Management's Discussion and Analysis." As long as shares of Series C Preferred Stock remain outstanding, PlainsCapital may not pay dividends to its common shareholders (nor may PlainsCapital repurchase or redeem any shares of its common stock) during any quarter in which PlainsCapital fails to declare and pay dividends on the Series C Preferred Stock and for the next three quarters following such failure. In addition, under the terms of the Series C Preferred Stock, PlainsCapital may only declare and pay dividends on its common

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stock (or repurchase shares of its common stock) if, after payment of such dividend, the dollar amount of PlainsCapital'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 C Preferred Stock, or the "Tier 1 Dividend Threshold." The Tier 1 Dividend Threshold is subject to reduction, beginning January 1, 2014, based upon the extent by which, if at all, the QSBL at September 30, 2013 has increased over the baseline.

As a holding company, PlainsCapital is ultimately dependent upon its subsidiaries to provide funding for its operating expenses, debt service and dividends. Various banking laws limit the payment of dividends and other distributions by PlainsCapital Bank to PlainsCapital, and may therefore limit PlainsCapital's ability to pay dividends on PlainsCapital's common stock. If required payments on PlainsCapital's outstanding junior subordinated debentures held by PlainsCapital's unconsolidated subsidiary trusts are not made or suspended, PlainsCapital may be prohibited from paying dividends on its common stock. Regulatory authorities could impose administratively stricter limitations on the ability of PlainsCapital Bank to pay dividends to PlainsCapital if such limits were deemed appropriate to preserve certain capital adequacy requirements.

Securities Authorized for Issuance under Equity Compensation Plans

The following table sets forth information as of December 31, 2011 with respect to compensation plans under which shares of PlainsCapital's common stock may be issued. Additional information concerning PlainsCapital's stock-based compensation plans is presented in Note 15, Stock-Based Compensation, in the notes to PlainsCapital's consolidated financial statements for the years ended December 31, 2011, 2010 and 2009.

Equity Compensation Plan Information

Plan Category	Number of Securities to Be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans
Equity compensation plans approved by security holders	647,053(1)	$ 10.04(2)	4,000,000(3)
Equity compensation plans not approved by security holders	590,149(4)	(5)	248,687(6)
Total	1,237,202	$ 10.04(5)	4,248,687

(1) Includes 59,310 shares of common stock issuable upon exercise of outstanding stock options that were issued to the former option holders of First Southwest in conjunction with PlainsCapital's acquisition of First Southwest.

(2) The options identified in footnote (1) have a weighted-average exercise price of $7.49 per share.

(3) Represents shares available for issuance under the 2009 Long-Term Incentive Plan, dated July 16, 2009, as amended on November 10, 2011, which permits the issuance of incentive stock options, stock appreciation rights, restricted stock, restricted stock units and other awards.

(4) Represents shares that may be issued pursuant to restricted stock units outstanding under the 2010 Long-Term Incentive Plan, dated March 18, 2010 (the "2010 Plan").

(5) The shares identified in footnote (4) as underlying restricted stock units are deliverable upon vesting, without payment of additional consideration, and are therefore excluded from the weighted-average exercise price calculation.

(6) Represents shares available for issuance under the 2010 Plan, which permits the issuance of nonqualified stock options, restricted stock, stock appreciation rights, restricted stock units and other awards until March 18, 2012.

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Selected Financial Data

The following selected financial data is derived from PlainsCapital's audited consolidated financial statements as of and for the five years ended December 31, 2011 and PlainsCapital's unaudited condensed consolidated financial statements as of and for the three months ended March 31, 2012 and 2011. The following financial data should be read in conjunction with "Information About the Companies Management's Discussion and Analysis" included elsewhere in this joint proxy statement/prospectus, and the consolidated financial statements and related notes for the three years ended December 31, 2011 included elsewhere in this joint proxy statement/prospectus. The operating results and financial condition of First Southwest are included in the tables below from January 1, 2009 and December 31, 2008, respectively, following its acquisition by PlainsCapital (in thousands, except per share data and weighted average shares outstanding):

	As of and for the Three Months Ended March 31,		As of and for the Years Ended December 31,				
	2012	2011	2011	2010	2009	2008	2007
Income Statement Data:							
Total interest income	$ 56,556	$ 52,003	$ 219,443	$ 218,425	$ 202,823	$ 193,392	$ 220,895
Total interest expense	7,347	9,578	36,512	38,725	42,464	66,069	104,805
Net interest income	49,209	42,425	182,931	179,700	160,359	127,323	116,090
Provision for loan losses	2,221	6,500	21,757	83,226	66,673	22,818	5,517
Net interest income after provision for loan losses	46,988	35,925	161,174	96,474	93,686	104,505	110,573
Total noninterest income	150,106	85,340	477,758	432,183	334,908	119,066	84,281
Total noninterest expense	164,102	109,041	554,018	480,046	382,191	185,983	150,815
Income from continuing operations before income taxes	32,992	12,224	84,914	48,611	46,403	37,588	44,039
Federal income tax provision	11,254	4,508	30,068	15,412	14,855	13,027	14,904
Net income	21,738	7,716	54,846	33,199	31,548	24,561	29,135
Less: Net income attributable to noncontrolling interest	481	122	1,650	790	220	437	543
Net income attributable to PlainsCapital Corporation	21,257	7,594	53,196	32,409	31,328	24,124	28,592
Dividends on preferred stock and other	1,094	1,400	7,488	5,569	5,704		
Income applicable to PlainsCapital Corporation common shareholders	20,163	6,194	45,708	26,840	25,624	24,124	28,592
Less: income applicable to participating securities	702	217	1,670	976	953		
Income applicable to PlainsCapital Corporation common shareholders for basic earnings per common share	$ 19,461	$ 5,977	$ 44,038	$ 25,864	$ 24,671	$ 24,124	$ 28,592
Per Share Data:							
Net income basic	$ 0.61	$ 0.19	$ 1.39	$ 0.82	$ 0.79	$ 0.92	$ 1.10
Weighted average shares outstanding basic	31,843,784	31,625,519	31,649,566	31,476,675	31,259,995	26,117,934	26,012,250
Net income diluted	$ 0.59	$ 0.18	$ 1.36	$ 0.80	$ 0.77	$ 0.92	$ 1.09
Weighted average shares outstanding diluted	33,924,350	33,523,518	33,492,717	33,547,896	33,352,858	26,256,165	26,195,211

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	As of and for the Three Months Ended March 31,		As of and for the Years Ended December 31,				
	2012	2011	2011	2010	2009	2008	2007
Book value per common share	$ 13.26	$ 11.33	$ 12.70	$ 11.33	$ 10.66	$ 9.99	$ 8.97
Tangible book value per common share	$ 11.79	$ 9.79	$ 11.21	$ 9.76	$ 9.02	$ 8.82	$ 7.54
Dividends per common share	$ 0.06	$ 0.05	$ 0.24	$ 0.20	$ 0.20	$ 0.20	$ 0.19
Balance Sheet Data(1):							
Total assets	$ 5,787,557	$ 5,404,364	$ 5,700,020	$ 5,313,405	$ 4,570,769	$ 3,951,996	$ 3,182,863
Loans held for sale	853,801	482,627	776,372	477,711	432,202	198,866	100,015
Investment securities	859,060	1,039,838	839,753	865,080	545,737	385,327	191,175
Loans, net of unearned income	3,330,664	2,985,660	3,351,167	3,138,170	3,071,769	2,965,619	2,597,362
Allowance for loan losses	(61,409)	(65,940)	(67,495)	(65,169)	(52,092)	(40,672)	(26,517)
Goodwill and intangible assets, net	46,877	48,807	47,265	49,321	51,496	36,568	37,307
Total deposits	4,168,776	4,112,190	4,246,206	3,918,459	3,278,039	2,926,099	2,393,354
Capital lease obligations	12,008	11,579	12,121	11,693	12,128	8,651	3,994
Notes payable	51,828	62,195	54,966	63,776	68,550	151,014	40,256
Junior subordinated debentures	67,012	67,012	67,012	67,012	67,012	67,012	51,548
PlainsCapital Corporation shareholders' equity	539,133	447,851	517,031	446,491	422,500	399,815	233,890
Performance Ratios:							
Return on average shareholders' equity	16.29%	6.87%	11.27%	7.44%	7.50%	7.61%	12.98%
Return on average assets	1.50%	0.57%	0.98%	0.65%	0.71%	0.68%	0.95%
Net interest margin (taxable equivalent)(2)	3.75%	3.46%	3.71%	3.95%	4.00%	4.17%	4.27%
Efficiency ratio(3)	82.33%	85.34%	83.85%	78.45%	77.17%	75.93%	75.40%
Asset Quality Ratios:							
Total nonperforming assets to total loans and other real estate	2.79%	3.79%	3.16%	3.61%	2.88%	1.96%	0.92%
Allowance for loan losses to nonperforming loans	88.90%	76.29%	89.62%	77.61%	75.47%	86.87%	153.81%
Allowance for loan losses to total loans	1.84%	2.21%	2.01%	2.08%	1.70%	1.37%	1.02%
Net charge-offs to average loans outstanding(4)	1.00%	0.77%	0.63%	2.34%	1.82%	0.37%	0.16%
Capital Ratios:							
Leverage ratio	9.79%	8.76%	9.67%	8.96%	9.45%	12.71%	8.06%
Tier 1 risk-based capital ratio	12.56%	12.58%	12.54%	12.10%	12.10%	12.83%	8.99%
Total risk-based capital ratio	14.04%	14.26%	14.05%	13.78%	13.90%	14.53%	10.67%
Equity to assets ratio	9.32%	8.29%	9.07%	8.40%	9.24%	10.12%	7.35%
Dividend payout ratio(5)	10.19%	27.48%	17.93%	25.32%	26.40%	22.02%	17.26%
Tangible common equity to tangible assets	6.59%	5.78%	6.29%	5.85%	6.25%	7.04%	6.25%

(1) Includes First Southwest as of December 31, 2008.

(2) Net interest income divided by average interest-earning assets.

(3)

Noninterest expenses divided by the sum of total noninterest income and net interest income for the year.

(4)

Average loans outstanding exclude loans held for sale.

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(5) Total dividends to common shares paid divided by income applicable to PlainsCapital Corporation common shareholders for the year.

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

PlainsCapital 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 PlainsCapital's total shareholders' equity, excluding preferred stock, reduced by goodwill and other intangible assets, divided by total common shares outstanding. "Tangible common equity to tangible assets" is defined as PlainsCapital's total shareholders' 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 PlainsCapital 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 PlainsCapital's disclosure is not necessarily comparable to that of other companies that use non-GAAP measures. The following table reconciles these non-GAAP financial measures to the most comparable GAAP financial measures, "book value per common share" and "PlainsCapital Corporation shareholders' equity to total assets" (in thousands, except per share data):

	As of March 31,		As of December 31,				
	2012	2011	2011	2010	2009	2008	2007
Book value per common share	$ 13.26	$ 11.33	$ 12.70	$ 11.33	$ 10.66	$ 9.99	$ 8.97
Effect of goodwill and intangible assets per share	$ (1.47)	$ (1.54)	$ (1.49)	$ (1.57)	$ (1.64)	$ (1.17)	$ (1.43)
Tangible book value per common share	$ 11.79	$ 9.79	$ 11.21	$ 9.76	$ 9.02	$ 8.82	$ 7.54
PlainsCapital Corporation shareholders' equity	$ 539,133	$ 447,851	$ 517,031	$ 446,491	$ 422,500	$ 399,815	$ 233,890
Less: preferred stock	114,068	89,399	114,068	89,193	88,400	87,631	
Less: goodwill and intangible assets, net	46,877	48,807	47,265	49,321	51,496	36,568	37,307
Tangible common equity	378,188	309,645	355,698	307,977	282,604	275,616	196,583
Total assets	5,787,557	5,404,364	5,700,020	5,313,405	4,570,769	3,951,996	3,182,863
Less: goodwill and intangible assets, net	46,877	48,807	47,265	49,321	51,496	36,568	37,307
Tangible assets	5,740,680	5,355,557	5,652,755	5,264,084	4,519,273	3,915,428	3,145,556
Equity to assets	9.32%	8.29%	9.07%	8.40%	9.24%	10.12%	7.35%
Tangible common equity to tangible assets	6.59%	5.78%	6.29%	5.85%	6.25%	7.04%	6.25%

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Supplementary Financial Information

The following tables present unaudited consolidated interim financial information for the three months ended March 31, 2012 and for each quarter in the years ended December 31, 2011 and 2010 (in thousands, except per share data):

	Three Months Ended March 31, 2012
Interest income	$ 56,556
Interest expense	7,347
Net interest income	49,209
Provision for loan losses	2,221
Noninterest income	150,106
Noninterest expense	164,102
Income before taxes	32,992
Income tax provision	11,254
Net income	21,738
Less: Net income attributable to noncontrolling interest	481
Net income attributable to PlainsCapital Corporation	$ 21,257
Earnings (loss) per common share	
Basic	$ 0.61
Diluted	$ 0.59

	Year Ended December 31, 2011			
	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
Interest income	$ 56,469	$ 56,253	$ 54,718	$ 52,003
Interest expense	8,341	9,060	9,533	9,578
Net interest income	48,128	47,193	45,185	42,425
Provision for loan losses	3,519	4,500	7,238	6,500
Noninterest income	148,923	135,906	107,589	85,340
Noninterest expense	170,926	152,121	121,930	109,041
Income before taxes	22,606	26,478	23,606	12,224
Income tax provision	8,353	9,215	7,992	4,508
Net income	14,253	17,263	15,614	7,716
Less: Net income attributable to noncontrolling interest	774	570	184	122
Net income attributable to PlainsCapital Corporation	$ 13,479	$ 16,693	$ 15,430	$ 7,594
Earnings (loss) per common share				
Basic	$ 0.37	$ 0.40	$ 0.43	$ 0.19
Diluted	$ 0.37	$ 0.39	$ 0.42	$ 0.18

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	Year Ended December 31, 2010			
	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
Interest income	$ 53,948	$ 56,117	$ 56,052	$ 52,308
Interest expense	9,426	9,914	9,750	9,635
Net interest income	44,522	46,203	46,302	42,673
Provision for loan losses	29,577	20,449	10,245	22,955
Noninterest income	133,157	121,398	102,196	75,432
Noninterest expense	141,973	128,973	116,340	92,760
Income before taxes	6,129	18,179	21,913	2,390
Income tax provision (benefit)	(84)	7,900	7,016	580
Net income	6,213	10,279	14,897	1,810
Less: Net income attributable to noncontrolling interest	218	202	246	124
Net income attributable to PlainsCapital Corporation	$ 5,995	$ 10,077	$ 14,651	$ 1,686
Earnings (loss) per common share				
Basic	$ 0.14	$ 0.27	$ 0.40	$ 0.01
Diluted	$ 0.13	$ 0.26	$ 0.40	$ 0.01

The income tax benefit reported in the fourth quarter of 2010 includes a tax benefit of $2.0 million. The tax benefit resulted from reconciling and adjusting PlainsCapital's deferred tax accounts to cumulative book-tax basis differences in various assets and liabilities. The tax benefit related primarily to PlainsCapital's lease financing business. The effects of the total benefit primarily related to years prior to 2008 and were not material to the financial position, results of operations or cash flows of PlainsCapital in any previously reported year.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Management's Discussion and Analysis

The following discussion is intended to help the reader understand PlainsCapital's results of operations and financial condition. This Management's Discussion and Analysis of Financial Condition and Results of Operations is provided as a supplement to, and should be read in conjunction with, (i) PlainsCapital's accompanying unaudited condensed consolidated financial statements and notes thereto for the three months ended March 31, 2012, and (ii) PlainsCapital's accompanying audited consolidated financial statements and notes thereto for the year ended December 31, 2011. In addition to historical financial information, the following discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. PlainsCapital's results and the timing of selected events may differ materially from those anticipated in these forward-looking statements as a result of many factors, including those discussed under "Risk Factors." See "Cautionary Statement Regarding Forward-Looking Statements" included elsewhere in this joint proxy statement/prospectus.

Overview

PlainsCapital is a Texas corporation and a financial holding company registered under the Bank Holding Company Act, as amended by the Gramm-Leach-Bliley Act. As of March 31, 2012, on a consolidated basis, PlainsCapital had total assets of approximately $5.8 billion, total deposits of approximately $4.2 billion, total loans, including loans held for sale, of approximately $4.2 billion, and shareholders' equity of approximately $539.1 million. PlainsCapital Bank, one of PlainsCapital's wholly owned subsidiaries, provides a broad array of financial products and services, including commercial

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banking, personal banking, wealth management and treasury management, from offices located throughout central, north and west Texas. In addition to PlainsCapital Bank, PlainsCapital has various subsidiaries with specialized areas of expertise that also offer an array of financial products and services such as mortgage origination and financial advisory services.

PlainsCapital generates revenue from net interest income and from noninterest income. Net interest income represents the difference between the income earned on PlainsCapital's assets, including PlainsCapital's loans and investment securities, and PlainsCapital's cost of funds, including the interest paid on the deposits and borrowings that are used to support its assets. Net interest income is a significant contributor to PlainsCapital's operating results. Fluctuations in interest rates, as well as the amounts and types of interest-earning assets and interest-bearing liabilities PlainsCapital holds, affect net interest income. During the first quarter of 2012, PlainsCapital generated $49.2 million in net interest income, compared with $42.4 million in the first quarter of 2011. Net interest margin is a measure of net interest income as a percentage of average interest-earning assets. PlainsCapital's taxable equivalent net interest margin was 3.75% for the first quarter of 2012, as compared to 3.46% for the first quarter of 2011.

The other component of PlainsCapital's revenue is noninterest income, which is primarily comprised of the following:

(i) *Net gains from sale of loans and mortgage loan origination fees.* Through PlainsCapital's wholly owned subsidiary, PrimeLending, PlainsCapital generates noninterest income by originating and selling mortgage loans. During the first quarter of 2012, PlainsCapital generated $118.0 million in combined net gains from sale of loans and mortgage loan origination fees, a 91.55% increase over the first quarter of 2011. In recent years, PrimeLending added staff and opened mortgage banking offices on an opportunistic basis. This increase in staff has led to increased market share and a higher volume of mortgage originations during the first quarter of 2012, compared to the same period in 2011. In addition, a more favorable interest rate environment contributed to the higher volume of mortgage originations. Total dollar volume of mortgage loan originations increased 78.91% in the first quarter of 2012 compared to the first quarter of 2011.

(ii) *Investment advisory fees and commissions and securities brokerage fees and commissions.* Through PlainsCapital's wholly owned subsidiary, First Southwest, PlainsCapital provides public finance advisory and various investment banking and brokerage services. PlainsCapital generated $24.6 million and $18.2 million in investment advisory fees and commissions and securities brokerage fees and commissions during the first quarter of 2012 and 2011, respectively. Activity in the public finance market improved during the first quarter of 2012, leading to an increase in public finance advisory revenues.

In the aggregate, PlainsCapital generated $150.1 million and $85.3 million in noninterest income during the first quarter of 2012 and 2011, respectively. The increase in noninterest income was primarily due to an increase in net gains on the sale of mortgage loans. Noninterest income represented 75.31% and 66.79% of net revenues (net interest income plus noninterest income) during the first quarter of 2012 and the first quarter of 2011, respectively.

PlainsCapital also incurs noninterest expenses in the operation of its businesses. PlainsCapital's businesses engage in labor intensive activities and, consequently, employees' compensation and benefits represent the majority of PlainsCapital's noninterest expenses. Employees' compensation and benefits were 64.46% and 60.85% of total noninterest expense for the first quarter of 2012 and 2011, respectively.

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Segment and Related Information

PlainsCapital has three reportable segments that are organized primarily by the core products offered to the segments' respective customers. The banking segment includes the operations of PlainsCapital Bank. The operations of PrimeLending comprise the mortgage origination segment. The financial advisory segment is comprised of First Southwest and, until its sale in July 2012, included Hester Capital. The principal subsidiaries of First Southwest are FSC, a broker-dealer registered with the SEC and FINRA, and First Southwest Asset Management, Inc., a registered investment advisor under the Investment Advisors Act of 1940.

PlainsCapital's reportable segments also serve as reporting units for the purpose of testing its goodwill for impairment. PlainsCapital does not believe that PlainsCapital's reporting units are currently at risk of failing the Step One impairment test prescribed in the Goodwill Subtopic of the FASB Accounting Standards Codification.

How PlainsCapital Generates Revenue

PlainsCapital derives its revenue and net income primarily from its banking segment and the mortgage origination segment, while the remainder is generated from the financial advisory segment. The relative share of total revenue provided by PlainsCapital's banking and mortgage origination segments fluctuates depending on market conditions, and operating results for the mortgage origination segment tend to be more volatile than operating results for its banking segment.

The banking segment primarily provides business banking and personal banking products and services and generates revenue from its portfolio of earning assets. PlainsCapital Bank's results of operations are primarily dependent on net interest income. The banking segment also derives revenue from other sources, including service charges on customer deposit accounts and trust fees.

The mortgage origination segment offers a variety of loan products from offices in 37 states and generates revenue predominantly from selling loans in the secondary market and from fees charged on the origination of those loans.

PlainsCapital generates the remainder of its revenue from financial advisory services. The majority of revenues in the financial advisory segment are generated from fees and commissions earned from investment advisory and securities brokerage services at First Southwest.

Three Months Ended March 31, 2012 and 2011

Operating Results

Net income for the first quarter of 2012 was $21.3 million, or $0.59 per diluted share, compared to $7.6 million, or $0.18 per diluted share, for the first quarter of 2011.

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The changes in PlainsCapital's net income during the periods described above are primarily attributable to the factors listed below (in thousands):

	Increase (Decrease) in Net Income Three Months Ended March 31, 2012 v. 2011
Net interest income	$ 6,784
Provision for loan losses	4,279
Net gains from sale of loans and mortgage loan origination fees	56,417
Investment advisory and brokerage fees and commissions	6,398
Employees' compensation and benefits	(39,428)
Other noninterest expenses	(15,633)
All other (including tax effects)	(5,154)
	$ 13,663

PlainsCapital considers the ratios shown in the table below to be key indicators of its performance:

	Three Months Ended March 31, 2012	Year Ended December 31, 2011	Three Months Ended March 31, 2011
Return on average shareholders' equity	16.29%	11.27%	6.87%
Return on average assets	1.50%	0.98%	0.57%
Net interest margin (taxable equivalent)	3.75%	3.71%	3.46%
Leverage ratio	9.79%	9.67%	8.76%

The return on average shareholders' equity ratio is calculated by dividing annualized net income by average shareholders' equity for the period. The return on average assets ratio is calculated by dividing annualized net income by average total assets for the period. Net interest margin is calculated by dividing annualized net interest income (taxable equivalent) by average interest-earning assets. The leverage ratio is discussed in the "Liquidity and Capital Resources" section below.

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Net Interest Income

The following table summarizes the components of net interest income (in thousands):

	Three Months Ended March 31,		
	2012	2011	Variance 2012 v. 2011
Interest income			
Loans, including fees	$ 48,600	$ 42,204	$ 6,396
Securities	3,412	4,606	(1,194)
Securities tax exempt	2,475	2,387	88
Federal funds sold and securities purchased under agreements to resell	86	1,092	(1,006)
Interest-bearing deposits with banks	173	314	(141)
Other	1,810	1,400	410
Total interest income	56,556	52,003	4,553
Interest expense			
Deposits	5,265	7,528	(2,263)
Notes payable and other borrowings	2,082	2,050	32
Total interest expense	7,347	9,578	(2,231)
Net interest income	$ 49,209	$ 42,425	$ 6,784

Net interest income increased $6.8 million in the first quarter of 2012 compared with the first quarter of 2011. The increase was primarily due to the increase in loan volume within the banking segment and is discussed further under the heading "Lines of Business" below.

Noninterest Income

Noninterest income was $150.1 million in the first quarter of 2012 compared with $85.3 million in the first quarter of 2011, an increase of $64.8 million. The increase was primarily due to increased mortgage loan origination volume, which increased 78.91% in the first quarter of 2012 compared with the first quarter of 2011. The increased mortgage loan origination volume resulted from PrimeLending's efforts to add staff and open mortgage banking offices in recent years, in addition to a more favorable interest rate environment in the first quarter of 2012, compared to the same period in 2011. The increased mortgage origination volume led to higher combined net gains on the sale of mortgage loans and mortgage loan origination fees during the first quarter of 2012.

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Noninterest Expense

The following table summarizes noninterest expense for the periods indicated below (in thousands):

	Three Months Ended March 31,		
			Variance
	2012	2011	2012 v. 2011
Noninterest expense			
Employees' compensation and benefits	$ 105,774	$ 66,346	$ 39,428
Occupancy and equipment, net	17,082	15,398	1,684
Professional services	8,175	6,046	2,129
Deposit insurance premium	996	1,856	(860)
Repossession and foreclosure, net of recoveries	5,918	1,880	4,038
Other	26,157	17,515	8,642
Total noninterest expense	$ 164,102	$ 109,041	$ 55,061

Noninterest expense increased $55.1 million for the first quarter of 2012 compared with the first quarter of 2011. The largest components of the increase were employees' compensation and benefits, other expenses and repossession and foreclosure, net of recoveries.

Employees' compensation and benefits increased $39.4 million for the first quarter of 2012 compared with the first quarter of 2011. The increase was primarily attributable to increased costs in the mortgage origination segment from the hiring of additional staff in recent years. The additional staff, coupled with an increase in the volume of mortgage loan originations during the first quarter of 2012 compared with the first quarter of 2011, resulted in the mortgage origination segment incurring higher variable costs for commissions, as well as higher fixed costs for salaries and employee benefits.

Other expenses increased $8.6 million for the first quarter of 2012 compared with the first quarter of 2011. The increase was primarily attributable to a higher number of loans originated in the mortgage origination segment where the customer chose to accept a higher interest rate on the loan in return for PrimeLending's payment of the customer's closing costs, which PrimeLending expensed as unreimbursed closing costs. PrimeLending's unreimbursed closing costs for the first quarter of 2012 increased both as result of an increase in the volume of mortgage loans originated as well as an increase in the percentage of customers who chose this option, which percentage has tended to increase as interest rates have approached historical lows.

Repossession and foreclosure, net of recoveries, increased $4.0 million for the first quarter of 2012 compared with the first quarter of 2011. The increase was primarily attributable to valuation adjustments to the fair value of other real estate owned.

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Lines of Business

The following table presents income before taxes by segment for the three months ended March 31, 2012 and 2011 (in thousands):

	Three Months Ended March 31,	
	2012	2011
Banking segment	$ 21,142	$ 13,215
Mortgage Origination segment	10,445	(392)
Financial Advisory segment	1,405	(743)
Intercompany eliminations		144
Income before taxes	$ 32,992	$ 12,224

Banking Segment

The following table summarizes the results for the banking segment for the indicated periods (in thousands):

	Three Months Ended March 31,		
			Variance
	2012	2011	2012 v. 2011
Net interest income	$ 48,399	$ 40,475	$ 7,924
Provision for loan losses	2,083	6,500	(4,417)
Noninterest income	9,591	7,329	2,262
Noninterest expense	34,765	28,089	6,676
Income before taxes	$ 21,142	$ 13,215	$ 7,927

Income before taxes was $21.1 million for the first quarter of 2012, an increase of $7.9 million compared to the first quarter of 2011. The increase was due primarily to an increase in net interest income and a decrease in the provision for loan losses, partially offset by an increase in noninterest expense.

Net interest income increased $7.9 million for the first quarter of 2012 compared with the first quarter of 2011. The increase was due primarily to increased interest income on the loan portfolio, resulting from higher average loan volumes compared with the first quarter of 2011.

Provision for loan losses decreased by $4.4 million for the first quarter of 2012 compared with the first quarter of 2011. The decrease in the provision for loan losses was primarily due to lower levels of non-performing loans in the first quarter of 2012.

Noninterest income increased $2.3 million for the first quarter of 2012 compared with the first quarter of 2011. The increase was primarily attributable to increases in the fair value of securities acquired in satisfaction of a debt previously contracted and currently classified as trading securities.

Noninterest expense increased $6.7 million for the first quarter of 2012 compared with the first quarter of 2011. The increase was primarily due to increases in employees' compensation and benefits.

The following table summarizes the changes in the banking segment's net interest income for the periods indicated below, including the component changes in the volume of average interest-earning

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assets and interest-bearing liabilities and changes in the rates earned or paid on those items (in thousands):

	Three Months Ended March 31, 2012 v. 2011		
	Change Due To(1)		
	Volume	Yield/Rate	Change
Interest income			
Loans	$ 7,990	$ (577)	$ 7,413
Investment securities(2)	(1,088)	(210)	(1,298)
Federal funds sold and securities purchased under agreements to resell	(394)	(48)	(442)
Interest-bearing deposits in other financial institutions	(132)	(12)	(144)
Other	3	6	9
Total interest income(2)	6,379	(841)	5,538
Interest expense			
Deposits	247	(2,568)	(2,321)
Notes payable and other borrowings	(29)	(10)	(39)
Total interest expense	218	(2,578)	(2,360)
Net interest income(2)	$ 6,161	$ 1,737	$ 7,898

(1) Changes attributable to both volume and yield/rate are included in yield/rate.

(2) Taxable equivalent.

Taxable equivalent net interest income increased $7.9 million for the first quarter of 2012 compared with the first quarter of 2011. Increases in the volume of interest-earning assets, primarily loans, increased taxable equivalent net interest income by $6.4 million, while increases in the volume of interest-bearing liabilities, primarily deposits, reduced taxable equivalent net interest income by $0.2 million. Changes in the yields earned on interest-earning assets decreased taxable equivalent net interest income by $0.8 million, primarily due to lower yields on the loan portfolio and the investment securities portfolio. Changes in rates paid on interest-bearing liabilities increased taxable equivalent net interest income by $2.6 million, primarily due to a decrease in market interest rates on deposits during the first quarter of 2012 compared with prevailing market rates during the first quarter of 2011.

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The tables below provide additional details regarding the banking segment's net interest income (dollars in thousands):

	Three Months Ended March 31, 2012			Three Months Ended March 31, 2011		
	Average Outstanding Balance	Interest Earned or Paid	Annualized Yield or Rate	Average Outstanding Balance	Interest Earned or Paid	Annualized Yield or Rate
Assets						
Interest-earning assets						
Loans, gross(1)	$ 3,685,972	$ 48,833	5.33%	$ 3,096,778	$ 41,420	5.42%
Investment securities taxable	545,090	3,174	2.33%	746,426	4,369	2.34%
Investment securities non-taxable(2)	239,347	3,157	5.28%	232,948	3,260	5.60%
Federal funds sold and securities purchased under agreements to resell	9,118	26	1.15%	53,646	468	3.54%
Interest-bearing deposits in other financial institutions	260,047	166	0.26%	447,402	310	0.28%
Other	15,209	154	4.05%	14,932	145	3.88%
Interest-earning assets, gross	4,754,783	55,510	4.70%	4,592,132	49,972	4.41%
Allowance for loan losses	(66,489)			(63,888)		
Interest-earning assets, net	4,688,294			4,528,244		
Noninterest-earning assets	501,162			462,541		
Total assets	$ 5,189,456			$ 4,990,785		
Liabilities and Shareholders' Equity						
Interest-bearing liabilities						
Interest-bearing deposits	$ 3,914,421	5,251	0.54%	$ 3,792,341	7,572	0.81%
Notes payable and other borrowings	376,048	321	0.34%	408,673	360	0.36%
Total interest-bearing liabilities(3)	4,290,469	5,572	0.52%	4,201,014	7,932	0.77%
Noninterest-bearing liabilities						
Noninterest-bearing deposits	244,809			222,363		
Other liabilities	63,689			34,292		
Total liabilities	4,598,967			4,457,669		
Shareholders' equity	590,489			533,116		
Total liabilities and shareholders' equity	$ 5,189,456			$ 4,990,785		
Net interest income(2)		$ 49,938			$ 42,040	
Net interest spread(2)			4.18%			3.64%
Net interest margin(2)			4.22%			3.71%

(1) Average loans include non-accrual loans.

(2) Taxable equivalent adjustments are based on a 35% tax rate. The adjustment to interest income was $1.1 million for each of the three months ended March 31, 2012 and 2011.

(3) Excludes the allocation of interest expense on PlainsCapital debt totaling $0.5 million each for the first quarter of 2012 and 2011, respectively.

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The banking segment's net interest margin shown above exceeds PlainsCapital's consolidated net interest margin. PlainsCapital's consolidated net interest margin includes the yields and costs associated with certain items within interest-earning assets and interest-bearing liabilities in the financial advisory segment, as well as the borrowing costs of PlainsCapital at the holding company level, both of which reduce PlainsCapital's consolidated net interest margin.

Mortgage Origination Segment

The following table summarizes the results for the mortgage origination segment for the indicated periods (in thousands):

	Three Months Ended March 31,		
			Variance
	2012	2011	2012 v. 2011
Net interest income (expense)	$ (5,510)	$ (3,584)	$ (1,926)
Noninterest income	118,082	61,674	56,408
Noninterest expense	102,127	58,482	43,645
Income (loss) before taxes	$ 10,445	$ (392)	$ 10,837

Mortgage loan origination volumes are shown in the following table (in millions):

	Three Months Ended March 31,		
			Variance
	2012	2011	2012 v. 2011
Mortgage loan origination volume	$ 2,757	$ 1,541	$ 1,216

In recent years, PrimeLending has added staff and opened mortgage banking offices on an opportunistic basis. This increase in staff has led to increased market share and a higher volume of mortgage loan originations in the first quarter of 2012 compared to the first quarter of 2011. In addition, a more favorable interest rate environment contributed to the higher volume of mortgage originations. While PrimeLending expects to continue to grow and increase its market share in 2012, PrimeLending anticipates its growth will primarily be generated from loans originated by existing mortgage bankers rather than through the addition of new mortgage bankers.

The mortgage lending business is subject to variables that can impact loan origination volume, including seasonal and interest rate fluctuations. PrimeLending typically experiences increased loan origination volume from purchases of homes during the spring and summer, when more people tend to move and buy or sell homes. A decrease in interest rates tends to result in increased refinancings. During the first quarter of 2012, home purchases and refinancings by dollar volume were 54.64% and 45.36%, respectively, of total mortgage loan origination volume. For the first quarter of 2011, home purchases and refinancings by dollar volume were 67.93% and 32.07%, respectively, of total mortgage loan origination volume. PrimeLending's home purchase volume in relation to its total volume is greater than the national market average, primarily as a result of its focus on builder and realtor relationships.

Income (loss) before taxes was $10.4 million for the first quarter of 2012, an increase of $10.8 million compared with the first quarter of 2011. The increase was due primarily to an increase in noninterest income, partially offset by an increase in noninterest expense. Employees' compensation and benefits and other expenses accounted for the majority of the increase in noninterest expense.

Noninterest income increased $56.4 million for the first quarter of 2012 compared with the first quarter of 2011. The increase in noninterest income, which is comprised of net gains on the sale of

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loans and mortgage origination fees, was due to higher volumes of mortgage loan originations. Mortgage loan origination volume increased $1.216 billion, or 78.91%, in the first quarter of 2012 compared with the first quarter of 2011.

Employees' compensation and benefits increased $32.9 million for the first quarter of 2012 compared with the first quarter of 2011. The increase was attributable to increased staffing levels to address growing compliance and information technology needs, additional mortgage origination offices, higher loan origination volumes and higher commission costs due to higher loan origination volumes subject to commissions.

Other expenses increased $8.5 million for the first quarter of 2012 compared with the first quarter of 2011. The increase was primarily attributable to a higher number of loans originated in the mortgage origination segment where the customer chose to accept a higher interest rate on the loan in return for PrimeLending's payment of the customer's closing costs, which PrimeLending expensed as unreimbursed closing costs. PrimeLending's unreimbursed closing costs for the first quarter of 2012 increased both as a result of an increase in the volume of mortgage loans originated as well as an increase in the percentage of customers who chose this option, which percentage has tended to increase as interest rates have approached historical lows.

Financial Advisory Segment

The following table summarizes the results for the financial advisory segment for the indicated periods (in thousands):

	Three Months Ended March 31,		
			Variance
	2012	2011	2012 v. 2011
Net interest income	$ 3,097	$ 2,782	$ 315
Provision for loan losses	138		138
Noninterest income	25,858	19,191	6,667
Noninterest expense	27,412	22,716	4,696
Income (loss) before taxes	$ 1,405	$ (743)	$ 2,148

Income (loss) before taxes was $1.4 million for the first quarter of 2012, an increase of $2.1 million compared with the first quarter of 2011. The increase was due primarily to the increase in noninterest income, partially offset by an increase in noninterest expense.

The majority of noninterest income is generated from fees and commissions earned from investment advisory and securities brokerage activities, which increased $6.7 million for the first quarter of 2012 compared with the first quarter of 2011. The increase was attributable to increased activity in the public finance market during the first quarter of 2012 that resulted in higher public finance advisory revenues.

Noninterest expense increased $4.7 million for the first quarter of 2012 compared with the first quarter of 2011. Employees' compensation and benefits accounted for the majority of the increase in noninterest expense primarily due to increases in compensation costs that vary with noninterest income, which increased in the first quarter of 2012 compared with the first quarter of 2011.

Financial Condition

The following discussion contains a more detailed analysis of PlainsCapital's financial condition as of March 31, 2012 and as compared to December 31, 2011.

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Securities Portfolio

The securities portfolio plays a role in the management of PlainsCapital Bank's interest rate sensitivity and generates additional interest income. In addition, the securities portfolio is used to meet collateral requirements for public and trust deposits, securities sold under agreements to repurchase and other purposes. The available for sale securities portfolio serves as a source of liquidity. Historically, PlainsCapital Bank's policy has been to invest primarily in securities of the U.S. government and its agencies, obligations of municipalities in the State of Texas and other high grade fixed income securities to minimize credit risk. In connection with PlainsCapital's acquisition of First Southwest, PlainsCapital purchased a portfolio of auction rate bonds for which an active market does not currently exist.

The securities portfolio consists of three major components: trading securities, securities available for sale and securities held to maturity. Trading securities are carried at fair market value, marked to market through operations and primarily held at First Southwest, which as a broker-dealer is required to carry its securities at fair value. These trading securities are used to support sales, underwriting and other customer activities. 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, with unrealized gains and losses recorded in accumulated other comprehensive income. Securities are classified as held to maturity based on the intent and ability of management, at the time of purchase, to hold such securities to maturity. These securities are carried at amortized cost. The table below summarizes PlainsCapital's securities portfolio (in thousands):

	March 31, 2012	December 31, 2011
Trading securities, at fair value	$ 66,804	$ 58,957
Securities available for sale, at fair value		
U.S. government agencies		
Bonds	243,269	183,850
Mortgage-backed securities	35,947	36,270
Collateralized mortgage obligations	218,295	262,078
States and political subdivisions	73,580	74,344
Auction rate bonds	45,518	44,544
	616,609	601,086
Securities held to maturity, at amortized cost		
U.S. government agencies		
Mortgage-backed securities	6,135	6,639
Collateralized mortgage obligations	14,459	15,974
States and political subdivisions	109,704	111,924
Auction rate bonds	45,349	45,173
	175,647	179,710
Total securities portfolio	$ 859,060	$ 839,753

PlainsCapital had a net unrealized gain of $6.4 million related to the available for sale investment portfolio as of March 31, 2012, net of an unrealized loss of $1.0 million related to auction rate securities. PlainsCapital had a net unrealized gain of $6.8 million related to the available for sale investment portfolio as of December 31, 2011, net of an unrealized loss of $2.0 million related to auction rate securities upon which the credit-related portion of an other-than-temporary impairment ("OTTI") has been previously recognized in earnings.

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The market value of securities held to maturity as of March 31, 2012 was $8.8 million above book value. As of December 31, 2011, market value of held to maturity securities was $9.0 million above book value.

PlainsCapital holds securities issued by Access to Loans for Learning Student Loan Corporation that exceed 10% of PlainsCapital's shareholders' equity. The aggregate carrying value and aggregate estimated market value of the securities as of March 31, 2012, were $90.9 million and $91.2 million, respectively.

Loan Portfolio

Consolidated loans held for investment are detailed in the table below (in thousands) and classified by type:

	March 31, 2012	December 31, 2011
Commercial and industrial		
Commercial	$ 1,464,898	$ 1,473,564
Lease financing	29,425	32,604
Securities (including margin loans)	314,830	319,895
Real estate	1,212,272	1,221,726
Construction and land development	281,847	273,949
Consumer	27,392	29,429
Loans, gross	3,330,664	3,351,167
Allowance for loan losses	(61,409)	(67,495)
Loans, net	$ 3,269,255	$ 3,283,672

Banking Segment

The loan portfolio constitutes the major earning asset of the banking segment and typically offers the best alternative for obtaining the maximum interest spread above the banking segment's cost of funds. The overall economic strength of the banking segment generally parallels the quality and yield of its loan portfolio. The banking segment's total loans, net of the allowance for loan losses, were $3.7 billion as of both March 31, 2012 and December 31, 2011. The banking segment's loan portfolio includes warehouse lines of credit extended to PrimeLending and First Southwest. Advances under these lines of credit were $0.8 billion and $0.7 billion as of March 31, 2012 and December 31, 2011, respectively, and are eliminated from net loans on PlainsCapital's consolidated balance sheet.

The banking segment does not generally participate in syndicated loan transactions and has no foreign loans in its portfolio. As of March 31, 2012, the banking segment had loan concentrations (loans to borrowers engaged in similar activities) that exceeded 10% of total loans in its real estate loan portfolio. The areas of concentration within PlainsCapital Bank's real estate portfolio were construction and land development loans and non-construction commercial real estate loans. As of March 31, 2012, construction and land development loans were 8% of total loans, while non-construction commercial real estate loans were 27% of total loans. The banking segment's loan concentrations were within regulatory guidelines as of March 31, 2012.

Mortgage Origination Segment

The loan portfolio of the mortgage origination segment consists of loans held for sale, primarily single-family residential mortgages funded through PrimeLending, and pipeline loans, which are loans in various stages of the application process, but not yet closed and funded. Pipeline loans may not close if potential borrowers elect in their sole discretion not to proceed with the loan application. Total loans held for sale were $852.8 million and $775.3 million as of March 31, 2012 and December 31, 2011, respectively.

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The components of the mortgage origination segment's loans held for sale and pipeline loans are shown in the following table (in thousands):

	March 31, 2012	December 31, 2011
Loans held for sale		
Unpaid principal balance	$ 828,584	$ 752,796
Fair value adjustment	24,167	22,515
	$ 852,751	$ 775,311
Pipeline loans		
Unpaid principal balance	$ 869,766	$ 687,890
Fair value adjustment	10,526	10,096
	$ 880,292	$ 697,986

The fair value adjustment made to the unpaid principal balance of pipeline loans shown in the previous table reflects assumptions regarding projected loan closing rates.

Financial Advisory Segment

The loan portfolio of the financial advisory segment consists primarily of margin loans to customers and correspondents. These loans are collateralized by the securities purchased or by other securities owned by the clients and, because of collateral coverage ratios, are believed to present minimal collectibility exposure. Additionally, these loans are subject to a number of regulatory requirements as well as First Southwest's internal policies. The financial advisory segment's total loans, net of the allowance for loan losses, were $311.5 million and $317.0 million as of March 31, 2012 and December 31, 2011, respectively. The decrease was primarily attributable to decreased borrowings in margin accounts held by First Southwest customers and correspondents.

Allowance for Loan Losses

The allowance for loan losses is a reserve established through a provision for loan losses charged to expense, which represents management's best estimate of probable losses inherent in the existing portfolio of loans held for investment. PlainsCapital's management has responsibility for determining the level of the allowance for loan losses, subject to review by the Audit Committee of PlainsCapital's board of directors and the Directors' Loan Review Committee of PlainsCapital Bank's board of directors.

It is PlainsCapital's management's responsibility at the end of each quarter, or more frequently as deemed necessary, to analyze the level of the allowance for loan losses to ensure that it is appropriate for the estimated credit losses in the portfolio consistent with the Receivables and Contingencies Topics of the ASC. Estimated credit losses are the probable current amount of loans that PlainsCapital will be unable to collect given facts and circumstances as of the evaluation date. When management determines that a loan, or portion thereof, is uncollectible, the loan, or portion thereof, is charged off against the allowance for loan losses. Any subsequent recovery of charged-off loans is added back to the allowance for loan losses.

PlainsCapital has developed a methodology that seeks to determine an allowance within the scope of the Receivables and Contingencies Topics of the ASC. Each of the loans that has been determined to be impaired is within the scope of the Receivables Topic and is individually evaluated for impairment using one of three impairment measurement methods as of the evaluation date: (1) the present value of expected future discounted cash flows on the loan, (2) the loan's observable market price, or (3) the fair value of the collateral if the loan is collateral dependent. Specific reserves are provided in

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PlainsCapital's estimate of the allowance based on the measurement of impairment under these three methods, except for collateral dependent loans, which require the fair value method. All non-impaired loans are within the scope of the Contingencies Topic. Estimates of loss for the Contingencies Topic are calculated based on historical loss experience by loan portfolio segment adjusted for changes in trends, conditions, and other relevant factors that affect repayment of loans as of the evaluation date. While historical loss experience provides a reasonable starting point for the analysis, historical losses, or recent trends in losses, are not the sole basis upon which to determine the appropriate level for the allowance for loan losses. Management considers recent qualitative or environmental factors that are likely to cause estimated credit losses associated with the existing portfolio to differ from historical loss experience, including but not limited to: changes in lending policies and procedures; changes in underwriting standards; changes in economic and business conditions and developments that affect the collectibility of the portfolio; the condition of various market segments; changes in the nature and volume of the portfolio and in the terms of loans; changes in lending management and staff; changes in the volume and severity of past due loans, the volume of non-accrual loans, and the volume and severity of adversely classified or graded loans; changes in the loan review system; changes in the value of underlying collateral for collateral-dependent loans; and any concentrations of credit and changes in the level of such concentrations.

PlainsCapital designs its loan review program to identify and monitor problem loans by maintaining a credit grading process, ensuring that timely and appropriate changes are made to the loans with assigned risk grades and coordinating the delivery of the information necessary to assess the appropriateness of the allowance for loan losses. Loans are evaluated for impairment when: (i) payments on the loan are delayed, typically by 90 days or more (unless the loan is both well secured and in the process of collection), (ii) the loan becomes classified, (iii) the loan is being reviewed in the normal course of the loan review scope, or (iv) the loan is identified by the servicing officer as a problem. PlainsCapital reviews on an individual basis all loan relationships over $0.2 million that exhibit probable or observed credit weaknesses, the top 25 loan relationships by dollar amount in each market PlainsCapital serves, and additional relationships necessary to achieve adequate coverage of PlainsCapital's various lending markets.

Homogeneous loans, such as consumer installment loans, residential mortgage loans and home equity loans, are not individually reviewed and are generally risk graded at the same levels. The risk grade and reserves are established for each homogeneous pool of loans based on the expected net charge-offs from current trends in delinquencies, losses or historical experience and general economic conditions. As of March 31, 2012, PlainsCapital had no material delinquencies in these types of loans.

The allowance is subject to regulatory examinations and determinations as to adequacy, which may take into account such factors as the methodology used to calculate the allowance and the size of the allowance. While PlainsCapital believes it has an appropriate allowance for PlainsCapital's existing portfolio as of March 31, 2012, additional provisions for losses on existing loans may be necessary in the future. PlainsCapital recorded net charge-offs in the amount of $8.3 million for the first quarter of 2012 and $5.7 million for the first quarter of 2011. In the first quarter of 2012, the partial charge-off of a single loan relationship, which had been previously reserved, accounted for over half of PlainsCapital's total net charge-offs. PlainsCapital's allowance for loan losses totaled $61.4 million as of March 31, 2012 and $67.5 million as of December 31, 2011. The ratio of the allowance for loan losses to total loans held for investment as of March 31, 2012 and December 31, 2011 was 1.84% and 2.01%, respectively, reflecting lower levels of non-performing loans.

Provisions for loan losses are charged to operations to record the total allowance for loan losses at a level deemed appropriate by the banking segment's management based on such factors as the volume and type of lending it conducted, the amount of non-performing loans and related collateral security, the present level of the allowance for loan losses, the results of recent regulatory examinations,

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generally accepted accounting principles, general economic conditions and other factors related to the ability to collect loans in its portfolio.

The provision for loan losses, primarily in the banking segment, was $2.2 million for the first quarter of 2012, a decrease of $4.3 million compared with the first quarter of 2011. The decrease was primarily a result of a decrease in non-performing loans during the first quarter of 2012 compared with the first quarter of 2011.

The following table presents the activity in PlainsCapital's allowance for loan losses for the dates indicated (dollars in thousands). Substantially all of the activity shown below occurred within the banking segment:

	Three Months Ended March 31, 2012	Year Ended December 31, 2011	Three Months Ended March 31, 2011
Balance at beginning of period	$ 67,495	$ 65,169	$ 65,169
Provisions charged to operating expenses	2,221	21,757	6,500
Recoveries of loans previously charged off			
Commercial and industrial	459	3,887	206
Real estate	17	280	149
Construction and land development	1	205	5
Consumer	15	102	17
Total recoveries	492	4,474	377
Loans charged off			
Commercial and industrial	3,982	9,978	4,055
Real estate	163	4,817	417
Construction and land development	4,637	8,877	1,571
Consumer	17	233	63
Total charge-offs	8,799	23,905	6,106
Net charge-offs	(8,307)	(19,431)	(5,729)
Balance at end of period	$ 61,409	$ 67,495	$ 65,940
Net charge-offs to average loans outstanding	1.00%	0.63%	0.77%

The distribution of the allowance for loan losses among loan types and the percentage of the loans for that type to gross loans, excluding unearned income, are presented in the table below (dollars in thousands).

	March 31, 2012		December 31, 2011	
	Reserve	% of Gross Loans	Reserve	% of Gross Loans
Commercial and industrial	$ 35,781	54.32%	$ 38,196	54.49%
Real estate (including construction and land development)	25,506	44.86%	28,971	44.63%
Consumer	122	0.82%	328	0.88%
Total	$ 61,409	100.00%	$ 67,495	100.00%

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Potential Problem Loans

Potential problem loans consist of loans that are performing in accordance with contractual terms but for which management has concerns about the ability of an obligor to continue to comply with repayment terms because of the obligor's potential operating or financial difficulties. Management monitors these loans and reviews their performance on a regular basis. As of March 31, 2012, PlainsCapital had seven credit relationships totaling $4.5 million of potential problem loans. As of December 31, 2011, PlainsCapital had $5.3 million of potential problem loans. Potential problem loans contain potential weaknesses that could improve, persist or further deteriorate. If such potential weaknesses persist without improving, the loan is subject to downgrade, typically to substandard, in three to six months.

Non-Performing Assets

The following table presents PlainsCapital's components of non-performing assets at the dates indicated (dollars in thousands):

	March 31, 2012	December 31, 2011	March 31, 2011
Loans accounted for on a non-accrual basis			
Commercial and industrial	$ 15,427	$ 16,690	$ 10,628
Lease financing	877	1,561	5,352
Real estate	33,139	31,223	12,109
Construction and land development	19,635	25,841	58,328
Consumer			11
	$ 69,078	$ 75,315	$ 86,428
Non-performing loans as a percentage of total loans	1.65%	1.82%	2.49%
Other Real Estate Owned	$ 23,590	$ 30,254	$ 18,847
Other repossessed assets	$ 1,017	$ 1,165	$ 8,737
Non-performing assets	$ 93,685	$ 106,734	$ 114,012
Non-performing assets as a percentage of total assets	1.62%	1.87%	2.11%
Loans past due 90 days or more and still accruing	$	$	$ 9
Troubled debt restructurings included in accruing loans	$ 4,356	$ 9,388	$ 14,353

As of March 31, 2012, total non-performing assets decreased $13.0 million to $93.7 million, compared with $106.7 million as of December 31, 2011, primarily due to a decrease in non-accrual loans and Other Real Estate Owned. Non-accrual loans were $69.1 million as of March 31, 2012 and $75.3 million as of December 31, 2011. The decrease in the level of non-accrual loans reflects charge-offs of non-accrual loans. Of these non-accrual loans, $15.4 million were characterized as commercial and industrial loans as of March 31, 2012, a decrease of $1.3 million compared with December 31, 2011. The commercial and industrial loans included three loan relationships in a variety of industries with an aggregate balance of approximately $11.6 million and secured by accounts receivable and inventory.

Non-accrual loans also included $33.1 million characterized as real estate loans as of March 31, 2012, including six commercial real estate loan relationships totaling approximately $25.2 million and secured by occupied single family residential property, occupied commercial real estate, occupied industrial property, retail space, and a hotel.

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Non-accrual loans as of March 31, 2012 also included $19.6 million characterized as construction and land development loans. Three loan relationships account for approximately $17.6 million of the non-performing construction and land development loans. Collateral securing the loans includes residential land developments and unimproved land.

As of March 31, 2012, troubled debt restructurings totaled $29.5 million, of which $4.3 million were included in accruing loans and $25.2 million were reported in non-accrual loans.

Other Real Estate Owned decreased $6.7 million to $23.6 million as of March 31, 2012 compared with $30.3 million as of December 31, 2011. The decrease was primarily due to valuation adjustments to the fair value of Other Real Estate Owned, principally adjustments to foreclosed properties from two loan relationships. As of March 31, 2012, Other Real Estate Owned included a single parcel of unimproved land with a fair value, less cost to sell, of $16.1 million.

Additional interest income that would have been recorded if the non-accrual loans had been current and performing during the three months ended March 31, 2012 totaled $0.8 million and $1.0 million for the three months ended March 31, 2011.

Borrowings

PlainsCapital's borrowings as of March 31, 2012 and December 31, 2011 are shown in the table below (in thousands):

	March 31, 2012	December 31, 2011	Variance 2012 v. 2011
Short-term borrowings	606,774	$ 476,439	$ 130,335
Notes payable	51,828	54,966	(3,138)
Junior subordinated debentures	67,012	67,012	
Capital lease obligations	12,008	12,121	(113)
	$ 737,622	$ 610,538	$ 127,084

Short-term borrowings consist of federal funds purchased, securities sold under agreements to repurchase, borrowings at the FHLB and short-term bank loans. The $130.3 million increase in short-term borrowings as of March 31, 2012 compared with December 31, 2011 was due primarily to increases in borrowings of $83.5 million under repurchase agreements and $50.0 million under the FHLB resulting from decreases in deposits.

Notes payable is comprised of borrowings under term notes and a revolving line of credit with JPMorgan Chase Bank, N.A. and nonrecourse notes owed by First Southwest. The agreements underlying the JPMorgan Chase Bank, N.A. debt include certain restrictive covenants, including limitations on the ability to incur additional debt, limitations on the disposition of assets and requirements to maintain various financial ratios, including a non-performing asset ratio, at acceptable levels. As of March 31, 2012, PlainsCapital Bank's non-performing asset ratio was in compliance with the non-performing asset ratio covenant. As of March 31, 2012, PlainsCapital had two revolving lines of credit with JPMorgan Chase Bank, N.A., one of which had an outstanding principal balance of $5.0 million and was fully advanced, and the second of which was available to PrimeLending, had availability of $1.0 million and had not been drawn against.

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Years ended December 31, 2011, 2010 and 2009

Operating Results

Net income for the year ended December 31, 2011 was $53.2 million, or $1.36 per diluted share, compared with $32.4 million, or $0.80 per diluted share, for the year ended December 31, 2010, and $31.3 million, or $0.77 per diluted share, for the year ended December 31, 2009.

The changes in PlainsCapital's earnings during the periods described above are primarily attributable to the factors listed below (in thousands):

	Increase (Decrease) in Net Income	
	Year Ended December 31,	
	2011 v. 2010	2010 v. 2009
Net interest income	$ 3,231	$ 19,341
Provision for loan losses	61,469	(16,553)
Net gains from sale of loans and mortgage loan origination fees	56,032	89,660
Investment advisory and brokerage fees and commissions	(9,414)	6,423
Employees' compensation and benefits	(48,835)	(58,619)
Other noninterest expenses	(25,137)	(39,236)
All other (including tax effects)	(16,559)	65
	$ 20,787	$ 1,081

PlainsCapital consider the ratios shown in the table below to be key indicators of PlainsCapital's performance:

	Year Ended December 31,		
	2011	2010	2009
Return on average shareholders' equity	11.27%	7.44%	7.50%
Return on average assets	0.98%	0.65%	0.71%
Net interest margin (taxable equivalent)	3.71%	3.95%	4.00%
Leverage ratio	9.67%	8.96%	9.45%

The return on average shareholders' equity ratio is calculated by dividing net income by average shareholders' equity for the period. The return on average assets ratio is calculated by dividing net income by average total assets for the period. Net interest margin is calculated by dividing net interest income (taxable equivalent) by average interest-earning assets. The leverage ratio is discussed under the heading "Liquidity and Capital Resources" below.

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Net Interest Income

The following table summarizes the components of net interest income (in thousands):

	Year Ended December 31,				
				Variance	
	2011	2010	2009	2011 v. 2010	2010 v. 2009
Interest income					
Loans, including fees	$ 180,209	$ 183,657	$ 180,119	$ (3,448)	$ 3,538
Securities: taxable	18,632	17,697	9,461	935	8,236
Securities: tax-exempt	9,750	9,224	7,494	526	1,730
Federal funds sold and securities purchased under agreements to resell	3,119	1,720	90	1,399	1,630
Interest-bearing deposits with banks	945	823	259	122	564
Other	6,788	5,304	5,400	1,484	(96)
Total interest income	219,443	218,425	202,823	1,018	15,602
Interest expense					
Deposits	28,172	29,586	32,137	(1,414)	(2,551)
Notes payable and other borrowings	8,340	9,139	10,327	(799)	(1,188)
Total interest expense	36,512	38,725	42,464	(2,213)	(3,739)
Net interest income	$ 182,931	$ 179,700	$ 160,359	$ 3,231	$ 19,341

Net interest income increased $3.2 million in 2011 compared with 2010. The increase in net interest income in 2011 was primarily due to reduced interest expense caused by a decrease in market interest rates compared to prevailing market interest rates during 2010. Net interest income increased $19.3 million in 2010 compared with 2009, which was due primarily to volume growth in PlainsCapital Bank's loan and investment securities portfolios and, to a lesser extent, reduced interest expenses in the banking segment compared with 2009.

Noninterest Income

Noninterest income was $477.8 million in 2011 compared with $432.2 million in 2010, an increase of $45.6 million. Noninterest income increased by $97.3 million for the year ended December 31, 2010 to $432.2 million compared with $334.9 million in 2009. The increase for both periods was primarily due to increased mortgage loan origination volume, which increased 13.45% in 2011 compared with 2010 and increased 34.79% in 2010 compared with 2009. The increased mortgage loan origination volume, which resulted from PrimeLending's efforts to add staff and open mortgage banking offices at PrimeLending in recent years, led to higher net gains on the sale of mortgage loans in both periods.

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Noninterest Expense

The following table summarizes noninterest expense for the periods indicated below (in thousands):

	Year Ended December 31,				
				Variance	
	2011	2010	2009	2011 v. 2010	2010 v. 2009
Noninterest expense					
Employees' compensation and benefits	$ 348,121	$ 299,286	$ 240,667	$ 48,835	$ 58,619
Occupancy and equipment, net	64,682	59,013	50,992	5,669	8,021
Professional services	30,425	29,874	23,783	551	6,091
Deposit insurance premium	4,834	6,304	6,295	(1,470)	9
Repossession and foreclosure, net of recoveries	14,868	9,175	5,716	5,693	3,459
Other	91,088	76,394	54,738	14,694	21,656
Total noninterest expense	$ 554,018	$ 480,046	$ 382,191	$ 73,972	$ 97,855

Noninterest expense in 2011 increased $74.0 million compared with the year ended December 31, 2010. Noninterest expense in 2010 increased $97.9 million compared with the year ended December 31, 2009. The largest components of these increases were employees' compensation and benefits and other expenses.

Employees' compensation and benefits increased $48.8 million for the year ended December 31, 2011 compared with 2010 and $58.6 million for the year ended December 31, 2010 compared with 2009. The increase for both periods was primarily attributable to increased costs in the mortgage origination segment. In recent years, PrimeLending has added staff on an opportunistic basis. This increased staffing resulted in increased market share that led to an increase in the dollar volume of mortgage loan originations of 13.45% and 34.79% during 2011 and 2010, respectively, compared to the prior year. As a result, the mortgage origination segment incurred higher variable costs for commissions, as well as higher fixed costs for salaries and employee benefits.

Other expenses increased $14.7 million in 2011 compared with 2010. Other expenses increased $21.7 million in 2010 compared with 2009. The increase in both periods was primarily attributable to increased unreimbursed closing costs in the mortgage origination segment resulting from increased mortgage loan originations and additional customers choosing a higher interest rate on their mortgage loans rather than paying origination and other required loan fees at closing.

Occupancy and equipment expenses, net of rental income, increased $5.7 million in 2011 compared with the year ended December 31, 2010. Occupancy and equipment expenses, net of rental income, increased $8.0 million in 2010 compared with the year ended December 31, 2009. The increase for both periods was primarily attributable to the continued opening of additional mortgage banking offices at PrimeLending.

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Lines of Business

The following table presents income before taxes by segment for the indicated periods (in thousands):

	Year Ended December 31,		
	2011	2010	2009
Banking segment	$ 53,630	$ 15,804	$ 11,243
Mortgage Origination segment	23,708	24,072	27,479
Financial Advisory segment	7,049	8,663	7,613
Intercompany eliminations	527	72	68
Income before taxes	$ 84,914	$ 48,611	$ 46,403

Banking Segment

The following table summarizes the results for the banking segment for the indicated periods (in thousands):

	Year Ended December 31,				
				Variance	
	2011	2010	2009	2011 v. 2010	2010 v. 2009
Net interest income	$ 174,773	$ 175,506	$ 157,180	$ (733)	$ 18,326
Provision for loan losses	22,000	82,592	66,673	(60,592)	15,919
Noninterest income	28,448	37,464	22,685	(9,016)	14,779
Noninterest expense	127,591	114,574	101,949	13,017	12,625
Income before taxes	$ 53,630	$ 15,804	$ 11,243	$ 37,826	$ 4,561

Income before taxes was $53.6 million for the year ended December 31, 2011, an increase of $37.8 million compared with 2010. The increase was due primarily to the decrease in the provision for loan losses. Income before taxes was $15.8 million for the year ended December 31, 2010, an increase of $4.6 million compared with 2009. The increase was primarily due to the increase in net interest income, partially offset by the increase in the provision for loan losses.

Net interest income decreased $0.7 million in 2011 compared with the year ended December 31, 2010. The decrease was due primarily to decreased interest income on the loan portfolio, resulting from lower yields on the loan portfolio compared with the year ended December 31, 2010. Net interest income increased $18.3 million in 2010 compared with the year ended December 31, 2009. The increase was due primarily to increased interest income on the investment securities and loan portfolios, resulting from volume growth in both portfolios and to a lesser extent, reduced interest expenses compared with the year ended December 31, 2009.

Provision for loan losses decreased by $60.6 million in 2011 compared with the year ended December 31, 2010. The decrease was primarily a result of a decrease in loan charge-offs and lower levels of non-performing loans during 2011 compared with the year ended December 31, 2010. Provision for loan losses increased $15.9 million in 2010 compared with the year ended December 31, 2009. The increase was primarily a result of a significant increase in non-performing loans and loan charge-offs due to challenging economic conditions during 2010.

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Noninterest income decreased $9.0 million in 2011 compared with the year ended December 31, 2010. In 2011, the banking segment recorded a credit-related other-than-temporary impairment of $5.3 million on certain auction rate bonds held by PlainsCapital Bank. In addition, intercompany financing charges for the year ended December 31, 2011 have decreased compared with 2010. Noninterest income increased $14.8 million in 2010 compared with the year ended December 31, 2009. The increase was due primarily to an increase in intercompany financing charges.

Noninterest expense increased $13.0 million in 2011 compared with the year ended December 31, 2010, and $12.6 million in 2010 compared with the year ended December 31, 2009. The increase in both periods was due primarily to increased employees' compensation and benefits costs and repossession and foreclosure expenses, particularly costs associated with other real estate owned.

The following table summarizes the changes in the banking segment's net interest income for the periods indicated below, including the component changes in the volume of average interest-earning assets and interest-bearing liabilities and changes in the rates earned or paid on those items (in thousands):

	Years Ended December 31,					
	2011 v. 2010			2010 v. 2009		
	Change Due To(1)			Change Due To(1)		
	Volume	Yield/Rate	Change	Volume	Yield/Rate	Change
Interest income						
Loans	$ (416)	$ (5,844)	$ (6,260)	$ 6,111	$ (1,782)	$ 4,329
Investment securities(2)	10,302	(8,901)	1,401	9,115	1,102	10,217
Federal funds sold and securities purchased under agreements to resell	105	455	560	13	139	152
Interest-bearing deposits in other financial institutions	399	(290)	109	541	32	573
Other	(233)	197	(36)	(79)	95	16
Total interest income(2)	10,157	(14,383)	(4,226)	15,701	(414)	15,287
Interest expense						
Deposits	3,791	(5,237)	(1,446)	6,922	(9,433)	(2,511)
Notes payable and other borrowings	(1,362)	(1,782)	(3,144)	(948)	(1,075)	(2,023)
Total interest expense	2,429	(7,019)	(4,590)	5,974	(10,508)	(4,534)
Net interest income(2)	$ 7,728	$ (7,364)	$ 364	$ 9,727	$ 10,094	$ 19,821

(1) Changes attributable to both volume and yield/rate are included in yield/rate.

(2) Taxable equivalent.

Taxable equivalent net interest income increased $0.4 million in 2011 compared with 2010. Changes in the yields earned on interest-earning assets decreased taxable equivalent net interest income by $14.4 million, primarily due to lower yields on the loan portfolio and the investment securities portfolio. Yields on loans decreased due to significant pay downs on higher-yielding real estate and commercial loans. Yields on investment securities were lower due to a number of factors, including reinvestment of proceeds from sales and principal repayments at lower rates, which reflected declining market rates across the range of alternatives for reinvestment, and higher premium amortization on mortgage-backed securities and collateralized mortgage obligations. Changes in rates paid on interest-bearing liabilities increased taxable equivalent net interest income by $7.0 million, primarily due to a decrease in market interest rates on deposits during 2011 compared with prevailing market rates during 2010. Increases in the volume of interest-earning assets, primarily investment securities, increased

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taxable equivalent net interest income by $10.1 million, while increases in the volume of interest-bearing liabilities, primarily deposits, reduced taxable equivalent net interest income by $2.4 million.

Taxable equivalent net interest income increased $19.8 million in 2010 compared with 2009. Increases in the volume of interest-earning assets, primarily investment securities and loans, increased taxable equivalent net interest income by $15.7 million. Changes in rates paid on interest-bearing liabilities increased taxable equivalent net interest income by $10.5 million, primarily due to a decrease in market interest rates on deposits compared with prevailing market rates in 2010. Increases in the volume deposits, reduced taxable equivalent net interest income by $6.0 million.

The table below provides additional details regarding the banking segment's net interest income (dollars in thousands):

	Year Ended December 31,								
	2011			2010			2009		
	Average Outstanding Balance	Interest Earned or Paid	Annualized Yield or Rate	Average Outstanding Balance	Interest Earned or Paid	Annualized Yield or Rate	Average Outstanding Balance	Interest Earned or Paid	Annualized Yield or Rate
Assets									
Interest-earning assets									
Loans, gross(1)	$ 3,316,880	$ 178,320	5.38%	$ 3,324,370	$ 184,580	5.55%	$ 3,215,367	$ 180,251	5.61%
Investment securities taxable	665,744	17,843	2.68%	443,040	17,058	3.85%	227,345	9,228	4.06%
Investment securities non-taxable(2)	239,679	13,167	5.49%	210,695	12,551	5.96%	203,479	10,164	5.00%
Federal funds sold and securities purchased under agreements to resell	34,333	802	2.34%	23,968	242	1.01%	20,947	90	0.43%
Interest-bearing deposits in other financial institutions	328,382	914	0.28%	219,564	805	0.37%	65,858	232	0.35%
Other	14,065	576	4.10%	22,738	612	2.69%	26,220	596	2.27%
Interest-earning assets, gross	4,599,083	211,622	4.60%	4,244,375	215,848	5.09%	3,759,216	200,561	5.34%
Allowance for loan losses	(66,546)			(52,624)			(35,244)		
Interest-earning assets, net	4,532,537			4,191,751			3,723,972		
Noninterest-earning assets	489,122			466,634			501,393		
Total assets	$ 5,021,659			$ 4,658,385			$ 4,225,365		
Liabilities and Shareholders' Equity									
Interest-bearing liabilities									
Interest-bearing deposits	$ 3,859,116	28,249	0.73%	$ 3,422,256	29,695	0.87%	$ 2,816,814	32,206	1.14%
Notes payable and other borrowings	325,644	1,242	0.38%	472,281	4,386	0.93%	554,252	6,409	1.16%
Total interest-bearing liabilities(3)	4,184,760	29,491	0.70%	3,894,537	34,081	0.88%	3,371,066	38,615	1.15%
Noninterest-bearing liabilities									
Noninterest-bearing deposits	238,748			192,438			143,374		
Other liabilities	46,167			38,161			191,979		
Total liabilities	4,469,675			4,125,136			3,706,419		
Shareholders' equity	551,984			533,249			518,946		
Total liabilities and shareholders' equity	$ 5,021,659			$ 4,658,385			$ 4,225,365		
Net interest income(2)		$ 182,131			$ 181,767			$ 161,946	
Net interest spread(2)			3.90%			4.21%			4.19%
Net interest margin(2)			3.96%			4.28%			4.31%

(1) Average loans include non-accrual loans. The banking segment would have recognized an additional $3.2 million, $4.4 million and $4.6 million of interest income in 2011, 2010 and 2009, respectively, if non-accrual loans had been current and performing.

(2)
Taxable equivalent adjustments are based on a 35% tax rate. The adjustment to interest income was $4.4 million, $4.1 million and $3.1 million for 2011, 2010 and 2009, respectively.

(3)
Excludes the allocation of interest expense on PlainsCapital Corporation debt totaling $3.0 million, $2.2 million and $1.7 million for 2011, 2010 and 2009, respectively.

The banking segment's net interest margin shown above exceeds PlainsCapital's consolidated net interest margin. PlainsCapital's consolidated net interest margin includes the yields and costs associated with certain items within interest-earning assets and interest-bearing liabilities in the financial advisory segment, as well as the borrowing costs of PlainsCapital at the holding company level, both of which reduce PlainsCapital's consolidated net interest margin.

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Deposits

The banking segment's major source of funds and liquidity is its deposit base. Deposits provide funding for its investment in loans and securities. Interest paid for deposits must be managed carefully to control the level of interest expense and overall net interest margin.

The composition of the deposit base (time deposits versus interest-bearing demand deposits and savings) is constantly changing due to the banking segment's needs and market conditions. Overall, average deposits in 2011 were $483.2 million higher than average deposits in 2010. Average noninterest-bearing demand deposits in 2011 increased $46.3 million from 2010 levels and average interest-bearing demand deposits increased $267.1 million compared with 2010. The increases in deposits reflect the increasing amounts of cash held by individuals and businesses in response to an uncertain economic outlook.

Average deposits in 2010 increased $654.5 million compared with 2009. Average noninterest-bearing demand deposits in 2010 increased $49.1 million from 2009 levels and average interest-bearing demand deposits increased $440.5 million compared with 2009.

The table below presents the banking segment's average balances of deposits and the average rates paid on those deposits for the indicated periods (dollars in thousands):

	Year Ended December 31,					
	2011		2010		2009	
	Average Balance	Average Rate Paid	Average Balance	Average Rate Paid	Average Balance	Average Rate Paid
Noninterest-bearing demand deposits	$ 238,748		$ 192,438		$ 143,374	
Interest-bearing demand deposits	2,149,662	0.26%	1,882,603	0.35%	1,442,072	0.45%
Savings deposits	202,018	0.55%	167,280	0.74%	130,991	1.12%
Certificates of deposit	1,349,133	1.55%	1,246,475	1.71%	1,122,631	2.09%
Foreign branch deposits	158,303	0.34%	125,898	0.45%	121,120	0.66%
	$ 4,097,864	0.69%	$ 3,614,694	0.82%	$ 2,960,188	1.09%

The maturity of interest-bearing time deposits of $100,000 or more as of December 31, 2011 is set forth in the table below (in thousands):

Months to maturity:	
3 months or less	$ 226,361
3 months to 6 months	170,897
6 months to 12 months	158,205
Over 12 months	285,374
	$ 840,837

The banking segment experienced growth of $22.9 million in interest-bearing time deposits of $100,000 or more for the year ended December 31, 2011 compared with 2010. As of December 31, 2011, there were $555.5 million in interest-bearing time deposits scheduled to mature within one year. During 2010, interest-bearing time deposits of $100,000 or more increased by $133.0 million compared with 2009.

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Mortgage Origination Segment

The following table summarizes the results for the mortgage origination segment for the indicated periods (in thousands):

	Year Ended December 31,				
				Variance	
	2011	2010	2009	2011 v. 2010	2010 v. 2009
Net interest income (expense)	$ (16,260)	$ (21,791)	$ (7,048)	$ 5,531	$ (14,743)
Provision for loan losses	(23)	634		(657)	634
Noninterest income	365,426	309,298	219,107	56,128	90,191
Noninterest expense	325,481	262,801	184,580	62,680	78,221
Income before taxes	$ 23,708	$ 24,072	$ 27,479	$ (364)	$ (3,407)

Mortgage loan origination volumes are shown in the following table (in millions):

	Year Ended December 31,				
				Variance	
	2011	2010	2009	2011 v. 2010	2010 v. 2009
Mortgage loan origination volume	$ 8,787	$ 7,745	$ 5,746	$ 1,042	$ 1,999

In recent years, PrimeLending has expanded into new markets through hiring individual, as well as groups of, mortgage bankers as opportunities arise. As a result of this growth strategy, PrimeLending's mortgage loan origination volume increased in both 2011 and 2010 and PrimeLending has increased its share of the national market for mortgage loan originations. While PrimeLending expects to continue to grow and increase its market share in 2012, PrimeLending anticipates its growth will primarily be generated from loans originated by recently hired mortgage bankers rather than through the addition of new mortgage bankers.

The mortgage lending business is subject to seasonality, as PrimeLending typically experiences increased loan origination volume from purchases of homes during the spring and summer, when more people tend to move and buy or sell homes. During 2011, home purchases and refinancings by dollar volume were 66.89% and 33.11%, respectively, of total mortgage loan origination volume. For the year ended December 31, 2010, home purchases and refinancings by dollar volume were 41.87% and 58.13%, respectively, of total mortgage loan origination volume. PrimeLending's home purchase volume in relation to its total volume is greater than the national market average, as a result of the geographic concentration of its mortgage bankers and its focus on builder and realtor relationships.

Income before taxes was $23.7 million for the year ended December 31, 2011, a decrease of $0.4 million compared with the year ended December 31, 2010. The decrease was due primarily to the increase in noninterest expense, partially offset by an increase in noninterest income. Employees' compensation and benefits and other expenses accounted for the majority of the increase in noninterest expense. The increase in noninterest income was due to higher volumes of mortgage loan originations that resulted in increased combined income from gain on sale of loans and mortgage origination fees.

Income before taxes was $24.1 million for the year ended December 31, 2010, a decrease of $3.4 million compared with the year ended December 31, 2009. The decrease was due primarily to increases in net interest expense and noninterest expense, partially offset by an increase in noninterest income. Employees' compensation and benefits and other expenses accounted for the majority of the increase in noninterest expense. The increase in noninterest income was due to higher volumes of mortgage loan originations that resulted in increased combined income from gain on sale of loans and mortgage origination fees.

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Net interest expense decreased $5.5 million in 2011 compared with 2010 and increased $14.7 million in 2010 compared with 2009. The changes in net interest expense were primarily due to increases in other interest expense, which related primarily to changes in intercompany financing costs, which were $11.7 million, $17.0 million and $5.1 million in 2011, 2010 and 2009, respectively.

Noninterest income increased $56.1 million, or 18.15% in 2011 compared with 2010, and $90.2 million, or 41.16% in 2010 compared with 2009. Mortgage loan origination volume increased $1.042 billion, or 13.45% between 2011 and 2010, and $1.999 billion, or 34.79%, between 2010 and 2009. Noninterest income increased at a higher rate in both 2011 and 2010 than origination volume primarily as a result of customers choosing a higher interest rate on their loans rather than paying origination and other required loan closing fees. This choice by customers has the effect of increasing total noninterest income, because investors place a higher premium on loans with higher interest rates when other terms of the loan are similar. This choice also has the effect of increasing unreimbursed closing costs.

Employees' compensation and benefits increased $45.0 million in 2011 compared with 2010, and $48.8 million in 2010 compared with 2009. During both 2011 and 2010, the increases were attributable to increased staffing levels to address growing compliance and information technology needs, additional mortgage origination offices, higher loan origination volumes and higher commission costs due to higher loan origination volumes subject to commissions.

Other expenses increased $15.0 million in 2011 compared with 2010, and $19.0 million in 2010 compared with 2009. The increase for both periods was primarily attributable to increased unreimbursed closing costs and occupancy expenses resulting from PrimeLending's expansion into new markets.

Financial Advisory Segment

The following table summarizes the results for the financial advisory segment for the indicated periods (in thousands):

	Year Ended December 31,				
				Variance	
	2011	2010	2009	2011 v. 2010	2010 v. 2009
Net interest income	$ 12,519	$ 8,863	$ 4,996	$ 3,656	$ 3,867
Provision for loan losses	(220)			(220)	
Noninterest income	96,304	103,075	98,944	(6,771)	4,131
Noninterest expense	101,994	103,275	96,327	(1,281)	6,948
Income before taxes	$ 7,049	$ 8,663	$ 7,613	$ (1,614)	$ 1,050

Income before taxes was $7.0 million in 2011, a decrease of $1.6 million compared with the year ended December 31, 2010. The decrease was due primarily to decreases in noninterest income, partially offset by an increase in net interest income. Income before taxes was $8.7 million in 2010, an increase of $1.1 million compared with the year ended December 31, 2009. The increase was due primarily to the increase in net revenue, partially offset by the increase in noninterest expense.

Net interest income increased $3.7 million in 2011 compared with the year ended December 31, 2010, and $3.9 million in 2010 compared with the year ended December 31, 2009. The increase for both periods resulted from higher levels of securities lending activity, higher customer margin loan balances and from an increased level of securities used to support sales, underwriting, and other customer activities.

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The majority of noninterest income is generated from fees and commissions earned from investment advisory and securities brokerage activities, which decreased $6.8 million in 2011 compared with the year ended December 31, 2010. The decrease was attributable to a significant slowing of activity in the public finance market during the first half of 2011 that resulted in lower public finance advisory revenues. This slowing of activity was industry-wide and resulted from factors such as volatile interest rates, reduced property tax bases and budget pressures on certain tax-exempt issuers caused by uncertainty in the economy. Noninterest income increased $4.1 million in 2010 compared with the year ended December 31, 2009, which was primarily due to increases in fees and commissions earned from investment advisory and securities brokerage activities.

Noninterest expense decreased $1.3 million in 2011 compared with the year ended December 31, 2010. Employees' compensation and benefits accounted for the majority of the decrease in noninterest expense primarily due to reductions in compensation costs that vary with noninterest income, which declined in 2011 compared with 2010. Noninterest expense increased $6.9 million in 2010 compared with the year ended December 31, 2009. The increase was due primarily to employees' compensation and benefits, which was $3.8 million higher in 2010 than in 2009 due to higher noninterest revenue production during 2010.

Financial Condition

The following discussion contains a more detailed analysis of PlainsCapital's financial condition for the years ended December 31, 2011, 2010 and 2009.

Securities Portfolio

The securities portfolio plays a role in the management of PlainsCapital Bank's interest rate sensitivity and generates additional interest income. In addition, the securities portfolio is used to meet collateral requirements for public and trust deposits, securities sold under agreements to repurchase and other purposes. The available for sale securities portfolio serves as a source of liquidity. Historically, PlainsCapital Bank's policy has been to invest primarily in securities of the U.S. government and its agencies, obligations of municipalities in the State of Texas and other high grade fixed income securities to minimize credit risk. In connection with PlainsCapital's acquisition of First Southwest, PlainsCapital purchased a portfolio of auction rate bonds for which an active market does not currently exist.

The securities portfolio consists of three major components: trading securities, securities available for sale and securities held to maturity. Trading securities are carried at fair market value, marked to market through operations and primarily held at First Southwest, which as a broker-dealer is required to carry its securities at fair value. These trading securities are used to support sales, underwriting and other customer activities. 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, with unrealized gains and losses recorded in accumulated other comprehensive income. Securities are classified as held to maturity based on the intent and ability of management, at the time of purchase, to hold such

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securities to maturity. These securities are carried at amortized cost. The table below summarizes PlainsCapital's securities portfolio (in thousands):

	December 31,		
	2011	2010	2009
Trading securities, at fair value	$ 58,957	$ 18,931	$ 24,183
Securities available for sale, at fair value			
U.S. government agencies			
Bonds	183,850	29,959	
Mortgage-backed securities	36,270	18,844	28,014
Collateralized mortgage obligations	262,078	507,769	145,361
States and political subdivisions	74,344	34,210	9,612
Auction rate bonds	44,544	22,454	44,554
	601,086	613,236	227,541
Securities held to maturity, at amortized cost			
U.S. government agencies			
Mortgage-backed securities	6,639	10,369	16,963
Collateralized mortgage obligations	15,974	28,169	50,533
States and political subdivisions	111,924	120,348	120,818
Auction rate bonds	45,173	74,027	105,699
	179,710	232,913	294,013
Total securities portfolio	$ 839,753	$ 865,080	$ 545,737

PlainsCapital had a net unrealized gain of $6.8 million related to the available for sale investment portfolio as of December 31, 2011, net of an unrealized loss of $2.0 million related to auction rate securities upon which the credit-related portion of an OTTI of $5.3 million has been recognized as a reduction in earnings. PlainsCapital had a net unrealized loss of $1.3 million and $1.1 million as of December 31, 2010 and December 31, 2009, respectively.

The market value of securities held to maturity as of December 31, 2011 was $9.0 million above book value. As of December 31, 2010, market value of held to maturity securities was $4.2 million below book value. The market value of held to maturity securities was $0.9 million above book value as of December 31, 2009.

PlainsCapital holds securities issued by Access to Loans for Learning Student Loan Corporation that exceed 10% of PlainsCapital's shareholders' equity. The aggregate carrying value and aggregate estimated market value of the securities as of December 31, 2011 were $89.7 million and $90.7 million, respectively.

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The following table sets forth the estimated maturities of securities not held for trading. Contractual maturities may be different (dollar amounts in thousands, yields are tax-equivalent):

	December 31, 2011				
	One Year Or Less	One Year to Five Years	Five Years to Ten Years	Greater Than Ten Years	Total
U.S. government agencies					
Bonds					
Amortized cost	$	$ 10,000	$ 30,623	$ 142,568	$ 183,191
Fair value		10,125	30,735	142,990	183,850
Weighted average yield	0.00%	1.25%	2.85%	2.51%	2.50%
Mortgage-backed securities					
Amortized cost	125	10,654	21,202	8,555	40,536
Fair value	137	11,310	22,621	9,382	43,450
Weighted average yield	6.59%	5.33%	4.17%	4.93%	4.65%
Collateralized mortgage obligations					
Amortized cost	96,218	167,179		13,455	276,852
Fair value	95,584	168,735		14,064	278,383
Weighted average yield	0.70%	3.04%	0.00%	4.41%	2.28%
States and political subdivisions					
Amortized cost		6,146	18,796	156,761	181,703
Fair value		6,288	19,673	167,506	193,467
Weighted average yield	0.00%	4.49%	6.51%	7.04%	6.91%
Auction rate bonds					
Amortized cost				91,715	91,715
Fair value				90,672	90,672
Weighted average yield	0.00%	0.00%	0.00%	1.45%	1.45%
Total securities portfolio					
Amortized cost	$ 96,343	$ 193,979	$ 70,621	$ 413,054	$ 773,997
Fair value	95,721	196,458	73,029	424,614	789,822
Weighted average yield	0.70%	3.11%	4.22%	4.11%	3.44%

Loan Portfolio

Consolidated loans held for investment are detailed in the table below (in thousands) and classified by type:

	December 31,				
	2011	2010	2009	2008	2007
Commercial and industrial					
Commercial	$ 1,473,564	$ 1,299,654	$ 1,264,735	$ 1,260,609	$ 1,027,559
Lease financing	32,604	50,216	78,088	101,902	148,780
Securities (including margin loans)	319,895	289,351	152,145	129,638	4,696
Real estate	1,221,726	1,112,402	1,125,134	837,071	676,354
Construction and land development	273,949	343,920	402,876	585,820	704,321
Consumer	29,429	42,627	48,791	50,579	35,652
Loans, gross	3,351,167	3,138,170	3,071,769	2,965,619	2,597,362
Allowance for loan losses	(67,495)	(65,169)	(52,092)	(40,672)	(26,517)
Loans, net	$ 3,283,672	$ 3,073,001	$ 3,019,677	$ 2,924,947	$ 2,570,845

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Banking Segment

The loan portfolio constitutes the major earning asset of the banking segment and typically offers the best alternative for obtaining the maximum interest spread above the banking segment's cost of funds. The overall economic strength of the banking segment generally parallels the quality and yield of its loan portfolio. The banking segment's total loans, net of the allowance for loan losses, were $3.7 billion, $3.3 billion and $3.3 billion as of December 31, 2011, 2010 and 2009, respectively. The banking segment's loan portfolio includes warehouse lines of credit extended to PrimeLending and First Southwest that aggregated $0.7 billion, $0.5 billion and $0.4 billion as of December 31, 2011, 2010 and 2009, respectively and are eliminated from net loans on PlainsCapital's consolidated balance sheet.

The banking segment does not generally participate in syndicated loan transactions and has no foreign loans in its portfolio. As of December 31, 2011, the banking segment had loan concentrations (loans to borrowers engaged in similar activities) that exceeded 10% of total loans in its real estate loan portfolio. The areas of concentration within PlainsCapital Bank's real estate portfolio were construction and land development loans and non-construction commercial real estate loans. As of December 31, 2011, construction and land development loans were 8% of total loans, while non-construction commercial real estate loans were 27% of total loans. The banking segment's loan concentrations were within regulatory guidelines as of December 31, 2011.

The following table provides information regarding the maturities of the banking segment's commercial and real estate loans held for investment, excluding unearned income (in thousands). Non-accrual commercial and real estate loans, included in the table below, were $72.3 million as of December 31, 2011:

	December 31, 2011			
	Due Within One Year	Due From One To Five Years	Due After Five Years	Total
Commercial and industrial	$ 1,006,287	$ 365,196	$ 100,844	$ 1,472,327
Real estate (including construction and land development)	304,630	685,650	506,390	1,496,670
Total	$ 1,310,917	$ 1,050,846	$ 607,234	$ 2,968,997
Fixed rate loans	$ 1,094,965	$ 1,015,943	$ 605,566	$ 2,716,474
Floating rate loans	215,952	34,903	1,668	252,523
Total	$ 1,310,917	$ 1,050,846	$ 607,234	$ 2,968,997

In the table above, floating rate loans that have reached their applicable rate floor or ceiling are classified as fixed rate loans rather than floating rate loans. The majority of floating rate loans carry an interest rate tied to The Wall Street Journal Prime Rate, as published in The Wall Street Journal.

Mortgage Origination Segment

The loan portfolio of the mortgage origination segment consists of loans held for sale, primarily single-family residential mortgages funded through PrimeLending, and pipeline loans, which are loans in various stages of the application process, but not yet closed and funded. Pipeline loans may not close if potential borrowers elect in their sole discretion not to proceed with the loan application. Total loans held for sale were $775.3 million, $476.4 million and $430.8 million as of December 31, 2011, 2010 and 2009, respectively.

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The components of the mortgage origination segment's loans held for sale and pipeline loans are shown in the following table (in thousands):

	December 31,		
	2011	2010	2009
Loans held for sale			
Unpaid principal balance	$ 752,796	$ 465,342	$ 419,473
Fair value adjustment	22,515	11,100	11,287
	$ 775,311	$ 476,442	$ 430,760
Pipeline loans			
Unpaid principal balance	$ 687,890	$ 442,270	$ 256,285
Fair value adjustment	10,096	274	(512)
	$ 697,986	$ 442,544	$ 255,773

Financial Advisory Segment

The loan portfolio of the financial advisory segment consists primarily of margin loans to customers and correspondents. These loans are collateralized by the securities purchased or by other securities owned by the clients and, because of collateral coverage ratios, are believed to present minimal collectibility exposure. Additionally, these loans are subject to a number of regulatory requirements as well as First Southwest's internal policies. The financial advisory segment's total loans, net of the allowance for loan losses, were $317.0 million, $286.7 million and $154.1 million as of December 31, 2011, 2010 and 2009, respectively. The increase for both periods is primarily attributable to increased borrowings in margin accounts held by First Southwest customers and correspondents.

Allowance for Loan Losses

The allowance for loan losses is a reserve established through a provision for loan losses charged to expense, which represents management's best estimate of probable losses inherent in the existing portfolio of loans held for investment. PlainsCapital's management has responsibility for determining the level of the allowance for loan losses, subject to review by the Audit Committee of PlainsCapital's board of directors and the Directors' Loan Review Committee of PlainsCapital Bank's board of directors.

It is PlainsCapital's management's responsibility at the end of each quarter, or more frequently as deemed necessary, to analyze the level of the allowance for loan losses to ensure that it is appropriate for the estimated credit losses in the portfolio consistent with the Interagency Policy Statement on the Allowance for Loan and Lease Losses and the Receivables and Contingencies Topics of the ASC. Estimated credit losses are the probable current amount of loans that PlainsCapital will be unable to collect given facts and circumstances as of the evaluation date. When management determines that a loan, or portion thereof, is uncollectible, the loan, or portion thereof, is charged off against the allowance for loan losses. Any subsequent recovery of charged-off loans is added back to the allowance for loan losses.

PlainsCapital has developed a methodology that seeks to determine an allowance within the scope of the Receivables and Contingencies Topics of the ASC. Each of the loans that has been determined to be impaired is within the scope of the Receivables Topic and is individually evaluated for impairment using one of three impairment measurement methods as of the evaluation date: (1) the present value of expected future discounted cash flows on the loan, (2) the loan's observable market price, or (3) the fair value of the collateral if the loan is collateral dependent. Specific reserves are provided in PlainsCapital's estimate of the allowance based on the measurement of impairment under these three

methods, except for collateral dependent loans, which require the fair value method. All non-impaired loans are within the scope of the Contingencies Topic. Estimates of loss for the Contingencies Topic are calculated based on historical loss experience by loan portfolio segment adjusted for changes in trends, conditions, and other relevant factors that affect repayment of loans as of the evaluation date. While historical loss experience provides a reasonable starting point for the analysis, historical losses, or recent trends in losses, are not the sole basis upon which to determine the appropriate level for the allowance for loan losses. Management considers recent qualitative or environmental factors that are likely to cause estimated credit losses associated with the existing portfolio to differ from historical loss experience, including but not limited to: changes in lending policies and procedures; changes in underwriting standards; changes in economic and business conditions and developments that affect the collectibility of the portfolio; the condition of various market segments; changes in the nature and volume of the portfolio and in the terms of loans; changes in lending management and staff; changes in the volume and severity of past due loans, the volume of non-accrual loans, and the volume and severity of adversely classified or graded loans; changes in the loan review system; changes in the value of underlying collateral for collateral-dependent loans; and any concentrations of credit and changes in the level of such concentrations.

PlainsCapital designs its loan review program to identify and monitor problem loans by maintaining a credit grading process, ensuring that timely and appropriate changes are made to the loans with assigned risk grades and coordinating the delivery of the information necessary to assess the appropriateness of the allowance for loan losses. Loans are evaluated for impairment when: (i) payments on the loan are delayed, typically by 90 days or more (unless the loan is both well secured and in the process of collection), (ii) the loan becomes classified, (iii) the loan is being reviewed in the normal course of the loan review scope, or (iv) the loan is identified by the servicing officer as a problem. PlainsCapital reviews on an individual basis all loan relationships over $0.5 million that exhibit probable or observed credit weaknesses, the top 25 loan relationships by dollar amount in each market PlainsCapital serves, and additional relationships necessary to achieve adequate coverage of PlainsCapital's various lending markets.

Homogeneous loans, such as consumer installment loans, residential mortgage loans and home equity loans, are not individually reviewed and are generally risk graded at the same levels. The risk grade and reserves are established for each homogeneous pool of loans based on the expected net charge-offs from current trends in delinquencies, losses or historical experience and general economic conditions. As of December 31, 2011, PlainsCapital had no material delinquencies in these types of loans.

The allowance is subject to regulatory examinations and determinations as to adequacy, which may take into account such factors as the methodology used to calculate the allowance and the size of the allowance. While PlainsCapital believes it has an appropriate allowance for its existing portfolio as of December 31, 2011, additional provisions for losses on existing loans may be necessary in the future. PlainsCapital recorded net charge-offs in the amount of $19.4 million for the year ended December 31, 2011, $70.1 million for the year ended December 31, 2010 and $55.3 million for the year ended December 31, 2009. The reduction in net charge-offs in 2011 compared with 2010 and 2009 levels reflects reductions in the level of non-performing loans, which had increased significantly during 2010 and 2009 due to weak economic conditions in PlainsCapital's primary markets. PlainsCapital's allowance for loan losses totaled $67.5 million, $65.2 million and $52.1 million as of December 31, 2011, 2010 and 2009, respectively. The ratio of the allowance for loan losses to total loans held for investment as of December 31, 2011, 2010 and 2009 was 2.01%, 2.08% and 1.70%, respectively.

Provisions for loan losses are charged to operations to record the total allowance for loan losses at a level deemed appropriate by the banking segment's management based on such factors as the volume and type of lending it conducted, the amount of non-performing loans and related collateral security, the present level of the allowance for loan losses, the results of recent regulatory examinations,

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generally accepted accounting principles, general economic conditions and other factors related to the ability to collect loans in its portfolio.

The provision for loan losses, primarily in the banking segment, was $21.8 million for the year ended December 31, 2011, a decrease of $61.5 million compared with December 31, 2010. The decrease was primarily a result of a decrease in net charge-offs of $50.7 million in 2011 compared with 2010. The provision for loan losses for the year ended December 31, 2010 was $83.2 million, an increase of $16.5 million compared with December 31, 2009. The increase was primarily a result of a significant increase in non-performing loans and net charge-offs due to weak economic conditions in PlainsCapital's primary markets during 2010 and 2009.

The following table presents the activity in PlainsCapital's allowance for loan losses for the dates indicated (dollars in thousands). Substantially all of the activity shown below occurred within the banking segment:

	Year Ended December 31,				
	2011	**2010**	**2009**	**2008**	**2007**
Balance at beginning of period	$ 65,169	$ 52,092	$ 40,672	$ 26,517	$ 24,722
Provisions charged to operating expenses	21,757	83,226	66,673	22,818	5,517
Recoveries of loans previously charged off					
Commercial and industrial	3,887	760	911	1,635	985
Real estate	280	2	94		114
Construction and land development	205	917	32	29	100
Consumer	102	121	47	51	231
Total recoveries	4,474	1,800	1,084	1,715	1,430
Loans charged off					
Commercial and industrial	9,978	42,874	48,450	10,025	4,176
Real estate	4,817	9,272	2,987	305	143
Construction and land development	8,877	19,511	3,586	1,095	697
Consumer	233	292	1,314	233	136
Total charge-offs	23,905	71,949	56,337	11,658	5,152
Net charge-offs	(19,431)	(70,149)	(55,253)	(9,943)	(3,722)
Allowance for losses on margin loans from FSW acquisition				1,280	
Balance at end of period	$ 67,495	$ 65,169	$ 52,092	$ 40,672	$ 26,517
Net Charge-offs to average loans outstanding	0.63%	2.34%	1.82%	0.37%	0.16%

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The distribution of the allowance for loan losses among loan types and the percentage of the loans for that type to gross loans, excluding unearned income, are presented in the table below (dollars in thousands).

	December 31,									
	2011		2010		2009		2008		2007	
	Reserve	% of Gross Loans	Reserve	% of Gross Loans	Reserve	% of Gross Loans	Reserve	% of Gross Loans	Reserve	% of Gross Loans
Commercial and industrial	$ 38,196	54.49%	$ 41,687	52.23%	$ 30,974	48.66%	$ 30,073	50.31%	$ 9,861	45.44%
Real estate (including construction and land development)	28,971	44.63%	22,959	46.41%	12,357	49.74%	4,928	47.97%	2,348	53.17%
Consumer	328	0.88%	523	1.36%	469	1.60%	377	1.72%	257	1.39%
Unallocated					8,292		5,294		14,051	
Total	$ 67,495	100.00%	$ 65,169	100.00%	$ 52,092	100.00%	$ 40,672	100.00%	$ 26,517	100.00%

Potential Problem Loans

Potential problem loans consist of loans that are performing in accordance with contractual terms but for which management has concerns about the ability of an obligor to continue to comply with repayment terms because of the obligor's potential operating or financial difficulties. Management monitors these loans and reviews their performance on a regular basis. As of December 31, 2011, PlainsCapital had seven credit relationships totaling $5.3 million of potential problem loans. As of December 31, 2010, PlainsCapital had $43.6 million of potential problem loans. The decrease is attributable to improvement in the overall quality of the loan portfolio primarily due to an improving economy and is reflected in the improvement seen in other indicators of loan portfolio quality. Potential problem loans contain potential weaknesses that could improve, persist or further deteriorate. If such potential weaknesses persist without improving, the loan is subject to downgrade, typically to substandard, in three to six months.

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Non-Performing Assets

The following table presents PlainsCapital's components of non-performing assets at the dates indicated (dollars in thousands):

	December 31,				
	2011	2010	2009	2008	2007
Loans accounted for on a non-accrual basis					
Commercial and industrial	$ 16,690	$ 12,259	$ 38,592	$ 32,919	$ 9,953
Lease financing	1,561	6,028	3,835	1,388	1,955
Real estate	31,223	8,035	10,279	5,149	2,773
Construction and land development	25,841	57,622	16,317	6,870	2,534
Consumer		27		492	25
	$ 75,315	$ 83,971	$ 69,023	$ 46,818	$ 17,240
Non-performing loans as a percentage of total loans	1.82%	2.32%	1.97%	1.48%	0.64%
Other Real Estate Owned	$ 30,254	$ 23,968	$ 17,531	$ 9,637	$ 6,355
Other repossessed assets	$ 1,165	$ 6,365	$ 2,538	$ 1,925	$ 317
Non-performing assets	$ 106,734	$ 114,304	$ 89,092	$ 58,380	$ 23,912
Non-performing assets as a percentage of total assets	1.87%	2.15%	1.95%	1.48%	0.78%
Loans past due 90 days or more and still accruing	$	$ 466	$ 150	$ 3,928	$ 1,263
Troubled debt restructurings included in accruing loans	$ 9,388	$ 28,160	$ 18,402	$	$

As of December 31, 2011, total non-performing assets decreased $7.6 million to $106.7 million compared with $114.3 million as of December 31, 2010, primarily due to a decrease in non-accrual loans, partially offset by the increase in Other Real Estate Owned. Non-accrual loans were $75.3 million as of December 31, 2011 and $84.0 million as of December 31, 2010. The decrease in the level of non-accrual loans reflects both charge-offs of non-accrual loans and the transfer of collateral, consisting of unimproved land with a fair value, less cost to sell, of $19.1 million that related to a single loan relationship, to other real estate owned. Of these non-accrual loans, $16.7 million were characterized as commercial and industrial loans as of December 31, 2011, an increase of $4.4 million from December 31, 2010. The commercial and industrial loans included five loan relationships in a variety of industries with an aggregate balance of approximately $14.8 million and secured by accounts receivable and inventory.

Non-accrual loans also included $31.2 million characterized as real estate loans as of December 31, 2011, including five commercial real estate loan relationships totaling approximately $22.7 million and secured by occupied single family residential property, occupied commercial real estate, occupied industrial property, and a hotel.

Non-accrual loans as of December 31, 2011 also included $25.8 million characterized as construction and land development loans. Four loan relationships account for approximately $24.4 million of the non-performing construction and land development loans. Collateral securing the loans includes residential land developments and unimproved land.

As of December 31, 2011, troubled debt restructurings totaled $37.1 million, of which $9.4 million were included in accruing loans and $27.7 million were reported in non-accrual loans.

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Other Real Estate Owned increased $6.3 million to $30.3 million as of December 31, 2011 compared with $24.0 million as of December 31, 2010. The increase was primarily due to repossession of collateral consisting of unimproved land with a fair value, less cost to sell, of $19.1 million that related to a single loan relationship during the year ended December 31, 2011, partially offset by reductions of $13.9 million due to disposals of previously repossessed properties related to more than 30 loan relationships. As of December 31, 2011, Other Real Estate Owned included $27.9 million of commercial real estate property consisting of this parcel of unimproved land, single family residences under development and $2.4 million of residential lots at various levels of completion.

Total non-performing assets increased $25.2 million to $114.3 million as of December 31, 2010 compared with December 31, 2009, primarily due to an increase in non-accrual construction and land development loans. The construction and land development loans included six loan relationships in a variety of industries with an aggregate balance of approximately $55.0 million. Collateral securing the loans includes commercial land developments, residential land developments and unimproved land.

As of December 31, 2010, troubled debt restructurings totaled $80.7 million, of which $28.2 million were included in accruing loans and $52.5 million were reported in non-accrual loans.

Other Real Estate Owned increased $6.5 million to $24.0 million as of December 31, 2010 compared with 2009. This included $21.6 million of commercial real estate property consisting of single family residences under development and $2.4 million of residential lots at various stages of completion. The increase in Other Real Estate Owned was due primarily to the economic downturn affecting the housing market.

Additional interest income that would have been recorded if the non-accrual loans had been current and performing during the years ended December 31, 2011, 2010 and 2009 totaled $3.2 million, $4.4 million, and $4.6 million, respectively.

Borrowings

PlainsCapital's borrowings as of December 31, 2011, 2010 and 2009 are shown in the table below (in thousands):

	December 31,				
				Variance	
	2011	2010	2009	2011 v. 2010	2010 v. 2009
Short-term borrowings	$ 476,439	$ 582,134	$ 488,078	$ (105,695)	$ 94,056
Notes payable	54,966	63,776	68,550	(8,810)	(4,774)
Junior subordinated debentures	67,012	67,012	67,012		
Capital lease obligations	12,121	11,693	12,128	428	(435)
	$ 610,538	$ 724,615	$ 635,768	$ (114,077)	$ 88,847

Short-term borrowings consist of federal funds purchased, securities sold under agreements to repurchase, borrowings at the FHLB and short-term bank loans. The $105.7 million decrease in short-term borrowings as of December 31, 2011 compared with December 31, 2010 was due primarily to decreases in borrowings of $170.1 million under repurchase agreements resulting from increases in deposits. The $94.0 million increase in short-term borrowings as of December 31, 2010 compared with December 31, 2009 was due primarily to increased borrowings of $244.3 million under repurchase agreements.

Notes payable is comprised of borrowings under term notes and a revolving line of credit with JPMorgan Chase Bank, N.A. and nonrecourse notes owed by First Southwest. In July 2011, the loan agreements between PlainsCapital and JPMorgan Chase Bank, N.A. governing PlainsCapital's existing

line of credit and term notes were amended (the "July 2011 Amendments"). The July 2011 Amendments converted PlainsCapital's $17.7 million revolving line of credit to a term note, extended the maturity of PlainsCapital's remaining line of credit and term notes expiring July 31, 2011 to July 31, 2012 and, where applicable, decreased the acceptable non-performing asset ratio for PlainsCapital Bank from 4.50% to 4.00%, effective beginning September 30, 2011. As of December 31, 2011, PlainsCapital Bank's non-performing asset ratio was in compliance with the non-performing asset ratio covenant. As of December 31, 2011, PlainsCapital's revolving line of credit with JPMorgan Chase Bank, N.A. had an outstanding principal balance of $5.0 million and was fully advanced.

Liquidity and Capital Resources

Liquidity refers to the measure of PlainsCapital's ability to meet PlainsCapital's customers' short-term and long-term deposit withdrawals and anticipated and unanticipated increases in loan demand without penalizing earnings. Interest rate sensitivity involves the relationships between rate-sensitive assets and liabilities and is an indication of the probable effects of interest rate fluctuations on PlainsCapital's net interest income. PlainsCapital discusses its management of interest rate and other risks under the heading "Quantitative and Qualitative Disclosures about Market Risk" included elsewhere in this joint proxy statement/prospectus.

PlainsCapital Bank's asset and liability group is responsible for continuously monitoring PlainsCapital Bank's liquidity position to ensure that assets and liabilities are managed in a manner that will meet PlainsCapital Bank's short-term and long-term cash requirements. Funds invested in short-term marketable instruments, the continuous maturing of other interest-earning assets, cash flows from self-liquidating investments such as mortgage-backed securities and collateralized mortgage obligations, the possible sale of available for sale securities, and the ability to securitize certain types of loans provide sources of liquidity from an asset perspective. The liability base provides sources of liquidity through deposits and the maturity structure of short-term borrowed funds. For short-term liquidity needs, PlainsCapital Bank utilizes federal fund lines of credit with correspondent banks, securities sold under agreements to repurchase, borrowings from the Federal Reserve and borrowings under lines of credit with other financial institutions. For intermediate liquidity needs, PlainsCapital Bank utilizes advances from the FHLB. To supply liquidity over the longer term, PlainsCapital Bank has access to brokered certificates of deposit, term loans at the FHLB and borrowings under lines of credit with other financial institutions.

As of March 31, 2012, $114.1 million of PlainsCapital's Series C Preferred Stock was outstanding under the SBLF program. The Series C Preferred Stock has an aggregate liquidation preference of approximately $114.1 million and qualifies as Tier 1 Capital for regulatory purposes.

The terms of the Series C Preferred Stock provide for the payment of non-cumulative dividends on a quarterly basis beginning January 1, 2012. The dividend rate, as a percentage of the liquidation amount, fluctuates while the Series C Preferred Stock is outstanding based upon changes in the level of

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"qualified small business lending" ("QSBL") by PlainsCapital Bank from its average level of QSBL at each of the four quarter ends leading up to June 30, 2010 (the "Baseline") as follows:

Dividend Period		
Beginning	Ending	Unaudited Annualized Dividend Rate
September 27, 2011	September 30, 2011	5.000%
October 1, 2011	December 31, 2011	3.779%
January 1, 2012	March 31, 2012	3.829%
April 1, 2012	June 30, 2012	2.427%
July 1, 2012	September 30, 2012	2.626%(1)
October 1, 2012	December 31, 2013	1.000% to 5.000%(2)
January 1, 2014	March 26, 2016	1.000% to 7.000%(3)
March 27, 2016	Redemption	9%(4)

(1) Subject to confirmation by the U.S. Treasury.

(2) Between October 1, 2012 and December 31, 2013, the dividend rate will adjust quarterly in such range based upon the level of percentage change in QSBL between the end of the quarter ending before the most recently completed quarter and the Baseline.

(3) Between January 1, 2014 and March 26, 2016, the dividend rate will be fixed at a rate in such range based upon the level of percentage change in QSBL between September 30, 2013 and the Baseline.

(4) Beginning on March 27, 2016, the dividend rate will be fixed at nine percent (9%) per annum.

Until March 2016, the dividend rate will generally decrease if PlainsCapital increases its level of QSBL from the Baseline and increase if PlainsCapital decreases its level of QSBL from the Baseline, subject to certain limitations described in the Certificate of Designations.

PlainsCapital is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements may prompt certain actions by regulators that, if undertaken, could have a direct material adverse effect on PlainsCapital's financial condition and results of operations. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, PlainsCapital must meet specific capital guidelines that involve quantitative measures of its assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. PlainsCapital's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

As of March 31, 2012, PlainsCapital exceeded all regulatory capital requirements with a total capital to risk weighted assets ratio of 14.04%, Tier 1 capital to risk weighted assets ratio of 12.56% and a Tier 1 capital to average assets, or leverage, ratio of 9.79%. As of March 31, 2012, PlainsCapital Bank was also considered to be "well-capitalized." PlainsCapital discusses regulatory capital requirements in more detail in Note 11 to PlainsCapital's unaudited consolidated interim financial statements.

Cash and cash equivalents (consisting of cash and due from banks and federal funds sold), totaled $259.9 million as of March 31, 2012, a decrease of $209.6 million from $469.5 million as of March 31, 2011. Cash and cash equivalents (consisting of cash and due from banks and federal funds sold), totaled $347.2 million as of December 31, 2011, a decrease of $12.1 million from $359.3 million as of December 31, 2010.

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Deposit flows, calls of investment securities and borrowed funds, and prepayments of loans and mortgage-backed securities are strongly influenced by interest rates, general and local economic conditions and competition in the marketplace. These factors reduce the predictability of the timing of these sources of funds.

Cash used in operations during the first quarter of 2012 was $126.1 million, a decrease in cash flow of $84.7 million compared with the first quarter of 2011. Cash used in operations during 2011 was $144.8 million, a decrease in cash flow of $219.4 million compared with 2010. Cash used by operations increased during both periods primarily due to an increase in the net cash used in the mortgage origination segment's operations.

PlainsCapital uses cash primarily to originate loans and purchase securities for its investment portfolio. As of March 31, 2012, PlainsCapital's loan portfolio increased by $349.5 million compared to March 31, 2011. During the first quarter of 2012, the amount of cash used by lending activities increased by $133.0 million compared with the first quarter of 2011. On the other hand, PlainsCapital's investment securities portfolio decreased by $180.8 million as of March 31, 2012 compared to March 31, 2011. Cash used in PlainsCapital's investment activities included net purchases of securities in its investment portfolio during the first quarter of 2012, which were $13.3 million compared to net purchases of $159.1 million during the first quarter of 2011. PlainsCapital Bank did not sell any securities during the first quarter of 2012 or 2011, respectively.

During 2011, PlainsCapital's loan portfolio increased by $210.7 million and the amount of cash used by lending activities increased by $95.9 million compared with 2010. On the other hand, PlainsCapital's investment securities portfolio decreased by $25.3 million during 2011 compared with 2010. Cash provided in PlainsCapital's investment activities included net proceeds from securities transactions in its investment portfolio during 2011, which were $60.0 million compared to net purchases of $323.0 million during 2010. The increase in net proceeds from securities transactions during 2011 resulted from the sales, maturities and principal reductions of both municipal securities and collateralized mortgage obligations. PlainsCapital Bank sold approximately $223.5 million and $191.8 million of available for sale securities during the years ended December 31, 2011 and 2010, respectively.

Cash provided by financing activities during the first quarter of 2012 was $47.6 million, a decrease in cash provided of $52.3 million compared with the first quarter of 2011. The decrease in cash provided was due primarily to a net decrease in deposits during the first quarter of 2012 compared with the first quarter of 2011. This was partially offset by a net increase in short-term borrowings during the first quarter of 2012. Cash provided by financing activities during 2011 was $223.1 million, a decrease in cash provided of $510.1 million compared with 2010. The decrease in cash provided was due primarily to a slower net increase in deposits during 2011 compared to the net increase in deposits during 2010. During 2010, cash held by individuals and businesses in bank deposits increased in response to an uncertain economic outlook.

PlainsCapital had deposits of $4.2 billion as of March 31, 2012, a decrease of $77.4 million compared with December 31, 2011. Deposit flows are affected by the level of market interest rates, the interest rates and products offered by competitors, the volatility of equity markets and other factors. Within the deposits portfolio, money market deposits, demand deposits and NOW accounts increased by $21.4 million, $12.0 million and $10.4 million, respectively during the first quarter of 2012. This was partially offset by a decrease in noninterest-bearing demand deposits, brokered time deposits and time deposits over $100,000, which decreased $63.8 million, $36.2 million and $12.7 million, respectively. PlainsCapital had deposits of $4.2 billion as of December 31, 2011, an increase of $327.7 million from $3.9 billion as of December 31, 2010. Deposit flows are affected by the level of market interest rates, the interest rates and products offered by competitors, the volatility of equity markets and other factors. Within the deposits portfolio, money market deposits, noninterest-bearing demand deposits and

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NOW accounts increased by $673.4 million, $72.5 million and $55.6 million, respectively in 2011. This was partially offset by a decrease in brokered time deposits and brokered money market deposits, which decreased $198.9 million and $150.0 million, respectively.

PlainsCapital Bank's 15 largest depositors, excluding its indirect wholly owned subsidiary, First Southwest, accounted for approximately 20.91% of PlainsCapital Bank's total deposits, and PlainsCapital Bank's five largest depositors, excluding First Southwest, accounted for approximately 12.37% of PlainsCapital Bank's total deposits as of March 31, 2012. The loss of one or more of PlainsCapital's largest customers, or a significant decline in the deposit balances due to ordinary course fluctuations related to these customers' businesses, could adversely affect PlainsCapital's liquidity and might require PlainsCapital to raise deposit rates to attract new deposits, purchase federal funds or borrow funds on a short-term basis to replace such deposits. PlainsCapital has not experienced any liquidity issues to date with respect to brokered deposits or PlainsCapital's other large balance deposits, and PlainsCapital believes alternative sources of funding are available to more than compensate for the loss of one or more of these customers.

PrimeLending funds the mortgage loans it originates through a warehouse line of credit of up to $1.0 billion maintained with PlainsCapital Bank. As of March 31, 2012, PrimeLending had outstanding borrowings of $775.4 million against the warehouse line of credit. PrimeLending sells substantially all mortgage loans it originates to various investors in the secondary market with servicing released. As these mortgage loans are sold in the secondary market, PrimeLending pays down its warehouse line of credit with PlainsCapital Bank. In addition, PrimeLending has an available line of credit with an unrelated commercial bank of up to $1.0 million. As of March 31, 2012, PrimeLending had no borrowings under this line of credit.

FSC relies on its equity capital, short-term bank borrowings, interest-bearing and non-interest-bearing client credit balances, correspondent deposits, securities lending arrangements, repurchase agreement financings and other payables to finance its assets and operations. FSC has credit arrangements with unrelated commercial banks of up to $215.0 million, which are used to finance securities owned, securities held for correspondent accounts and receivables in customer margin accounts. These credit arrangements are provided on an "as offered" basis and are not committed lines of credit. As of March 31, 2012, FSC had borrowed approximately $99.2 million under these credit arrangements.

The following table presents information regarding PlainsCapital's contractual obligations (in thousands) as of December 31, 2011. Payments for borrowings do not include interest. Payments related to leases are based on actual payments specified in the underlying contracts:

	Payments Due by Period				
	1 year or Less	More than 1 Year but Less than 3 Years	3 Years or More but Less than 5 Years	5 Years or More	Total
Contractual obligations					
Short-term borrowings	$ 476,439	$	$	$	$ 476,439
Long-term debt obligations	27,530	8,200	6,150	80,098	121,978
Capital lease obligations	1,029	2,143	2,195	11,774	17,141
Operating lease obligations	16,454	25,965	18,802	39,618	100,839
Total	$ 521,452	$ 36,308	$ 27,147	$ 131,490	$ 716,397

Impact of Inflation and Changing Prices

PlainsCapital's financial statements included herein have been prepared in accordance with accounting principles generally accepted in the United States, which presently require PlainsCapital to

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measure financial position and operating results primarily in terms of historic dollars. Changes in the relative value of money due to inflation or recession are generally not considered. The primary effect of inflation on the operations of PlainsCapital is reflected in increased operating costs. In management's opinion, changes in interest rates affect the financial condition of a financial institution to a far greater degree than changes in the inflation rate. While interest rates are greatly influenced by changes in the inflation rate, they do not necessarily change at the same rate or in the same magnitude as the inflation rate. Interest rates are highly sensitive to many factors that are beyond the control of PlainsCapital, including changes in the expected rate of inflation, the influence of general and local economic conditions and the monetary and fiscal policies of the U.S. government, its agencies and various other governmental regulatory authorities.

Off-Balance Sheet Arrangements; Commitments; Guarantees

In the normal course of business, PlainsCapital enters into various transactions, which, in accordance with accounting principles generally accepted in the United States, are not included in PlainsCapital's consolidated balance sheets. PlainsCapital enters into these transactions to meet the financing needs of its customers. These transactions include commitments to extend credit and standby letters of credit, which involve, to varying degrees, elements of credit risk and interest rate risk in excess of the amounts recognized in PlainsCapital's consolidated balance sheets.

PlainsCapital enters into contractual loan commitments to extend credit, normally with fixed expiration dates or termination clauses, at specified rates and for specific purposes. Substantially all of PlainsCapital's commitments to extend credit are contingent upon customers maintaining specific credit standards until the time of loan funding. PlainsCapital minimizes PlainsCapital's exposure to loss under these commitments by subjecting them to credit approval and monitoring procedures. PlainsCapital assesses the credit risk associated with certain commitments to extend credit and have recorded a liability related to such credit risk in PlainsCapital's consolidated financial statements.

Standby letters of credit are written conditional commitments issued by PlainsCapital to guarantee the performance of a customer to a third party. In the event the customer does not perform in accordance with the terms of the agreement with the third party, PlainsCapital would be required to fund the commitment. The maximum potential amount of future payments PlainsCapital could be required to make is represented by the contractual amount of the commitment. If the commitment is funded, PlainsCapital would be entitled to seek recovery from the customer. PlainsCapital's policies generally require that standby letter of credit arrangements contain security and debt covenants similar to those contained in loan agreements.

In the normal course of business, FSC executes, settles and finances various securities transactions that may expose FSC to off-balance sheet risk in the event that a customer or counterparty does not fulfill its contractual obligations. Examples of such transactions include the sale of securities not yet purchased by customers or for the account of FSC, clearing agreements between FSC and various clearinghouses and broker-dealers, secured financing arrangements that involve pledged securities, and when-issued underwriting and purchase commitments.

Critical Accounting Policies and Estimates

PlainsCapital's accounting policies are integral to understanding the results reported. PlainsCapital's accounting policies are described in detail in Note 1 to PlainsCapital's audited consolidated financial statements for the fiscal years ended December 31, 2011, 2010 and 2009, which are included herein. You are encouraged to read in its entirety Note 1 to PlainsCapital's audited consolidated financial statements for the fiscal years ended December 31, 2011, 2010 and 2009 for additional insight into management's approach and methodology in estimating the allowance for loan

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losses. PlainsCapital believes that of its significant accounting policies, the allowance for loan losses and the valuation of certain investments may involve a higher degree of judgment and complexity.

The allowance for loan losses is a valuation allowance for probable losses inherent in the loan portfolio. Loans are charged to the allowance when the loss is confirmed or when a determination is made that a probable loss has occurred on a specific loan. Recoveries are credited to the allowance at the time of recovery. Throughout the year, management estimates the probable level of losses to determine whether the allowance for credit losses is appropriate to absorb losses in the existing portfolio. Based on these estimates, an amount is charged to the provision for loan losses and credited to the allowance for loan losses in order to adjust the allowance to a level determined to be appropriate to absorb losses. Management's judgment regarding the appropriateness of the allowance for loan losses involves the consideration of current economic conditions and their estimated effects on specific borrowers; an evaluation of the existing relationships among loans, potential loan losses and the present level of the allowance; results of examinations of the loan portfolio by regulatory agencies; and management's internal review of the loan portfolio. In determining the ability to collect certain loans, management also considers the fair value of any underlying collateral. The amount ultimately realized may differ from the carrying value of these assets because of economic, operating or other conditions beyond PlainsCapital's control. For additional discussion of allowance for loan losses and provisions for loan losses, see the section titled " Allowance for Loan Losses."

PlainsCapital holds auction rate bonds for which an active market does not currently exist. Accordingly, PlainsCapital utilizes the work of a third-party valuation specialist to estimate the fair value of the auction rate bonds on a quarterly basis. PlainsCapital developed inputs for the valuation using the terms of the auction rate bonds, market interest rates, asset appropriate credit transition matrices and recovery rates, and assumptions regarding the term to maturity of the auction rate bonds. PlainsCapital incurred OTTI on certain of the auction rate bonds in 2011. PlainsCapital determined the amount of the OTTI by evaluating the historical and projected performance of the underlying collateral, the extent of government guarantees related to the collateral, expenses associated with the trust that issued the auction rate bonds, expected cash flows from the auction rate bonds and other factors. For additional discussion of the auction rate bonds, please see Notes 1, 2 and 21 to PlainsCapital's audited consolidated financial statements for the fiscal years ended December 31, 2011, 2010 and 2009.

Quantitative and Qualitative Disclosures About Market Risk

Some of the information below contains forward-looking statements. The primary objective of the following information is to provide forward-looking quantitative and qualitative information about PlainsCapital's potential exposure to market risks. The disclosure is not meant to be a precise indicator of expected future losses, but rather an indicator of reasonably possible losses, and therefore PlainsCapital's actual results may differ from any of the following projections. This forward-looking information provides an indicator of how PlainsCapital views and manages its ongoing market risk exposures.

PlainsCapital is engaged primarily in the business of investing funds obtained from deposits and borrowings in interest-earning loans and investments, and PlainsCapital's primary component of market risk is interest rate risk volatility. Consequently, PlainsCapital's earnings depend to a significant extent on its net interest income, which is the difference between interest income on loans and investments and PlainsCapital's interest expense on deposits and borrowing. To the extent that PlainsCapital's interest-bearing liabilities do not reprice or mature at the same time as its interest-bearing assets, PlainsCapital is subject to interest rate risk and corresponding fluctuations in net interest income.

Interest rate risk is the potential of economic losses due to future interest rate changes. These economic losses can be reflected as a loss of future net interest income and/or a loss of current fair

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market values. The magnitude of the change in earnings and market value of equity resulting from interest rate changes is impacted by the time remaining to maturity on fixed-rate obligations, the contractual ability to adjust rates prior to maturity, competition, the general level of interest rates and customer actions. PlainsCapital's objective is to measure the effect of interest rate changes on net interest income and to adjust the balance sheet to minimize the inherent risk while at the same time maximizing income.

There are several common sources of interest rate risk that must be effectively managed if there is to be minimal impact on PlainsCapital's earnings and capital. Repricing risk arises largely from timing differences in the pricing of assets and liabilities. Reinvestment risk refers to the reinvestment of cash flows from interest payments and maturing assets at lower or higher rates. Basis risk exists when different yield curves or pricing indices do not change at precisely the same time or in the same magnitude such that assets and liabilities with the same maturity are not all affected equally. Yield curve risk refers to unequal movements in interest rates across a full range of maturities.

PlainsCapital has employed asset/liability management policies that attempt to manage PlainsCapital's interest-earning assets and interest-bearing liabilities, thereby attempting to control the volatility of net interest income, without having to incur unacceptable levels of credit or investment risk. PlainsCapital manages its exposure to interest rates by structuring its balance sheet in the ordinary course of business. In addition, the asset/liability management policies permit the use of various derivative instruments to manage interest rate risk or hedge specified assets and liabilities. PlainsCapital manages its interest rate sensitivity position consistent with PlainsCapital's established asset/liability management policies.

An interest rate sensitive asset or liability is one that, within a defined time period, either matures or experiences an interest rate change in line with general market interest rates. The management of interest rate risk is performed by analyzing the maturity and repricing relationships between interest-earning assets and interest-bearing liabilities at specific points in time ("GAP") and by analyzing the effects of interest rate changes on net interest income over specific periods of time by projecting the performance of the mix of assets and liabilities in varied interest rate environments. Interest rate sensitivity reflects the potential effect on net interest income resulting from a movement in interest rates. A company is considered to be asset sensitive, or have a positive GAP, when the amount of its interest-earning assets maturing or repricing within a given period exceeds the amount of its interest-bearing liabilities also maturing or repricing within that time period. Conversely, a company is considered to be liability sensitive, or have a negative GAP, when the amount of its interest-bearing liabilities maturing or repricing within a given period exceeds the amount of its interest-earning assets also maturing or repricing within that time period. During a period of rising interest rates, a negative GAP would tend to affect net interest income adversely, while a positive GAP would tend to result in an increase in net interest income. During a period of falling interest rates, a negative GAP would tend to result in an increase in net interest income, while a positive GAP would tend to affect net interest income adversely. However, it is PlainsCapital's intent to achieve a proper balance so that incorrect rate forecasts should not have a significant impact on earnings.

As of December 31, 2011

Interest rate sensitivity analysis presents the amount of assets and liabilities that are estimated to reprice through specified periods. The interest rate sensitivity analysis in the table below reflects changes in banking segment earnings and costs resulting from changes in assets and liabilities on December 31, 2011 that will either be repriced in accordance with market rates, mature or are estimated to mature early within the periods indicated. This is a one-day position that is continually changing and is not necessarily indicative of PlainsCapital's position at any other time.

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As illustrated in the table below, the banking segment is asset sensitive overall. Loans that adjust daily or monthly to the Wall Street Journal Prime rate comprise a large percentage of interest sensitive assets and are the primary cause of the banking segment's asset sensitivity. To help neutralize interest rate sensitivity, the banking segment has kept the terms of most of its borrowings under one year (dollars in thousands):

	December 31, 2011					
	3 Months or Less	> 3 Months to 1 Year	> 1 Year to 3 Years	> 3 Years to 5 Years	> 5 Years	Total
Interest sensitive assets:						
Loans	$ 2,536,258	$ 476,521	$ 383,038	$ 97,160	$ 257,878	$ 3,750,855
Securities	140,164	135,322	85,322	20,070	399,918	780,796
Federal funds sold and securities purchased under agreements to resell	2,542					2,542
Other interest sensitive assets	238,453					238,453
Total interest sensitive assets	2,917,417	611,843	468,360	117,230	657,796	4,772,646
Interest sensitive liabilities:						
Interest bearing checking	$ 1,509,730	$	$	$	$	$ 1,509,730
Savings	171,088					171,088
Time deposits	749,095	369,594	62,100	4,485	74,844	1,260,118
Notes payable & other borrowings	347,797	733	2,085	1,119	7,946	359,680
Total interest sensitive liabilities	2,777,710	370,327	64,185	5,604	82,790	3,300,616
Interest sensitivity gap	$ 139,707	$ 241,516	$ 404,175	$ 111,626	$ 575,006	$ 1,472,030
Cumulative interest sensitivity gap	$ 139,707	$ 381,223	$ 785,398	$ 897,024	$ 1,472,030	
Percentage of cumulative gap to total interest sensitive assets	2.93%	7.99%	16.46%	18.80%	30.84%	

The positive GAP in the interest rate sensitivity analysis indicates that banking segment net interest income would generally rise if rates increase. Because of inherent limitations in interest rate sensitivity analysis, the banking segment uses multiple interest rate risk measurement techniques. Simulation analysis is used to subject the current repricing conditions to rising and falling interest rates in increments and decrements of 1%, 2% and 3% to determine the effect on net interest income changes for the next 12 months. The banking segment also measures the effects of changes in interest rates on market value of equity by discounting projected cash flows of deposits and loans. Market value changes in the investment portfolio are estimated by discounting future cash flows and using duration analysis. Investment security prepayments are estimated using current market information. PlainsCapital believes the simulation analysis presents a more accurate picture than the GAP analysis. Simulation analysis recognizes that deposit products may not react to changes in interest rates as quickly or with the same magnitude as earning assets contractually tied to a market rate index. The sensitivity to changes in market rates varies across deposit products. Also, unlike GAP analysis, simulation analysis takes into account the effect of embedded options in the securities and loan portfolios as well as any off-balance-sheet derivatives.

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The table below shows the estimated impact of increases of 1%, 2% and 3% and a decrease of 0.5% in interest rates on net interest income and on market value of portfolio equity for the banking segment as of December 31, 2011 (dollars in thousands):

	December 31, 2011			
Change in Interest Rates (basis points)	Changes in Net Interest Income		Changes in Market Value of Equity	
	Amount	Percent	Amount	Percent
+300	$ 11,240	5.81%	$ 122,562	22.92%
+200	$ 3,871	2.00%	$ 93,436	17.48%
+100	$ (1,571)	(0.81)%	$ 52,987	9.91%
-50	$ 287	0.15%	$ (39,108)	(7.31)%

The projected changes in net interest income and market value of equity to changes in interest rates as of December 31, 2011 were in compliance with established internal policy guidelines. These projected changes are based on numerous assumptions of growth and changes in the mix of assets or liabilities.

The historically low level of interest rates, combined with the existence of rate floors that are in effect for a significant portion of the loan portfolio, are projected to cause yields on the banking segment's earning assets to rise more slowly than increases in market interest rates. As a result, in a rising interest rate environment, the banking segment's interest rate margins are projected to compress until the rise in market interest rates is sufficient to allow the banking segment's loan portfolio to reprice above applicable rate floors.

As of March 31, 2012

Interest rate sensitivity analysis presents the amount of assets and liabilities that are estimated to reprice through specified periods. The interest rate sensitivity analysis in the table below reflects changes in banking segment earnings and costs resulting from changes in assets and liabilities on March 31, 2012 that will either be repriced in accordance with market rates, mature or are estimated to mature early within the periods indicated. This is a one-day position that is continually changing and is not necessarily indicative of PlainsCapital's position at any other time.

As illustrated in the table below, the banking segment is asset sensitive overall. Loans that adjust daily or monthly to the Wall Street Journal Prime rate comprise a large percentage of interest sensitive assets and are the primary cause of the banking segment's asset sensitivity. To help neutralize interest

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rate sensitivity, the banking segment has kept the terms of most of its borrowings under one year (dollars in thousands):

	March 31, 2012					
	3 Months or Less	> 3 Months to 1 Year	> 1 Year to 3 Years	> 3 Years to 5 Years	> 5 Years	Total
Interest sensitive assets:						
Loans	$ 2,662,262	$ 401,403	$ 369,235	$ 109,506	$ 258,628	$ 3,801,034
Securities	137,177	99,950	87,241	21,235	446,653	792,256
Federal funds sold and securities purchased under agreements to resell	15,025					15,025
Other interest sensitive assets	166,884					166,884
Total interest sensitive assets	2,981,348	501,353	456,476	130,741	705,281	4,775,199
Interest sensitive liabilities:						
Interest bearing checking	$ 1,602,946	$	$	$	$	$ 1,602,946
Savings	173,622					173,622
Time deposits	760,919	300,939	55,103	9,284	74,650	1,200,895
Notes payable & other borrowings	406,850	726	2,066	1,108	7,871	418,621
Total interest sensitive liabilities	2,944,337	301,665	57,169	10,392	82,521	3,396,084
Interest sensitivity gap	$ 37,011	$ 199,688	$ 399,307	$ 120,349	$ 622,760	$ 1,379,115
Cumulative interest sensitivity gap	$ 37,011	$ 236,699	$ 636,006	$ 756,355	$ 1,379,115	
Percentage of cumulative gap to total interest sensitive assets	0.78%	4.96%	13.32%	15.84%	28.88%	

The positive GAP in the interest rate sensitivity analysis indicates that banking segment net interest income would generally rise if rates increase. Because of inherent limitations in interest rate sensitivity analysis, the banking segment uses multiple interest rate risk measurement techniques. Simulation analysis is used to subject the current repricing conditions to rising and falling interest rates in increments and decrements of 1%, 2% and 3% to determine the effect on net interest income changes for the next 12 months. The banking segment also measures the effects of changes in interest rates on market value of equity by discounting projected cash flows of deposits and loans. Market value changes in the investment portfolio are estimated by discounting future cash flows and using duration analysis. Investment security prepayments are estimated using current market information. PlainsCapital believes the simulation analysis presents a more accurate picture than the GAP analysis. Simulation analysis recognizes that deposit products may not react to changes in interest rates as quickly or with the same magnitude as earning assets contractually tied to a market rate index. The sensitivity to changes in market rates varies across deposit products. Also, unlike GAP analysis, simulation analysis takes into account the effect of embedded options in the securities and loan portfolios as well as any off-balance-sheet derivatives.

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The table below shows the estimated impact of increases of 1%, 2% and 3% and a decrease of 0.5% in interest rates on net interest income and on market value of portfolio equity for the banking segment as of March 31, 2012 (dollars in thousands):

	March 31, 2012			
Change in Interest Rates (basis points)	Changes in Net Interest Income		Changes in Market Value of Equity	
	Amount	Percent	Amount	Percent
+300	$ 2,069	1.03%	$ 66,014	11.22%
+200	$ (3,077)	(1.53)%	$ 54,896	9.33%
+100	$ (4,971)	(2.48)%	$ 39,633	6.73%
-50	$ 617	0.31%	$ (34,857)	(5.92)%

The projected changes in net interest income and market value of equity to changes in interest rates as of March 31, 2012 were in compliance with established internal policy guidelines. These projected changes are based on numerous assumptions of growth and changes in the mix of assets or liabilities.

The historically low level of interest rates, combined with the existence of rate floors that are in effect for a significant portion of the loan portfolio, are projected to cause yields on the banking segment's earning assets to rise more slowly than increases in market interest rates. As a result, in a rising interest rate environment, the banking segment's interest rate margins are projected to compress until the rise in market interest rates is sufficient to allow the banking segment's loan portfolio to reprice above applicable rate floors.

PlainsCapital Management

Directors

The following table sets forth the name, age, position(s) and class of each director currently serving on PlainsCapital's board of directors as of August 2, 2012:

Name	Age	Positions	Class
Alan B. White	63	Director, Chairman and Chief Executive Officer of PlainsCapital	I
Hill A. Feinberg	65	Director, Chief Executive Officer of First Southwest	II
James R. Huffines	61	Director, President and Chief Operating Officer of PlainsCapital	II
Charlotte Jones Anderson	46	Director	I
Tracy A. Bolt	48	Director	I
Lee Lewis	60	Director	III
Andrew J. Littlefair	51	Director	II
Michael T. McGuire	47	Director	III
A. Haag Sherman	46	Director	III
Robert C. Taylor, Jr.	64	Director	II

When considering whether directors have the experience, qualifications, attributes and skills, taken as a whole, to enable the board of directors to satisfy its oversight responsibilities effectively in light of PlainsCapital's business and structure, the Nominating and Corporate Governance Committee focused primarily on the information discussed in each of the directors' individual biographies set forth below. Each of PlainsCapital's directors exhibits collegiality, honesty and integrity. Additional qualities of each of PlainsCapital's directors are discussed in the biographical information below.

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Alan B. White. Mr. White is one of PlainsCapital's founders and has served as Chairman and Chief Executive Officer of PlainsCapital since 1987. Mr. White also serves as Chairman of the Executive Committee and is on the board of directors of PlainsCapital Bank, PrimeLending, First Southwest and various other subsidiaries. Mr. White received his Bachelors of Business Administration in finance at Texas Tech University. Mr. White's current charitable and civic service includes serving as Chairman of the North Texas Super Bowl Committee as well as a member of the Cotton Bowl Athletic Association Board of Directors, the MD Anderson Cancer Center Living Legend Committee and the Dallas Citizens Council. He was also the founding chairman of the Texas Tech School of Business Chief Executive's Roundtable; the former Chairman of the Texas Tech Board of Regents, the Covenant Health System Board of Trustees, the Methodist Hospital System Board of Trustees and the Red Raider Club; and a member of the Texas Tech University President's Council.

Mr. White's knowledge of PlainsCapital's business and industry resulting from his lengthy tenure as PlainsCapital's Chairman and Chief Executive Officer aids him in efficiently and effectively identifying and executing PlainsCapital's strategic priorities.

Hill A. Feinberg. Mr. Feinberg has served as Chairman and Chief Executive Officer of First Southwest since 1991 and was appointed to serve as one of PlainsCapital's directors on December 31, 2008 in conjunction with PlainsCapital's acquisition of First Southwest. Shareholders elected Mr. Feinberg as a director at PlainsCapital's 2009 and 2010 annual meetings of shareholders. Prior to joining First Southwest, Mr. Feinberg was a senior managing director at Bear Stearns & Co. Mr. Feinberg is a past chairman of the Municipal Securities Rulemaking Board, the self-regulatory organization with responsibility for authoring the rules that govern the municipal securities activities of registered brokers. Mr. Feinberg also is a member of the board of directors of Energy XXI (Bermuda) Limited, a public company, and serves as the non-executive chairman of the board of directors of General Cryogenics, Inc.

Mr. Feinberg has extensive knowledge and experience concerning PlainsCapital's financial advisory segment and the industry in which it operates through his extended period of service to First Southwest.

James R. Huffines. Mr. Huffines has served as PlainsCapital's President and Chief Operating Officer since November 2010 and was elected as a director in May 2011. Prior to that, Mr. Huffines served as the Chairman of the Central and South Texas region of PlainsCapital Bank, a position he held since joining PlainsCapital in 2001. Mr. Huffines also serves on the board of directors of PlainsCapital Bank, PrimeLending, First Southwest and various other subsidiaries. Mr. Huffines holds a Bachelor of Business Administration in finance from the University of Texas. He serves on the board of Energy Future Holdings (formerly TXU Corp.), and is the chairman of its audit committee. In addition, Mr. Huffines previously served as chairman of the University of Texas System Board of Regents for over four years. Mr. Huffines also participates in many community and business organizations, including serving as a member of the advisory board of Texas Lyceum; the board of trustees of the Bob Bullock Texas State History Museum Foundation; the executive committee of the Chancellor's Council at the University of Texas System; and a member of the Texas Philosophical Society.

Mr. Huffines' significant banking and managerial experience and service as a director of a publicly traded company in a non-banking industry provide unique insights and experience to PlainsCapital's board of directors.

Charlotte Jones Anderson. Ms. Anderson has served as a director of PlainsCapital since September 2009 and serves on the Nominating and Corporate Governance Committee. She currently serves as executive vice president brand management and president of charities for the Dallas Cowboys Football Club, Ltd., a National Football League team. She has worked in various capacities for the Dallas

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Cowboys organization since 1990. A native of Little Rock, Arkansas, Ms. Anderson is a graduate of Stanford University where she earned a Bachelor of Science degree in Human Biology. Ms. Anderson is actively involved with a number of charitable and philanthropic organizations, including The Boys and Girls Clubs of America (regional trustee), the Salvation Army (board of directors), The Rise School (board of directors), the Southwest Medical Foundation (board of directors), the Dallas Symphony (board of directors), and the President's Advisory Counsel for The Dallas Center for Performing Arts Foundation.

Ms. Anderson has significant managerial and executive officer experience with large entrepreneurial businesses and provides PlainsCapital's board of directors with the perspective of one of PlainsCapital's significant customers.

Tracy A. Bolt. Mr. Bolt has served as a director of PlainsCapital since September 2009. He is Chairman of the Audit Committee and serves on the Compensation Committee and the Executive Committee. Mr. Bolt co-founded in 1994 Hartman Leito & Bolt, LLP, an accounting and consulting firm based in Fort Worth, Texas, where he serves as a partner and is a member of the firm's executive and compensation committees. Mr. Bolt holds a Bachelor of Science and Master of Science from the University of North Texas, and he is a certified public accountant. He currently serves as a business advisor to numerous management teams, public and private company boards, not for profit organizations and trusts.

Mr. Bolt has significant experience concerning accounting matters that is essential to PlainsCapital's board of directors' oversight responsibilities.

Lee Lewis. Mr. Lewis has served as a director of PlainsCapital since 1989. He currently serves as the chief executive officer of, Lee Lewis Construction, Inc., a construction firm based in Lubbock, Texas that he founded in 1976. Mr. Lewis graduated from Texas Tech University and is a member of the American General Contractors Association, West Texas Chapter, the Chancellors Council for the Texas Tech University System, and the Red Raider Club.

Through his prior service on PlainsCapital's board of directors, Mr. Lewis has many years of knowledge of PlainsCapital and the challenges and opportunities that PlainsCapital are presented. The background of Mr. Lewis as a manager of a Texas-based company also provides unique insight to the board of directors.

Andrew J. Littlefair. Mr. Littlefair has served as a director of PlainsCapital since September 2009 and serves on the Compensation Committee and the Nominating and Corporate Governance Committee. He is a co-founder of Clean Energy Fuels Corp., a provider of compressed and liquefied natural gas in the United States and Canada that is publicly traded on the NASDAQ Global Select Market and has served as that company's President, Chief Executive Officer and a director since 2001. From 1996 to 2001, Mr. Littlefair served as president of Pickens Fuel Corp., and from 1987 to 1996, he served in various management positions at Mesa, Inc., an energy company. From 1983 to 1987, Mr. Littlefair served in the Reagan administration as a staff assistant to the President. He is currently chairman of NGV America, the leading U.S. advocacy group for natural gas vehicles. From 2007 through 2010, Mr. Littlefair served as a director of Westport Innovations Inc., a global provider of natural gas engine and fuel systems technology. He earned a Bachelor of Arts in Political Science from the University of Southern California.

Mr. Littlefair has significant experience serving as a chief executive officer and as a director of publicly traded companies and provides the board of directors with the perspective of a significant customer.

Michael T. McGuire. Mr. McGuire has served as a director of PlainsCapital since September 2009 and serves on the Nominating and Corporate Governance Committee and the Audit Committee.

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Mr. McGuire currently serves as president of Andrews Distributing Company, a beverage distribution company, and has served on that company's leadership team since July 2002. Mr. McGuire previously worked at EMC Corporation, a Fortune 500 technology company. Mr. McGuire earned his undergraduate degree in Marketing from Boston College's Carroll School of Management, and graduated with highest honors from Southern Methodist University's Executive MBA Program at the Cox School of Business in 2005 with a concentration in finance. He is a member of the national MBA honors association Beta Gamma Sigma.

Mr. McGuire has extensive business experience with large, entrepreneurial business organizations and provides the board of directors with the perspectives of certain of PlainsCapital's significant customers.

A. Haag Sherman. Mr. Sherman has served as a director of PlainsCapital since September 2009. He is Chairman of the Compensation Committee and serves on the Audit Committee and the Executive Committee. Mr. Sherman co-founded, and is a partner and non-executive vice chairman of, Salient Partners, L.P., an investment firm based in Houston, Texas. Mr. Sherman has served in various executive capacities with Salient Partners since 2002, including Chief Executive Officer and Chief Investment Officer. Mr. Sherman serves on the board of directors of The Endowment Fund complex, Salient Absolute Return Fund complex, Salient MLP & Energy Infrastructure Fund (NYSE: SMF) and Blue Dolphin Energy Company (Nasdaq: BDCO). Mr. Sherman is an honors graduate of the University of Texas School of Law and a cum laude graduate of Baylor University. He is a certified public accountant and a member of the State Bar of Texas.

Mr. Sherman has significant experience concerning accounting matters that is essential to PlainsCapital's board of directors' oversight responsibilities.

Robert C. Taylor, Jr. Mr. Taylor has served as a director of PlainsCapital since 1997. He is Chairman of the Nominating and Corporate Governance Committee and serves on the Audit Committee and the Executive Committee. Mr. Taylor has been engaged in the wholesale distribution business in Lubbock, Texas since 1971. In February 2009, Mr. Taylor was appointed to serve as chief executive officer for United Supermarkets, LLC, a retail grocery business in Texas since 1915. Prior to that appointment, Mr. Taylor served as the vice president of manufacturing and supply chain for United Supermarkets since 2007. Mr. Taylor was appointed to the board of directors of United Supermarkets in November 2011. From 2002 to 2007, Mr. Taylor was the president of R.C. Taylor Distributing, Inc., a business engaged in the business of supplying general merchandise, candy and tobacco to retail outlets in West Texas and Eastern New Mexico. Mr. Taylor is a 1971 graduate of Texas Tech University. He is chairman of the Lubbock Downtown Tax Increment Finance Redevelopment Committee, serves on the Texas Tech Chancellors Advisory Board, and serves on the Advisory Board for the Rawls College of Business at Texas Tech University.

Through his service on PlainsCapital's board of directors, Mr. Taylor has many years of knowledge of PlainsCapital and the challenges and opportunities that PlainsCapital faces. In addition, his experience as a manager of a Texas-based company provides unique insights to PlainsCapital's board of directors.

There are no family relationships between any of PlainsCapital's directors or executive officers.

Director Independence

PlainsCapital's Corporate Governance Guidelines provide that PlainsCapital's board of directors shall be composed of a majority of directors who meet the criteria for independence required by the rules of the New York Stock Exchange.

In making its annual review on director independence, the board of directors considered transactions and relationships between each director and any member of his or her immediate family

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and PlainsCapital. The board of directors considered that five directors it determined to be independent Ms. Anderson and Messrs. Bolt, Littlefair, McGuire and Taylor have, or a member of their immediate family or an affiliated company in which they are employed or in which they are a principal equity holder has, received loans from PlainsCapital Bank in the ordinary course of business that PlainsCapital's board of directors did not view as compensation. In the opinion of PlainsCapital's management, these loans were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions by PlainsCapital Bank with other unaffiliated persons and do not involve more than normal risk of collectability. In addition, the board of directors considered transactions between PlainsCapital Bank and Clean Energy Finance, Inc., a subsidiary of Clean Energy Fuels Corp., a company for which Mr. Littlefair serves as a director and president and chief executive officer. Mr. Littlefair also beneficially owns approximately 2.15% of Clean Energy Fuels Corp. In late 2011 and the first six months of 2012, PlainsCapital Bank purchased, in a series of transactions, an aggregate of approximately $0.6 million and $3.2 million, respectively, in original principal amount of promissory notes issued by unaffiliated third parties from Clean Energy Finance, Inc. Although purchased at a premium to the outstanding principal balance on the notes, at the time of purchase, the interest rates on the notes exceeded the market rates charged by PlainsCapital Bank on similar-type loans that it originated. Clean Energy Finance, Inc. performs the servicing on the notes at no cost to PlainsCapital Bank and sold the notes with recourse to Clean Energy Finance, Inc. in the event of default. The aggregate payments of the purchase prices in these transactions constituted less than 2% of the consolidated gross revenues of each of Clean Energy Fuels Corp. and PlainsCapital in 2011 and were made in the ordinary course of business in arms-length transactions. Mr. Littlefair did not have a direct financial interest in any of the transactions with Clean Energy Finance, Inc.

Based upon these standards and the review and consideration of the foregoing information and other information contained herein, PlainsCapital's board of directors has affirmatively determined that the following members of the board of directors are independent: Charlotte Jones Anderson, Tracy A. Bolt, Andrew J. Littlefair, Michael T. McGuire, A. Haag Sherman and Robert C. Taylor, Jr.

Involvement in Certain Legal Proceedings

There are no legal proceedings to which any director, officer, or principal shareholder, or any affiliate thereof, is a party adverse to PlainsCapital or has a material interest adverse to PlainsCapital.

Certain Transactions and Relationships

PlainsCapital Bank has had, and may be expected to have in the future, lending relationships in the ordinary course of business with PlainsCapital's directors and executive officers, members of their immediate families and affiliated companies in which they are employed or in which they are principal equity holders. In the opinion of PlainsCapital's management, the lending relationships with these persons were made in the ordinary course of business and on substantially the same terms, including interest rates, collateral and repayment terms, as those prevailing at the time for comparable transactions with persons not related to PlainsCapital and do not involve more than normal collection risk or present other unfavorable features.

In 2007, PlainsCapital Bank contracted with Cowboys Stadium, L.P., a company affiliated with the employer of Ms. Anderson, one of PlainsCapital's directors, and that is beneficially owned by Ms. Anderson and certain of her immediate family members, for the 20-year lease of a suite at Cowboys Stadium beginning in 2009. Pursuant to the lease agreement, PlainsCapital Bank has agreed to pay Cowboys Stadium, L.P. annual payments of $500,000, subject to possible annual escalations, not to exceed 3% per year, beginning with the tenth year of the lease.

PlainsCapital Bank is party to two capital lease agreements with entities controlled by Pryor Blackwell, a member of PlainsCapital's board of directors during 2009 who did not stand for reelection at the March 18, 2009 annual meeting of shareholders, pursuant to which PlainsCapital Bank leases a facility in Weatherford, Texas and a facility in Dallas, Texas for its banking operations. The aggregate amounts of the lease payments under the capital lease agreements in 2009, 2010, 2011 and the first six months of 2012 were $0.7 million, $0.7 million, $0.7 million and $0.4 million, respectively.

During 2009, 2010, 2011 and the first six months of 2012, PlainsCapital paid Lee Lewis Construction, Inc., a construction company owned and operated by Lee Lewis, one of PlainsCapital's directors, $0.1 million, $0.4 million, $0.4 million and $0, respectively, for certain construction services.

Until March 18, 2009, each of Messrs. Craig Hester, James Huffines, George McCleskey, John Owens, and DeWayne Pierce served as both a director and a PlainsCapital employee. Mr. Huffines was appointed as an executive officer in November 2010. During 2009 and through the first six months of 2012, Dawn Robinson, the daughter of Roseanna McGill, a former named executive officer, served as Senior Vice President, National Production Manager of PrimeLending. During 2009 and through the first six months of 2012, Lee Ann White, the wife of Alan B. White, PlainsCapital's Chairman and Chief Executive Officer, served as PlainsCapital's Senior Vice President, Director of Public Relations. During 2009 and through the first six months of 2012, Kale Salmans, the son of Todd Salmans, President and Chief Executive Officer of PrimeLending, served as a Regional Manager of PrimeLending. Pursuant to PlainsCapital's employment arrangements with these individuals, PlainsCapital paid an aggregate of approximately $3.9 million, $3.4 million, $3.4 million and $1.5 million as compensation for their services as employees during 2009, 2010, 2011 and the first six months of 2012, respectively. Such amounts exclude pay for Mr. Huffines for years, any part of which he served as an executive officer.

Mr. Huffines, PlainsCapital's President and Chief Operating Officer and one of PlainsCapital's directors, currently serves as a director, and owns approximately 11.6%, of Hester Capital. During each of three fiscal years 2010, 2011 and 2012 and the period from January 1, 2012 until its sale in July 2012, Hester Capital generated less than 1% of PlainsCapital's consolidated net income. PlainsCapital does not believe that Mr. Huffines has a material direct or indirect interest in any transactions between PlainsCapital or any of its subsidiaries and Hester Capital. On June 25, 2012, PlainsCapital entered into an agreement to sell all of its membership interest in Hester Capital to an unaffiliated third party, which transaction was completed in July 2012.

The merger may be deemed to be a related party transaction. For a description of interests in the merger of directors and executive officers of PlainsCapital, see "The Merger Interests of Certain Directors and Executive Officers."

PlainsCapital has adopted a Code of Business Conduct and Ethics that applies to all of its employees and directors, its subsidiaries and certain persons performing services for PlainsCapital. The code of ethics addresses, among other things, competition and fair dealing, conflicts of interest, financial matters and external reporting, company funds and assets, confidentiality and corporate opportunity requirements and the process for reporting violations of the code of ethics, employee misconduct, improper conflicts of interest or other violations.

Pursuant to the Code of Business Conduct and Ethics, if a potential conflict of interest would constitute a "related party transaction," then the terms of the proposed transaction must be reported in writing to PlainsCapital's Chief Executive Officer, President, Executive Vice President Chief Compliance Officer, or General Counsel, who must then refer, if necessary, the matter to the Audit Committee for approval. Generally, a related party transaction is a transaction that includes a director or executive officer, directly or indirectly, and PlainsCapital that exceeds $120,000 in amount, exclusive of employee compensation and director fees.

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Compensation Committee Interlocks and Insider Participation

Mr. White, PlainsCapital's Chairman and Chief Executive Officer, Mr. Martin, PlainsCapital's Executive Vice President and Chief Financial Officer, Mr. Huffines, a director and PlainsCapital's President and Chief Operating Officer, and Mr. Schaffner, President and Chief Executive Officer of PlainsCapital Bank, each serve as a director of First Southwest, a wholly owned subsidiary of PlainsCapital. Hill A. Feinberg serves as the Chief Executive Officer of First Southwest and on the board of directors of PlainsCapital. Since September 17, 2009, PlainsCapital's Compensation Committee has been comprised of independent directors, has reviewed and set the compensation of each of Messrs. White, Martin, Feinberg, Huffines and Schaffner and does not believe that these interlocks pose any risks that are likely to have a material adverse effect on PlainsCapital.

Executive Officers

PlainsCapital's executive officers are appointed by the board of directors and hold office until their successors are chosen and qualify. The following table sets forth the name, age and position(s) of each of PlainsCapital's executive officers as of August 2, 2012:

Name	Age	Position
Alan B. White	63	Director, Chairman and Chief Executive Officer of PlainsCapital
Hill A. Feinberg	65	Director, Chairman and Chief Executive Officer of First Southwest
James R. Huffines	61	Director, President and Chief Operating Officer of PlainsCapital
John A. Martin	64	Executive Vice President, Chief Financial Officer of PlainsCapital
Todd L. Salmans	63	President and Chief Executive Officer of PrimeLending
Jerry L. Schaffner	54	President and Chief Executive Officer of PlainsCapital Bank

The biographies of PlainsCapital's executive officers are as follows:

Alan B. White. Please see the biography of Mr. White under the heading " Directors."

Hill A. Feinberg. Please see the biography of Mr. Feinberg under the heading " Directors."

James R. Huffines. Please see the biography of Mr. Huffines under the heading " Directors."

John A. Martin. Mr. Martin has served as PlainsCapital's Executive Vice President and Chief Financial Officer since November 15, 2010. Mr. Martin also serves on the board of directors of PlainsCapital Bank, PrimeLending, First Southwest and various other subsidiaries. Prior to joining PlainsCapital, Mr. Martin most recently served as executive vice president and chief financial officer of Family Bancorp, Inc. and its subsidiary, San Antonio National Bank, from April 2010 until October 2010. Before joining Family Bancorp, from 2009 to 2010, Mr. Martin served as a consultant to community banks, providing strategic planning services. Beginning in 2005, Mr. Martin served as chief financial officer of Texas Regional Bancshares, Inc. and later served as director of financial planning and analysis for BBVA Compass after its acquisition of Texas Regional Bancshares in 2006. Prior to joining Texas Regional Bancshares, Mr. Martin was a partner with Smith Frankhauser Voigt & Watson, PLLC, an accounting firm with a specialization in banking. Mr. Martin attended the University of Texas, where he received his Bachelor of Business Administration. Mr. Martin is also a licensed Certified Public Accountant in the State of Texas.

Todd L. Salmans. Mr. Salmans currently serves as the President and Chief Executive Officer of PrimeLending, a position he has held since January 1, 2011. As President and Chief Executive Officer, Mr. Salmans is responsible for the strategic direction and day-to-day management of PrimeLending, including financial performance, compliance, business development, board and strategic partner communications and team development. He also serves as a member of PrimeLending's board of directors. Mr. Salmans joined PrimeLending in 2006 as Executive Vice President and Chief Operating

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Officer, with responsibility over daily operations, loan processing and sales. He was promoted to President in April 2007. Mr. Salmans has over 30 years of experience in the mortgage banking industry. Prior to joining PrimeLending, he served as regional executive vice president of CTX/Centex, regional senior vice president of Chase Manhattan/Chase Home Mortgage Corp., and regional senior vice president of First Union National Bank/First Union Mortgage Corp. Mr. Salmans is currently a board member of the Texas Mortgage Bankers Association.

Jerry L. Schaffner. Mr. Schaffner serves as the President and Chief Executive Officer of PlainsCapital Bank. He currently serves as a director of PlainsCapital Bank, PrimeLending, First Southwest and various other subsidiaries, and previously served as a director of PlainsCapital from 1993 until March 2009. Mr. Schaffner has over 25 years of banking experience and joined PlainsCapital in 1988 as part of its original management group. He received his Bachelor of Business Administration in finance from Texas Tech University. Mr. Schaffner is a licensed Texas real estate broker.

Compensation Discussion and Analysis

The following Compensation Discussion and Analysis should be read in conjunction with the "Summary Compensation Table" and related tables that are presented elsewhere in this joint proxy statement/prospectus.

Introduction and Summary

The purpose of this Compensation Discussion and Analysis is to provide information about each material element of compensation that PlainsCapital paid or awarded to, or that is earned by: (i) the person who served as PlainsCapital's principal executive officer during fiscal 2011; (ii) the persons who served as PlainsCapital's principal financial officer during fiscal 2011; and (iii) PlainsCapital's three most highly compensated executive officers, other than PlainsCapital's principal executive officer or principal financial officer, who were serving as executive officers, as determined in accordance with the rules and regulations promulgated by the SEC, as of December 31, 2011 with compensation during fiscal 2011 of $100,000 or more (the "Named Executive Officers"), and to explain the numerical and related information contained in the tables presented elsewhere in this joint proxy statement/prospectus. For PlainsCapital's 2011 fiscal year, PlainsCapital's Named Executive Officers were:

- Alan B. White, Chairman and Chief Executive Officer of PlainsCapital;
- John A. Martin, Executive Vice President and Chief Financial Officer of PlainsCapital;
- Hill A. Feinberg, Director and Chief Executive Officer of First Southwest;
- James R. Huffines, President and Chief Operating Officer of PlainsCapital;
- Todd L. Salmans, President and Chief Executive Officer of PrimeLending; and
- Jerry L. Schaffner, President and Chief Executive Officer of PlainsCapital Bank.

On January 1, 2011, Todd L. Salmans began serving as Chief Executive Officer of PrimeLending. Although not a "named executive officer" under the rules of the SEC, PlainsCapital has included Jerry L. Schaffner as such in this Compensation Discussion and Analysis and the executive compensation tables to provide a fuller understanding of PlainsCapital's compensation philosophies and objectives.

2011 Performance

PlainsCapital's results improved in 2011 compared to 2010. The improvement in PlainsCapital's performance primarily resulted from PlainsCapital's taking advantage of improved conditions in the markets in which it operates and an improvement in the credit quality of PlainsCapital's loans.

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Significant achievements in 2011 include the following, which are discussed in more detail in PlainsCapital's annual report on Form 10-K for the year ended December 31, 2011, which was filed with the SEC on March 16, 2012:

- PlainsCapital increased earnings in 2011 to $53.2 million, or $1.36 per diluted share, compared to $32.4 million, or $0.80 per diluted share in 2010.
- PlainsCapital achieved a 11.27% return on average shareholders' equity in 2011 compared to 7.44% in 2010.
- PlainsCapital achieved a 0.98% return on average assets in 2011 compared to 0.65% in 2010.
- Loans, including loans held for sale, increased 14.2% as of December 31, 2011, compared to December 31, 2010.
- Deposits increased 8.4% as of December 31, 2011, compared to December 31, 2010.
- Credit quality improved in 2011 as reflected by a 72.3% reduction in net charge-offs and a 73.9% reduction in the provision for loan losses compared to the year ended December 31, 2010.
- On September 27, 2011, PlainsCapital redeemed the Series A Preferred Stock and Series B Preferred Stock issued on December 19, 2008 to the U.S. Treasury under the TARP Capital Purchase Program. The repayment was made after the sale to the U.S. Treasury of PlainsCapital's Series C Preferred Stock pursuant to the SBLF program.

Compensation Philosophy and Objectives

PlainsCapital has developed a compensation program for its Named Executive Officers designed to meet the following goals:

- align the interest of executives and employees with those of PlainsCapital's shareholders;
- reward performance and further the long-term interests of PlainsCapital's shareholders;
- attract, motivate and retain executives and employees with competitive compensation for PlainsCapital's industry and the labor markets in which PlainsCapital operates;
- build and encourage ownership by PlainsCapital's employees of PlainsCapital's shares;
- balance PlainsCapital's short-term and long-term strategic goals;
- mitigate risk and comply with applicable laws and regulations, including those of the Dodd-Frank Act; and
- account for factors unique to each business line of PlainsCapital.

In addition to the foregoing, PlainsCapital's compensation program takes into account a variety of factors unique to its organizational structure and business. PlainsCapital's senior executive team manages an enterprise significantly more complex than a traditional bank holding

company. Each of PlainsCapital's three distinct business lines has a different area of focus and competes in different industries. In particular, PlainsCapital follows a decentralized approach to compensation, giving senior management the necessary discretion within their business lines to compensate professionals and staff consistent with industry norms for that business segment. In addition, each of these business lines is regulated by different regulators (in some cases, multiple regulators) and has different capital requirements and compensation structures. Therefore, professionals within the financial advisory business segment are compensated differently than those of the banking segment, given the differences in the industries in which the financial advisory segment and the banking segment compete. Senior management of PlainsCapital must have an understanding of each of these industries, make capital

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allocation decisions among them and manage them as an overall whole, while also assisting the senior management of each business segment to fulfill its managerial responsibilities to its respective business segment. Accordingly, while banking comparables are helpful in providing guidance to the Compensation Committee, the Compensation Committee also considers the compensation structure and inputs relating to other industries, including investment banking, mortgage banking and diversified financial service companies that cover banking and other financial services.

Role of the Executive Officers in Determining Compensation

The Compensation Committee acts on behalf of PlainsCapital's board of directors to establish PlainsCapital's general compensation policies for its executive officers. The board of directors determines whether the Compensation Committee will make compensation policy determinations as a committee or will make recommendations to the board of directors, who will then make determinations. In the 2011 fiscal year, the Compensation Committee determined the compensation of PlainsCapital's executive officers and delegated to senior executive officers the authority to make compensation determinations for employees in their respective divisions.

Mr. White, PlainsCapital's Chief Executive Officer, makes recommendations to the Compensation Committee concerning the compensation of those employees reporting directly to Mr. White. No member of PlainsCapital's senior management (including Mr. White) makes recommendations on his or her own compensation. The Compensation Committee approves the compensation of the Chief Executive Officer in executive session, without any members of senior management present.

Role of Compensation Consultants and Market Data

In 2011, at the Compensation Committee's direction, management retained Meridian Compensation Partners ("Meridian") as its independent consultant on executive and director compensation. Meridian's engagement is to act as the Compensation Committee's independent advisor on executive and director compensation and assist the Compensation Committee in the determination of the peer group, the compensation benchmarking process, and the review and establishment of compensation policies and programs for PlainsCapital's Named Executive Officers. Meridian does no other work for PlainsCapital.

The Compensation Committee did not direct Meridian to perform its services in any particular manner or under any particular method, and all decisions with respect to the Named Executive Officers' compensation are made by the Compensation Committee. The Compensation Committee has the final authority to retain and terminate the compensation consultant and evaluates the consultant annually. PlainsCapital has no relationship with Meridian (other than the relationship undertaken by the Compensation Committee), and therefore the Compensation Committee believes that the compensation consultant is independent.

In 2011, the Compensation Committee reviewed market benchmark data provided by Meridian on PlainsCapital's Named Executive Officers. Meridian reviewed PlainsCapital's total direct compensation levels, including base salary, annual cash bonuses, and equity-based compensation against compensation

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surveys of other diversified financial institutions. Additionally, Meridian provided proxy-reported executive compensation data for the following peer companies:

Boston Private Financial Holdings Inc.;	Pinnacle Financial Partners Inc.;
First Financial Bancorp;	PrivateBancorp, Inc.;
First Financial Bankshares Inc.;	Southside Bancshares Inc.;
FirstMerit Corporation;	Texas Capital BancShares Inc.;
IBERIABANK Corporation;	Trustmark Corporation;
International Bancshares Corp.;	UMB Financial Corporation;
MB Financial Inc.;	United Bankshares, Inc.; and
National Penn Bancshares, Inc.;	Wintrust Financial Corporation.
NBT Bancorp Inc.;	

The peer group was developed based on the following screening criteria: total assets, net income, market value, location, number of employees, and business complexity. In addition, in determining the compensation of Messrs. Feinberg and Salmans, the Compensation Committee reviewed market data from the McLagan 2011 Regional Capital Markets Survey and the McLagan 2011 Residential Mortgage Banking Executive Management & Production Survey. The Compensation Committee does not target executive compensation levels at any specific percentile, but rather uses market data as a general reference point in making compensation decisions, along with individual and company performance, internal equity, and other factors. Based upon Meridian's analysis of executive compensation in 2011, the Compensation Committee determined that the compensation packages being offered are competitive and aligned with PlainsCapital's executive compensation philosophy.

Role of the Most Recent Shareholder Advisory Vote on Executive Compensation

Pursuant to Section 14A of the Exchange Act, at PlainsCapital's 2012 Annual Meeting of Shareholders, shareholders voted, on an advisory basis, to approve PlainsCapital's Named Executive Officer compensation. PlainsCapital considered this vote to be a ratification of its current Named Executive Officer compensation policies and decisions and does not plan to make any significant changes to its executive compensation philosophy and programs as a result of the advisory vote.

TARP Capital Purchase Program

On December 19, 2008, PlainsCapital sold shares of Series A Preferred Stock and Series B Preferred Stock to the U.S. Treasury for approximately $87.6 million pursuant to the TARP Capital Purchase Program promulgated under the EESA, as amended by the ARRA. On September 27, 2011, PlainsCapital sold 114,068 shares of PlainsCapital's Series C Preferred Stock to the U.S. Treasury in exchange for $114.1 million of funds available under the SBLF. PlainsCapital used approximately $92.6 million of the proceeds from this offering to redeem all of the outstanding Series A Preferred Stock and Series B Preferred Stock issued to the U.S. Treasury under the TARP Capital Purchase Program. As a result, PlainsCapital exited the TARP Capital Purchase Program and is no longer subject to the executive compensation requirements imposed under the EESA and the ARRA for the period beginning on September 27, 2011. However, PlainsCapital's compensation

decisions with respect to the period from December 19, 2008 to September 27, 2011 (the "TARP Period") were governed under the EESA, as amended by the ARRA, and the rules and regulations promulgated thereunder.

As a participant in the TARP Capital Purchase Program, PlainsCapital was subject to executive compensation limits and other restrictions until PlainsCapital redeemed the Series A Preferred Stock

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and Series B Preferred Stock on September 27, 2011, and continues to be subject to certain limitations and other restrictions with respect to compensation earned with respect to the TARP Period. Specifically, with respect to the TARP Period, Section 111(b) of the EESA required that PlainsCapital: (i) ensure that its incentive compensation did not encourage its Named Executive Officers to take unnecessary and excessive risks; (ii) obtain the return of any bonus or incentive paid to its Named Executive Officers based on materially inaccurate earnings statements or similar criteria; (iii) agree to prohibit any golden parachute payments to its Named Executive Officers; and (iv) agree not to deduct more than $500,000 each year of the remuneration paid to each person serving as its Chief Executive Officer or Chief Financial Officer during such year or to each of its next three most highly compensated executive officers during such year.

The ARRA, which was enacted on February 17, 2009, imposed certain executive compensation and corporate governance obligations on all TARP Capital Purchase Program participants until they redeemed the preferred stock sold to the U.S. Treasury under the TARP Capital Purchase Program. Pursuant to authority granted to the Secretary of the U.S. Treasury under the ARRA, on June 15, 2009, the U.S. Treasury adopted and made effective an interim final rule (the "Interim Rule"), which implemented and further expanded the limitations and restrictions imposed on TARP recipients concerning executive compensation and corporate governance by the TARP Capital Purchase Program and the EESA, as amended by the ARRA. The Interim Rule established standards including, but not limited to: (1) prohibitions on making golden parachute payments to senior executive officers and the next five most highly compensated employees during the TARP Period; (2) prohibitions on paying or accruing bonuses or other incentive awards for certain senior executive officers and employees, except for awards of long-term restricted stock with a value equal to no greater than one-third of the subject employee's annual compensation that do not fully vest during the TARP Period or unless such compensation is pursuant to a valid written employment contract prior to February 11, 2009; (3) requirements that TARP Capital Purchase Program participants provide for the recovery of any bonus or incentive compensation paid to senior executive officers and the next 20 most highly compensated employees based on statements of earnings, revenues, gains or other criteria later found to be materially inaccurate, with the Secretary having authority to negotiate for reimbursement; and (4) the establishment of the Office of the Special Master of TARP Executive Compensation (the "Special Master") to review the compensation structures and payments of, and to independently issue advisory opinions to, those banks that have participated in the TARP Capital Purchase Program with respect to compensation structures and payments made by those banks during the TARP Period. If the Special Master finds that a TARP recipient's compensation structure or payments that it has made to its employees are inconsistent with the purposes of the EESA or TARP, or otherwise contrary to the public interest, the Special Master may negotiate with the TARP recipient and the subject employee for appropriate reimbursements to the TARP recipient or the federal government.

The Interim Rule and the ARRA also set forth additional corporate governance obligations for TARP recipients during the TARP Period, including requirements for semi-annual meetings of compensation committees of their boards of directors to discuss and evaluate employee compensation plans in light of an assessment of any risk posed from such compensation plans. During the TARP Period, TARP recipients are further required by the ARRA and the Interim Rule to have in place company-wide policies regarding excessive or luxury expenditures, permit non-binding shareholder "say-on-pay" proposals to be included in proxy materials, as well as require written certifications by the chief executive officer and chief financial officer with respect to compliance during the TARP Period.

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Compensation Program Structure and Elements

To the extent permitted by law, including the EESA as amended by the ARRA, PlainsCapital's management compensation program is comprised of four elements: base salary, cash bonus, equity-based compensation, and other benefits.

Base Salary. PlainsCapital pays base salary in order to recognize each Named Executive Officer's unique value and historical contributions to PlainsCapital's success in light of salary norms in the industry and the general marketplace; to match competitors for executive talent; to provide Named Executive Officers with sufficient, regularly paid income; and to reflect position and responsibility. In March 2011, the Compensation Committee reviewed the base salaries of the Named Executive Officers and determined to make no adjustments from 2010 salary levels, with the exception of Mr. Martin, whose salary was adjusted from $325,000 to $368,000. This salary adjustment was made in effort to ensure Mr. Martin's salary is both internally equitable and market competitive. Please refer to the Summary Compensation Table for more information about the base salaries of PlainsCapital's Named Executive Officers.

Cash Bonus. To the extent permitted by law, PlainsCapital includes an annual discretionary cash bonus as part of the compensation program for all of PlainsCapital's management team, including the Named Executive Officers. PlainsCapital believes this element of compensation (i) helps focus management on, and motivate management to achieve, key annual corporate objectives by rewarding the achievement of these objectives and (ii) is necessary to be competitive from a total remuneration standpoint. On March 18, 2009, pursuant to the EESA, as amended by the ARRA, PlainsCapital's Compensation Committee adopted a resolution proscribing the payment of any bonuses to PlainsCapital's five most highly compensated employees unless permitted under Section 111(b)(3)(D) of the EESA, as amended by the ARRA. Therefore, during and with respect to the TARP Period, none of PlainsCapital's five most highly compensated employees received a discretionary bonus unless it was in the form of long-term restricted stock that complied with Section 111(b)(3)(D) of the EESA, as amended by the ARRA and the regulations promulgated thereunder, or to the extent that as of February 11, 2009, it was required pursuant to a legally binding right in an employment contract with PlainsCapital. The employment contracts of Messrs. White, Feinberg, Huffines and Schaffner provided, as of February 11, 2009, each of such Named Executive Officers a legally binding right to a bonus with respect to their 2011 performance.
Annual cash bonuses are an integral component of compensation that link and reinforce executive decision-making and performance with PlainsCapital's annual objectives. Prior to the action of PlainsCapital's Compensation Committee to limit discretionary bonuses in accordance with the ARRA, the Compensation Committee exercised its discretion in awarding cash bonuses on an annual basis. The Compensation Committee's determination of whether to award a discretionary bonus to each of the Named Executive Officers is based on a review by the Compensation Committee of both objective and subjective criteria but is not based upon any formal established objective criteria. Some of the objective criteria that are considered include: (i) loan growth, (ii) deposit growth, (iii) general and administrative expense control, (iv) profitability and (v) other income growth. PlainsCapital's board of directors and the members of the Compensation Committee meet periodically to evaluate PlainsCapital's budget and overall performance, including the aforementioned criteria.

In March 2012, the Compensation Committee determined to pay bonuses to Messrs. White, Martin, Feinberg, Huffines, Salmans and Schaffner with respect to their performance during 2011, PlainsCapital's budget and the Compensation Committee's examination of PlainsCapital's results for 2011. Pursuant to the EESA, as amended by the ARRA, and the regulations promulgated thereunder, the cash bonus paid to Mr. White was limited to the minimum bonus

required to be paid to him pursuant to his employment agreement with PlainsCapital. With the permission of Mr. Feinberg, the Compensation Committee further determined to pay a bonus to Mr. Feinberg that was less than his guaranteed minimum bonus due to the decreased performance of First Southwest in 2011 versus 2010. Mr. Feinberg delivered a waiver on March 15, 2012, pursuant to which he agreed to a reduction of his guaranteed minimum bonus for 2011 from approximately $892,000 to $800,000, representing a 20% reduction from the bonus paid to Mr. Feinberg with respect to 2010.

In April 2012, the Compensation Committee determined to pay a cash bonus of $600,000 to Mr. White in recognition of his role in PlainsCapital's improved earnings performance during the first quarter of 2012.

PlainsCapital experienced a year of record earnings in 2011. PlainsCapital's performance, in addition to individual performance, was considered when determining the bonus amount for Messrs. Martin, Huffines and Schaffner. Similarly, PrimeLending's performance during 2011 was considered when determining the bonus amount for Mr. Salmans because his bonus determination is not contractually guaranteed. Specifically, PrimeLending realized a significant increase in market share, loan origination volume and year-over-year production.

Please refer to the Summary Compensation Table for more information about bonuses awarded in 2012 for 2011 performance.

Equity-Based Compensation. PlainsCapital's equity-based compensation program is the primary vehicle for (i) aligning Named Executive Officers' and other employees' interests with the interests of PlainsCapital's shareholders, (ii) offering long-term incentives and rewards to the Named Executive Officers and other employees, (iii) providing an incentive for retention of Named Executive Officers and employees and (iv) providing a competitive total compensation package. Equity-based compensation is awarded pursuant to the 2009 Plan, and PlainsCapital has awards outstanding under the 2010 Long-Term Incentive Plan (the "2010 Plan"), which terminated as to all future awards on March 18, 2012, and four incentive stock option plans adopted in 2001, 2003, 2005 and 2007 (the "Stock Option Plans") that terminated as to all future awards on September 27, 2011, when PlainsCapital repaid its obligations under the TARP Capital Purchase Program and the 2009 Plan became effective.

The Stock Option Plans provided for the granting of stock options to PlainsCapital's officers and key employees. Each of the 2001, 2003 and 2005 Stock Option Plans provided for option grants that could result in the issuance of up to 150,000 shares of common stock, subject to increase or decrease in the event of a stock dividend or stock split. The 2007 Stock Option Plan provided for option grants that could result in the issuance of up to 450,000 shares of common stock, subject to increase or decrease in the event of a stock dividend or stock split.

On March 18, 2010, PlainsCapital's board of directors approved the 2010 Plan. The 2010 Plan was only effective until March 18, 2012. The 2010 Plan allowed for the granting of nonqualified stock options, stock appreciation rights, restricted stock, restricted stock units, performance awards, dividend equivalent rights, and other awards, which could be granted singly, in combination, or in tandem. The 2010 Plan provided flexibility to PlainsCapital's compensation methods in order to adapt the compensation of key employees and outside directors to a changing business environment (after giving due consideration to competitive conditions and the impact of accounting rules and federal tax laws). The 2010 Plan permitted PlainsCapital's five most highly compensated employees to only receive grants of restricted stock and restricted stock units that complied with Section 111(b)(3)(D) of the EESA and the regulations promulgated thereunder while PlainsCapital had any obligation provided under the TARP Capital Purchase Program outstanding. Subject to certain adjustments, the maximum number of

shares of PlainsCapital's common stock that may be delivered pursuant to awards under the 2010 Plan is 1,000,000 shares, of which awards concerning 741,532 shares remain outstanding.

In 2009, PlainsCapital adopted the 2009 Plan to be effective as of the date that the U.S. Treasury's preferred stock investment in PlainsCapital through the TARP Capital Purchase Program has been redeemed, which occurred on September 27, 2011. The 2009 Plan was intended to replace each of the Stock Option Plans. No awards were granted pursuant to the 2009 Plan during 2011, but PlainsCapital has made awards under the 2009 Plan in 2012. The 2009 Plan is intended to enable PlainsCapital to remain competitive and innovative in its ability to attract, motivate, reward, and retain the services of key employees and outside directors. The 2009 Plan allows for the granting of incentive stock options, non-qualified stock options, stock appreciation rights, restricted stock, restricted stock units, performance awards, dividend equivalent rights, and other awards which may be granted singly, in combination, or in tandem. The 2009 Plan is expected to provide flexibility to PlainsCapital's compensation methods in order to adapt the compensation of key employees and outside directors to a changing business environment (after giving due consideration to competitive conditions and the impact of accounting rules and federal tax laws). Subject to certain adjustments, the maximum number of shares of PlainsCapital's common stock that may be delivered pursuant to awards under the 2009 Plan is 4,000,000 shares. As of June 21, 2012, a total of 3,647,692 shares were available for grant under the 2009 Plan.

The Compensation Committee administers the Stock Option Plans. The Non-Reporting Person Equity Compensation Committee administers the 2010 Plan and the 2009 Plan with respect to awards to PlainsCapital's employees or prospective employees who are (or would be upon hiring) neither subject to the reporting requirements of Section 16 of the Exchange Act nor, solely with respect to the 2010 Plan, one of PlainsCapital's five highly compensated employees, and the Compensation Committee administers the 2010 Plan and the 2009 Plan with respect to all other matters. Subject to the terms of each Stock Option Plan, the 2010 Plan and the 2009 Plan, the Compensation Committee or, with respect to the awards indicated above under the 2010 Plan and the 2009 Plan, the Non-Reporting Person Equity Compensation Committee, determines the persons who are to receive awards, the number of shares subject to each such award and the terms, types and conditions of such awards. Awards under the Stock Option Plans and the 2010 Plan were, and under the 2009 Plan are, based upon a review of both objective and subjective criteria and are not made upon any formal established objective goals. Since adoption of the resolution of PlainsCapital's Compensation Committee on March 18, 2009 until the end of PlainsCapital's TARP Period, PlainsCapital's five most highly compensated employees were only permitted to receive discretionary equity-based compensation in the form of long-term restricted stock that complied with Section 111(b)(3)(D) of the EESA and the regulations promulgated thereunder.

In March 2011, the Compensation Committee approved the granting of an aggregate of 145,043 restricted stock units and/or shares of restricted stock to the Named Executive Officers. In establishing the award levels for the Named Executive Officers, the Compensation Committee considered PlainsCapital's and each individual's performance for 2010 as well as competitive market data referenced above under the heading "Role of Compensation Consultants and Market Data." The awards will vest 100% after five years of continuous service. For more information about these awards, please refer to the Grants of Plan-Based Awards Table below.

In March 2012, the Compensation Committee approved the granting of an aggregate of 146,145 restricted stock units effective April 1, 2012, to the Named Executive Officers in the following amounts: 45,705 to Mr. White; 18,000 to Mr. Martin; 20,000 to Mr. Feinberg; 23,988 to Mr. Huffines; 20,000 to Mr. Salmans; and 18,452 to Mr. Schaffner. In establishing the award levels for the Named Executive Officers, the Compensation Committee considered the respective

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performance of each of PlainsCapital's business units during 2011, individual performance for 2011 and competitive market data referenced above under the heading "Role of Compensation Consultants and Market Data." The awards will vest 100% after five years of continuous service.

Other Benefits. PlainsCapital's Named Executive Officers also either participate in, or are eligible to participate in, PlainsCapital's other benefit plans and programs on the same terms as other employees, including the PlainsCapital Corporation 401(k) Plan (the "401(k) Plan"), the ESOP, medical, dental and vision insurance, term life insurance, short-term disability insurance, and long-term disability insurance. Additionally, Messrs. White, Schaffner and Huffines participate in the PlainsCapital Bank Supplemental Executive Pension Plan (the "SEPP"). These benefits help PlainsCapital to be competitive and retain talent.

The 401(k) Plan is a qualified 401(k) savings and retirement plan. All of PlainsCapital's employees, including the Named Executive Officers, are generally eligible to participate in the 401(k) Plan. To encourage retirement savings under the 401(k) Plan, PlainsCapital provides a discretionary employer matching contribution equal to a percentage of the participants' elective deferrals. Under the terms of the 401(k) Plan for 2011, eligible employees were permitted to defer up to $16,500 of their eligible pay, and in 2011, PlainsCapital made a matching contribution of 50% of the first 5% of eligible pay deferred by each eligible employee under the 401(k) Plan.

The ESOP was established in 2004 as a non-contributory qualified plan and provides for the granting of PlainsCapital's common stock to eligible employees who have remained with PlainsCapital through the end of each year. The ESOP Committee administers the ESOP and makes recommendations to the Compensation Committee with respect to the annual discretionary contribution. This annual discretionary contribution to the ESOP goes toward a release of shares to be allocated to participant accounts, including those of the Named Executive Officers. With respect to 2010, PlainsCapital contributed approximately $1.6 million, and released approximately 43,486 shares into the ESOP, on behalf of eligible participants. With respect to 2011, PlainsCapital contributed approximately $1.6 million, and released approximately 42,127 shares into the ESOP, on behalf of eligible participants.

Stock is allocated to the account of each eligible participant in the ESOP annually based upon eligible compensation paid to each eligible participant. Qualified plans, such as the ESOP, are required to report account values on an annual basis under the Employer Retirement Income Security Act. Solely for this purpose, the ESOP trustee obtained an independent valuation of the shares of PlainsCapital's common stock held in the ESOP. As of December 31, 2011, the value of the shares of common stock held in the ESOP was determined to be $14.00 per share.

More information on the terms of the SEPP is provided under the section titled "Pension Benefits" below.

Reasonableness of Compensation

It is essential that PlainsCapital's overall compensation levels be sufficiently competitive to attract talented leaders and motivate those leaders to achieve superior results. At the same time, PlainsCapital believes that compensation should be set at responsible levels. After considering all components of the compensation paid to the Named Executive Officers, the Compensation Committee has determined that such compensation is reasonable and is not excessive. The Compensation Committee has also reviewed PlainsCapital's compensation policies and practices for all of PlainsCapital's executive officers and other employees and determined that any risks arising from such compensation policies and practices, including any risks to PlainsCapital's risk management practices and risk-taking incentives created from such compensation policies and practices, are not reasonably likely to have a material adverse effect on PlainsCapital.

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Tax Code Considerations

Section 162(m) of the Code disallows a corporate income tax deduction for executive compensation paid to its principal executive officer or any of its three other highest compensated officers (other than the principal executive officer and the principal financial officer) in excess of $1 million per year unless it is performance-based and is paid under a plan satisfying the requirements of Section 162(m). During the TARP Period, and as a condition to PlainsCapital's participation in the TARP Capital Purchase Program, PlainsCapital agreed not to claim any deduction for remuneration for federal income tax purposes in excess of $500,000 for the Named Executive Officers that would not be deductible if Section 162(m)(5) of the Code were applied to PlainsCapital. PlainsCapital's Compensation Committee believes that the compensation arrangements with certain of PlainsCapital's Named Executive Officers will exceed the limits on deductibility during the current fiscal year.

Compensation Information

Summary Compensation Table

The following table sets forth information regarding the total compensation received by, or earned by, PlainsCapital's Named Executive Officers during each of the past three fiscal years. This table and the accompanying narrative should be read in conjunction with the Compensation Discussion and Analysis, which sets forth the objectives and other information concerning PlainsCapital's executive compensation program.

Summary Compensation Table
Fiscal Years 2009, 2010 and 2011

Name and Principal Position	Year	Salary ($)	Bonus ($)(1)	Stock Awards ($)(2)	Option Awards ($)	Non-Equity Incentive Plan Compensation	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)(3)	All Other Compensation ($)(4)	Total ($)
Alan B. White	2011	$ 1,350,000	$ 569,630	$ 563,000			$ 1,287,397	$ 169,930	$ 3,939,957
(Chairman and Chief	2010	1,291,667	552,222	608,882			1,286,333	143,720	3,882,824
Executive Officer)	2009	1,000,000	476,667				652,901	148,727	2,278,295
John A. Martin	2011	350,501	250,000	60,151				43,053	703,705
(Chief Financial Officer)	2010	56,875		112,600				4,742	174,217
Hill A. Feinberg	2011	240,000	800,000	225,200				53,682	1,318,882
(President and Chief	2010	240,001	1,008,666	126,700				31,832	1,407,199
Executive Officer of	2009	240,924	1,031,667					25,362	1,297,953
First Southwest)									
James R. Huffines	2011	650,000	357,500	225,200			319,940	157,164	1,709,804
(President and Chief	2010	358,367	94,444	382,860			259,803	80,778	1,176,252
Operating Officer)									
Todd L. Salmans	2011	750,000	900,000	390,733				64,924	2,105,657
(President and Chief Executive Officer of PrimeLending)(5)									
Jerry L. Schaffner	2011	500,000	275,000	168,900			110,625	82,951	1,137,476
(President and Chief	2010	486,667	223,333	253,400			105,083	71,979	1,140,462
Executive Officer of	2009	420,000	210,000				92,502	83,951	806,453
PlainsCapital Bank)									

(1)

For each Named Executive Officer in 2011, represents a bonus earned during 2011 but paid in March 2012.

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(2)
Represents the grant date fair value of deferred share awards calculated in accordance with FASB Accounting Standards Codification Topic 718.

(3)
For each Named Executive Officer participating in the SEPP, includes the aggregate change in the actuarial present value of the Named Executive Officer's accumulated benefit under the SEPP.

(4)
The table following these footnotes is a breakdown of all other compensation included in the "Summary Compensation Table" for the Named Executive Officers.

(5)
Effective January 1, 2011, Mr. Salmans began serving as President and Chief Executive Officer of PrimeLending.

All Other Compensation

Name	Year	Perquisites and Other Personal Benefits	Gross-Ups or Other Amounts Reimbursed for the Payment of Taxes	Company Contributions to Defined Contribution Plans	Insurance Policies	Director Fees	Total All Other Compensation
Alan B. White	2011	$ 93,787(1)		$ 16,293(2)	$ 8,550	$ 51,300(3)	$ 169,930
	2010	77,208		16,293	13,919	36,300	143,720
	2009	87,976		16,293	8,558	35,900	148,727
John A. Martin	2011	10,164		16,293(2)	6,296	10,300	43,053
	2010			2,272	1,020	1,450	4,742
Hill A. Feinberg	2011	17,107(1)			5,075	31,500(3)	53,682
	2010			8,250	6,582	17,000	31,832
	2009			8,250	1,512	15,600	25,362
James R. Huffines	2011	94,482(1)		16,293(2)	7,339	39,050(3)	157,164
	2010	46,217		16,293	7,968	10,300	80,778
Todd L. Salmans	2011	45,568(1)		6,125	6,581	6,650(3)	64,924
Jerry L. Schaffner	2011	52,347(1)		16,293(2)	4,011	10,300(3)	82,951
	2010	36,891		16,293	5,995	12,800	71,979
	2009	50,763		16,293	3,445	13,450	83,951

(1)
For Mr. White, includes a car allowance of $36,000, $36,378 in club expenses, the personal use of corporate aircraft and the personal use of PlainsCapital automobiles. The aggregate incremental cost of corporate aircraft is calculated based upon the variable cost to PlainsCapital per flight mile of personal use. For Mr. Feinberg, includes club expenses and paid parking expenses. For Mr. Huffines, includes a car allowance, club expenses, and $55,800 in relocation expenses. For Mr. Salmans, includes a car allowance and club expenses. For Mr. Schaffner, includes a car allowance, club expenses, tickets to certain sporting events and the personal use of PlainsCapital automobiles. The relocation expenses previously reported for Mr. Huffines in PlainsCapital's Definitive Proxy Statement relating to its 2012 Annual Meeting of Shareholders has been updated to include an additional $4,650 of relocation expenses that were not previously reported.

(2)
Includes PlainsCapital's contribution to the ESOP in the amount of $10,168.

(3)

Messrs. White, Feinberg and Huffines received $31,500, $31,500 and $24,500, respectively, for serving on the board of directors of PlainsCapital during 2011. Messrs. White, Martin, Huffines, Salmans and Schaffner received director fees in the amount of $19,800, $10,300, $14,550, $6,650 and $10,300, respectively, for serving on the boards of directors of subsidiaries of PlainsCapital during 2011.

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Grants of Plan-Based Awards

The following table sets forth each Plan-based award granted to PlainsCapital's Named Executive Officers during the year ended December 31, 2011.

Grants of Plan-Based Awards Table
Fiscal Year 2011

Name	Grant Date	Number of Shares Underlying Restricted Stock Awards	Number of Shares Underlying Restricted Stock Unit Awards	Grant Date Fair Value of Restricted Stock or Restricted Stock Unit Awards(1)
Alan B. White	4/1/2011		50,000	$ 563,000
John A. Martin	4/1/2011		5,342	$ 60,151
Hill A. Feinberg	4/1/2011		20,000	$ 225,200
James R. Huffines	4/1/2011		20,000	$ 225,200
Todd L. Salmans	4/1/2011	34,701		$ 390,733
Jerry L. Schaffner	4/1/2011		15,000	$ 168,900

(1) The market value of each share of stock is calculated based upon a stock price of $11.26 per share, the value of PlainsCapital's common stock computed as of December 31, 2009 in the ESOP valuation, the most current valuation available at the date of grant.

Narrative disclosure regarding Summary Compensation Table and Grants of Plan-Based Awards Table

Effective January 1, 2009, PlainsCapital entered into employment agreements with four of its Named Executive Officers Alan B. White, Jerry L. Schaffner, Hill A. Feinberg and James R. Huffines and in 2010 PlainsCapital entered into employment agreements with two of its Named Executive Officers John A. Martin and Todd L. Salmans. The current employment agreements with each of Messrs. White and Schaffner had an initial term of three years, from January 1, 2009 until December 31, 2011. On December 31, 2011, each of these employment agreements automatically renewed for an additional three-year term expiring December 31, 2014. The current employment agreements with each of Messrs. Feinberg and Huffines had an initial term of two years, from January 1, 2009 to December 31, 2010; the current employment agreement for Mr. Martin had an initial term from November 15, 2010 until December 31, 2011; and the current employment agreement for Mr. Salmans had an initial term from April 1, 2010 until December 31, 2011. The employment agreements with each of Messrs. Martin, Feinberg, Huffines and Salmans have automatically renewed for subsequent one-year terms, the latest of each of which expires on December 31, 2012. The employment agreements between PlainsCapital and its Named Executive Officers provide for the following benefits:

Base salary. Messrs. White, Martin, Feinberg, Huffines, Salmans and Schaffner are entitled to an annual base salary, which is reviewed and adjusted at least annually. Such base salary may not be reduced. As of December 31, 2011, Messrs. White, Martin, Feinberg, Huffines, Salmans and Schaffner were entitled to an annual base salary of $1,350,000, $368,000, $240,000, $650,000, $750,000 and $500,000, respectively.

Bonus. Messrs. White, Martin, Feinberg, Huffines, Salmans and Schaffner are each eligible to receive a discretionary annual bonus as determined in the sole discretion of the board of directors. However, the annual bonus for Messrs. White, Feinberg, Huffines and Schaffner cannot be less than the average annual bonus paid to the Named Executive Officer over the three prior calendar years. The minimum annual bonus owed to Messrs. White, Feinberg, Huffines and Schaffner for the fiscal year ended December 31, 2011 were $570,000, $892,000 (reduced to $800,000 pursuant to a waiver), $94,000 and $223,000, respectively. For purposes of

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calculating the minimum annual bonus for the fiscal year ending December 31, 2012, the average annual bonus paid to Messrs. White, Feinberg, Huffines and Schaffner over the three calendar years ended December 31, 2011 are approximately $533,000, $947,000, $182,000 and $236,000, respectively. The bonus payments made, or to be made, to PlainsCapital's Named Executive Officers during, and relating to, the period from December 19, 2008 to September 27, 2011 were limited to such guaranteed amounts pursuant to the EESA and the ARRA. Following the repayment of PlainsCapital's outstanding obligations under the TARP on September 27, 2011, PlainsCapital is no longer subject to the executive compensation restrictions of the EESA and the ARRA for periods following such date.

Restricted stock and restricted stock units. Upon the execution of the employment agreements in December 2008, Messrs. White, Feinberg, Schaffner and Huffines were granted shares of restricted common stock. Such grants are subject to the terms and conditions of the restricted stock award agreement between PlainsCapital and the Named Executive Officer. Messrs. White, Feinberg, Schaffner and Huffines were granted 150,000 shares, 36,000 shares, 45,000 shares and 30,000 shares, respectively. Each grant vests ratably over a seven-year period. Upon the execution of his employment agreement in November 2010, Mr. Martin was granted 10,000 restricted stock units, which fully vest on the fifth anniversary of the date of grant. Upon the execution of his employment agreement in April 2010, Mr. Salmans was granted 25,000 shares of restricted stock, which fully vest on the fifth anniversary of the date of grant. In addition, in April 2010 and April 2011, PlainsCapital made grants of restricted stock units or restricted stock to each of PlainsCapital's Named Executive Officers then serving.

Reimbursement of expenses. PlainsCapital is required to reimburse Messrs. White, Martin, Feinberg, Huffines, Salmans and Schaffner for all out-of-pocket expenses incurred by the Named Executive Officer in the course of his or her duties, in accordance with PlainsCapital's reimbursement policy.

Executive benefits. Messrs. White, Martin, Feinberg, Huffines, Salmans and Schaffner are entitled to participate in the employee benefit plans generally available to PlainsCapital's employees and to all normal perquisites provided to PlainsCapital's similarly situated employees.

Supplemental pension benefits. Messrs. White, Huffines and Schaffner are entitled to participate in the SEPP, and the SEPP cannot be amended in a manner adverse to Messrs. White, Huffines or Schaffner without their prior written consent.

BOLI agreement. PlainsCapital is required to maintain and pay insurance premiums on the bank owned life insurance policies with respect to Messrs. White, Huffines and Schaffner.

Club membership. PlainsCapital is required to provide Messrs. White and Schaffner with country club membership benefits. Following their termination of employment, Messrs. White and Schaffner are entitled to purchase the country club membership from PlainsCapital for the fair market value of the membership interest. PlainsCapital is also required to provide Messrs. Martin and Feinberg, with reasonable access to a club for business use, as approved by PlainsCapital's Chief Executive Officer, and to provide Messrs. Huffines and Salmans with reasonable access to a country club or luncheon club for business use.

Automobile allowance. PlainsCapital is required to provide Messrs. White, Huffines and Schaffner with a monthly automobile allowance to cover the monthly costs associated with the leasing or purchasing of an automobile. Messrs. White, Huffines and Schaffner are entitled to a monthly automobile allowance of $3,000, $2,000, and $2,000 respectively.

Use of employer's aircraft. Messrs. White and Schaffner are entitled to use PlainsCapital's corporate aircraft, under terms and conditions consistent with company policy.

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In addition, for corporate purposes, PlainsCapital provides for the installation and monitoring of security alarm systems at the residences of certain of its Named Executive Officers, which amounts are included as "All Other Compensation" in the Summary Compensation Table, above.

Equity-based compensation is also awarded to the Named Executive Officers pursuant to the 2009 Plan, and certain of PlainsCapital's Named Executive Officers have awards outstanding under the Stock Option Plans and the 2010 Plan. Each of Messrs. White, Martin, Huffines and Schaffner also participates in the ESOP. Shares of PlainsCapital's common stock are annually allocated to the account of each Named Executive Officer participating in the ESOP based upon eligible compensation paid to each Named Executive Officer.

Outstanding Equity Awards at Fiscal Year End

The following table summarizes the total outstanding equity awards as of December 31, 2011 for each Named Executive Officer.

Outstanding Equity Awards at Fiscal Year End Table

Fiscal Year 2011

	Option Awards					Stock Awards			
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)(1)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)
Alan B. White	12,960(2)			$ 6.6937	2/20/2012	85,715(3)	$ 1,200,010		
	7,200(4)			$ 10.8806	4/1/2015	48,057(5)	$ 672,798		
						50,000(6)	$ 700,000		
John A. Martin						10,000(7)	$ 140,000		
						5,342(6)	$ 74,788		
Hill A. Feinberg						20,572(8)	$ 288,008		
						10,000(5)	$ 140,000		
						20,000(6)	$ 280,000		
James R. Huffines	5,184(2)			$ 6.6937	2/20/2012	17,143(3)	$ 240,002		
	5,400(4)			$ 10.8806	4/1/2015	25,000(9)	$ 350,000		
						8,000(5)	$ 112,000		
						20,000(6)	$ 280,000		
Todd L. Salmans						25,000(10)	$ 350,000		
						34,701(11)	$ 485,814		
Jerry L. Schaffner	2,916(2)			$ 6.6937	2/20/2012	25,715(3)	$ 360,010		
	7,200(4)			$ 10.8806	4/1/2015	20,000(5)	$ 280,000		
						15,000(6)	$ 210,000		

(1)

The market value of each share of stock is calculated based upon a stock price of $14.00 per share, the value of PlainsCapital's common stock computed as of December 31, 2011 in the ESOP valuation.

(2)

Options were granted on February 20, 2002, and all options vested six months following the date of grant.

(3)

Represents shares of restricted stock awarded on December 17, 2008. These shares vested or will vest in equal installments, rounded down to the nearest whole number to avoid the issuance of any fractional shares, over a seven-year-period, beginning with the first anniversary of the date of grant, December 17, 2009, and continuing each 17th day of December until December 17, 2015.

(4)

Options were granted on April 1, 2005, and all options vested six months following the date of grant.

(5)

Represents restricted stock units awarded on April 1, 2010. These restricted stock units will vest, and an equal number of shares of PlainsCapital common stock will be deliverable, upon the fifth anniversary of the date of grant, April 1, 2015.

(6)

Represents restricted stock units awarded on April 1, 2011. These restricted stock units will vest, and an equal number of shares of PlainsCapital common stock will be deliverable, upon the fifth anniversary of the date of grant, April 1, 2016.

(7)

Represents restricted stock units awarded on November 10, 2010. These restricted stock units will vest, and an equal number of shares of PlainsCapital common stock will be deliverable, upon the fifth anniversary of the date of grant.

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(8) Represents shares of restricted stock awarded on December 31, 2008. These shares vested or will vest in equal installments, rounded down to the nearest whole number to avoid the issuance of any fractional shares, over a seven-year period, beginning with the first anniversary of the date of grant, December 31, 2009 and continuing each 31st day of December until December 31, 2015.

(9) Represents shares of restricted stock awarded on November 15, 2010. These restricted shares will vest upon the fifth anniversary of the date of grant, November 15, 2015.

(10) Represents shares of restricted stock awarded on April 1, 2010. These restricted shares will vest upon the fifth anniversary of the date of grant, April 1, 2015.

(11) Represents shares of restricted stock awarded on April 1, 2011. These restricted shares will vest upon the fifth anniversary of the date of grant, April 1, 2016.

Option Exercises and Stock Vested in 2011

The following table summarizes the option exercises and vesting of stock during the fiscal year ended December 31, 2011 for each Named Executive Officer.

Option Exercises and Stock Vested
Fiscal Year 2011

	Option Awards		Stock Awards	
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)(1)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($)
Alan B. White			21,428	$ 254,350(2)
John A. Martin				
Hill A. Feinberg	56,508	$ 188,550(3)(4)	5,143	$ 72,002(5)
James R. Huffines	2,592	$ 13,417(6)	4,286	$ 50,875(2)
Todd L. Salmans				
Jerry L. Schaffner	2,916	$ 15,094(7)	6,428	$ 76,300(2)

(1) The value realized on exercise of option awards equals the market value less the exercise price paid.

(2) The market value of each share of stock is calculated based upon a stock price of $11.87 per share, the value of PlainsCapital's common stock computed as of December 31, 2010 in the ESOP valuation.

(3) The aggregate market value of the shares received is based upon a third party valuation of Mr. Feinberg's shares that takes into account factors including the placement of one quarter of his shares into escrow that may only be released upon the satisfaction of the earnout provisions contained in the Merger Agreement.

(4) Option was exercised on August 23, 2011 upon payment of an exercise price of $4.9133 per share.

(5) The market value of each share of stock is calculated based upon a stock price of $14.00 per share, the value of PlainsCapital's common stock computed as of December 31, 2011 in the ESOP valuation.

(6) Option was exercised on December 14, 2011 upon payment of an exercise price of $6.6937 per share.

(7) Option was exercised on November 29, 2011 upon payment of an exercise price of $6.6937 per share.

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Pension Benefits

Pension Benefits Table

Fiscal Year 2011

Name	Plan Name	Number of Years of Credited Service (#)	Present Value of Accumulated Benefit ($)	Payments During Last Fiscal Year ($)
Alan B. White	PlainsCapital Bank Supplemental Executive Pension Plan	19	$ 6,026,554	
John A. Martin				
Hill A. Feinberg				
James R. Huffines	PlainsCapital Bank Supplemental Executive Pension Plan	11	$ 989,052	
Todd L. Salmans				
Jerry L. Schaffner	PlainsCapital Bank Supplemental Executive Pension Plan	11	$ 580,147	

PlainsCapital offers a noncontributory, nonqualified supplemental executive pension plan, the SEPP, to certain executives and senior officers, including several of the Named Executive Officers. The SEPP is intended to assist PlainsCapital in attracting and retaining key executive talent by supplementing the retirement benefits available under its qualified retirement plans. Retirement benefits payable under the SEPP are based on the participant's average annual compensation and years of service. For participants who began participating in the SEPP on or after January 1, 2001, the normal retirement benefit is calculated as two percent (2%) of the participant's average annual compensation multiplied by the participant's number of full years of participation in the SEPP (rounded up in some circumstances to account for half-years), up to a maximum of 15 years. For participants who began participating in the SEPP prior to January 1, 2001, the normal retirement benefit is calculated as the greater of: (i) the formula set forth in the preceding sentence or (ii) sixty percent (60%) of the participant's average annual compensation offset by amounts attributable to employer contributions to PlainsCapital's qualified plans and benefits payable under Social Security and multiplied by a fraction representing the participant's number of full years of participation in the SEPP (rounded up in some circumstances to account for half-years) over 15 (or if less, the maximum number of years the participant could have completed if he remained in the SEPP until age 65). Average annual compensation for purposes of the SEPP means the average base salary, excluding bonuses, paid to the participant over the participant's highest paid three-year period occurring within the nine years before the participant's termination of employment.

Participants are entitled to payment of benefits under the SEPP in the event of a termination of employment, including terminations due to death or disability; however, a participant's benefits will be forfeited if the participant's employment is terminated by PlainsCapital for "cause" as defined in the SEPP. In the event of death, payment will only be made to the participant's spouse, if any, and will be limited to fifty percent (50%) of the accrued benefit. Participants who were under age 60 on December 31, 2009 will be entitled to receive their benefits in installments following termination of employment, and unpaid installments remain subject to forfeiture in the event of a violation of restrictive covenants related to confidentiality, competition, and solicitation of employees. Participants who have attained age 60 on or before December 31, 2009 will receive their benefits in a lump sum payment. A participant's benefits are assumed to begin at the participant's normal retirement age of 65.

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If a participant terminates with PlainsCapital, other than by death or disability, at an earlier date, his or her benefits will be adjusted to reflect the early or late retirement, as the case may be.

PlainsCapital amended the SEPP in December 2008 to comply with Section 409A of the Code, which governs non-qualified deferred compensation.

Potential Payments Upon Termination or Change in Control

Employment agreements between PlainsCapital and its Named Executive Officers generally provide that each Named Executive Officer may be terminated at any time, without severance, by the Named Executive Officer voluntarily or by PlainsCapital with Cause (as defined below).

Notwithstanding anything described herein, if a Named Executive Officer is considered a "specified employee" for purposes of Section 409A of the Code at the time of his or her termination of employment, other than in the case of a termination of employment due to the Named Executive Officer's death, the payments and benefits provided upon such termination of employment may be subject to a six month delay to the extent such payments and benefits are subject to Section 409A of the Code.

Termination by PlainsCapital with Cause

In the event that a Named Executive Officer's employment is terminated by PlainsCapital with Cause, or by the Named Executive Officer's voluntary termination of employment with PlainsCapital (in the case of Messrs. White and Schaffner only, without Good Reason (as defined below)), then, upon such termination of employment, the Named Executive Officer would be entitled to:

- the Named Executive Officer's base salary through the effective date of such termination of employment at the annual rate in effect at the time notice of termination is given, payable within 10 business days after the effective date of such termination of employment;

- any annual bonus fully earned as defined in the bonus plan but unpaid as of the effective date of such termination of employment for any previously completed fiscal year, payable within 10 business days after the effective date of such termination of employment;

- all earned and unpaid and/or vested, nonforfeitable amounts owing or accrued at the effective date of such termination of employment under any of PlainsCapital's compensation and benefit plans, programs, and arrangements in which the Named Executive Officer participated, payable in accordance with the terms and conditions of the plans, programs, and arrangements (and agreements and documents thereunder) pursuant to which such compensation and benefits were granted or accrued; and

- reimbursement for any unreimbursed business expenses properly incurred by the Named Executive Officer in accordance with PlainsCapital's policy prior to the effective date of such termination of employment.

Termination by PlainsCapital without Cause

In the event that a Named Executive Officer's employment is terminated by (a) PlainsCapital without Cause (other than pursuant to a Change in Control), or (b) PlainsCapital giving the Named Executive Officer notice of its intention to not renew his or her employment agreement and terminating the Named Executive Officer without Cause within 90 days after termination of the employment agreement, or (c) in the case of Messrs. White and Schaffner only, the Named Executive Officer's termination of employment with PlainsCapital with Good Reason (other than pursuant to a

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Change in Control), then, upon such termination of employment and conditioned upon the Named Executive Officer executing a release of claims, the Named Executive Officer would be entitled to:

- the amounts payable upon a termination by PlainsCapital for Cause as described above; and

- a cash amount equal to a multiple of the sum of (i) the annual base salary rate of the Named Executive Officer immediately prior to the effective date of such termination of employment, and (ii) the average bonus paid to the Named Executive Officer in respect of the three calendar years immediately preceding the year of termination of employment. For Messrs. White and Schaffner, such severance multiple is equal to three (3) and the amount would be payable in 36 equal monthly installments (without interest) beginning on the first day of the month following the effective date of such termination of employment. For Messrs. Martin, Feinberg, Huffines, and Salmans, such severance multiple is equal to one (1) and the amount would be payable in a lump-sum payment within 60 days following the effective date of such termination of employment.

Messrs. White and Schaffner also would be entitled to the following benefits:

- a cash lump sum amount equal to (A) the Named Executive Officer's annual bonus paid or payable with respect to the calendar year prior to the calendar year in which the effective date of such termination of employment occurs or, if higher, the average annual bonus paid or payable to the Named Executive Officer for the three calendar years preceding the calendar year in which the effective date of such termination of employment occurs, multiplied by (B) a fraction, the numerator of which equals the number of days the Named Executive Officer was employed by PlainsCapital during the year in which the effective date of such termination of employment occurs, and the denominator of which equals 365, payable within 10 business days after the effective date of such termination of employment;

- continued participation for the Named Executive Officer and his or her dependents in PlainsCapital's medical, dental, group life and long term disability plans, at PlainsCapital's expense, for a period of two years following the termination of employment, or, if earlier, until the date the Named Executive Officer becomes eligible to participate in comparable welfare plans maintained by a subsequent employer; or if continued participation is not permitted under the terms of PlainsCapital's welfare plans, equivalent coverage or a cash payment that, after all income and employment taxes on that amount, would be equal to the cost to the Named Executive Officer of obtaining such medical, dental, group life and long term disability benefit coverage; and

- full vesting of all outstanding stock options then held by the Named Executive Officer, with the option to receive a cash payment equal to the then difference between the option price and the current fair market value of the stock as of the effective date of such termination of employment in lieu of the right to exercise such options.

Termination Because of Death or Disability

In the event that a Named Executive Officer's employment is terminated due to his or her death or disability, then the Named Executive Officer (or his or her estate) would be entitled to the amounts payable upon a termination by PlainsCapital for Cause as described above.

Messrs. White and Schaffner also would be entitled to the following benefits:

- a cash lump sum amount equal to (A) the Named Executive Officer's annual bonus paid or payable with respect to the calendar year prior to the calendar year in which the effective date of such termination of employment occurs or, if higher, the average annual bonus paid or payable to the Named Executive Officer for the three calendar years preceding the calendar year

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in which the effective date of such termination of employment occurs, multiplied by (B) a fraction, the numerator of which equals the number of days the Named Executive Officer was employed by PlainsCapital during the year in which the effective date of such termination of employment occurs, and the denominator of which equals 365, payable within 10 business days after the effective date of such termination of employment.

Termination Upon Change in Control

In the event that a Named Executive Officer's employment is terminated by (a) PlainsCapital without Cause within the 24 months immediately following, or the six months immediately preceding, a Change in Control, (b) (except with respect to Mr. Martin) the Named Executive Officer's termination of employment for Good Reason within the 24 months immediately following, or the six months immediately preceding, a Change in Control, or (c), in the case of Messrs. White and Schaffner only, the Named Executive Officer's voluntary termination of employment with PlainsCapital for any reason other than Good Reason within the six months immediately following a Change in Control, then, upon such termination of employment, and conditioned upon the Named Executive Officer's execution of a release of claims, the Named Executive Officer would be entitled to:

- the amounts payable upon a termination by PlainsCapital for Cause;

- a cash lump sum amount equal to three times the sum of the Named Executive Officer's (A) annual rate of salary in effect immediately prior to the effective date of such termination of employment or, if higher, the annual rate in effect immediately prior to the Change in Control and (B) annual bonus paid or payable with respect to the calendar year prior to the calendar year in which the effective date of such termination of employment occurs or, if higher, the average annual bonus paid or payable to the Named Executive Officer for the three calendar years preceding the calendar year in which the effective date of such termination of employment occurs, payable within 10 business days (or, in the case of Messrs. Martin, Feinberg, Huffines and Salmans, 60 business days) after the effective date of such termination of employment (or, if later, the effective date of the Change in Control);

- continued participation for the Named Executive Officer and his or her dependents in PlainsCapital's medical, dental, group life and long term disability plans (for Messrs. White and Schaffner only, at PlainsCapital's expense) for a period of two years following the termination of employment, or, if earlier, until the date the Named Executive Officer becomes eligible to participate in comparable welfare plans maintained by a subsequent employer;

- continuation of the average auto allowance received by the Named Executive Officer during the 12 month period preceding the effective date of such termination of employment for a period of two years following the termination of employment, or, if earlier, until the date the Named Executive Officer receives an auto allowance from a subsequent employer; and

- full vesting of all outstanding stock options then held by the Named Executive Officer, with the option to receive a cash payment equal to the then difference between the option price and the current fair market value of the stock as of the effective date of such termination of employment in lieu of the right to exercise such options.

With respect to Messrs. Martin, Feinberg, Huffines and Salmans only, in the event that any of the benefits payable upon a termination of employment in connection with a Change in Control would constitute "excess parachute payments," such benefits would be reduced to the level necessary such that no excise tax will be due.

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Messrs. White and Schaffner also would be entitled to the following benefits:

- a cash lump sum amount equal to (A) the Named Executive Officer's annual bonus paid or payable with respect to the calendar year prior to the calendar year in which the effective date of such termination of employment occurs or, if higher, the average annual bonus paid or payable to the Named Executive Officer for the three calendar years preceding the calendar year in which the effective date of such termination of employment occurs, multiplied by (B) a fraction, the numerator of which shall equal the number of days the Named Executive Officer was employed by PlainsCapital during the year in which the effective date of such termination of employment occurs, and the denominator of which shall equal 365, payable within 10 business days after the effective date of such termination of employment;

- if continued participation is not permitted under the terms of PlainsCapital's medical, dental, group life and long term disability plans, equivalent coverage or a cash payment that, after all income and employment taxes on that amount, shall be equal to the cost to the Named Executive Officer of obtaining such medical, dental, group life and long term disability benefit coverage; and

- a full gross-up payment in the event that the Named Executive Officer receives any payments from PlainsCapital (including pursuant to any stock option or equity awards) or PlainsCapital's affiliates that are subject to tax under Section 4999 of the Code governing golden parachute payments.

Equity Awards

Each of the Named Executive Officers is a party to a Restricted Stock Award Agreement and/or a Restricted Stock Unit Award Agreement. Under the Restricted Stock Award Agreements, any unvested shares of restricted stock will vest in full upon the occurrence of a change in control or an initial public listing. However, certain Restricted Stock Award Agreements of Messrs. Huffines and Salmans provide that unvested shares of restricted stock will vest as follows: (a) in full upon a change in control or death, (b) either twenty-five percent (25%) or in full on an initial public listing, and (c) a *pro rata* portion upon total and permanent disability.

The Restricted Stock Unit Award Agreements provide that any unvested restricted stock units will vest as follows: (a) in full upon a change in control or death and (b) a *pro rata* portion upon retirement or total and permanent disability. If not converted earlier under the terms of the Restricted Stock Unit Award Agreement, vested restricted stock units are converted into common stock on the effective date of a change in control or within thirty (30) days following the executive's death.

Definitions

"Cause" is generally defined to mean the following:

- the executive's commission of an intentional act of fraud, embezzlement or theft in connection with the executive's duties or in the course of his or her employment;

- the executive's commission of intentional wrongful damage to PlainsCapital's property;

- the executive's intentional wrongful disclosure of PlainsCapital's trade secrets or confidential information;

- the executive's intentional violation of any law, rule or regulation (other than traffic violations or similar offenses) or a final cease and desist order;

- the executive's intentional breach of fiduciary duty involving personal profit; or

the intentional action or inaction by the executive that causes material economic harm to PlainsCapital.

"Change in Control" is generally defined to mean, for purposes of the Restricted Stock Award Agreements and the employment agreements, the following:

PlainsCapital is merged or consolidated or reorganized into or with another corporation or other legal person and as a result of such merger, consolidation or reorganization less than 51 percent of the combined voting power of the then-outstanding securities of such corporation or person immediately after such transaction are held in the aggregate by the holders of PlainsCapital's voting securities immediately prior to such transaction;

PlainsCapital sells all or substantially all of its assets to any other corporation or other legal person, with the exception that it will not be deemed to be a Change in Control if PlainsCapital sells assets to an entity that, immediately prior to such sale, held 51 percent of the combined voting power of the then-outstanding voting securities in common with PlainsCapital;

during any period of two consecutive years, individuals who at the beginning of any such period constitute PlainsCapital's directors cease for any reason to constitute at least a majority thereof unless the election or the nomination for election by PlainsCapital's shareholders of each of the directors first elected during such period was approved by a vote of at least two-thirds ($^2/_3$) of the directors then still in office who were PlainsCapital's directors at the beginning of any such period; or

any "person" or "group" (as defined in Sections 13(d)(3) and 14(d)(2) of the Exchange Act) is or becomes the beneficial owner, directly or indirectly, of more than 50 percent of the total voting power of PlainsCapital's voting stock (or any entity which controls PlainsCapital), including by way of merger, consolidation, tender or exchange offer or otherwise.

"Change in Control" is generally defined to mean, with respect to the Restricted Stock Unit Award Agreements and certain Restricted Stock Award Agreements of Messrs. Huffines and Salmans, the following:

any consolidation, merger or share exchange of PlainsCapital in which PlainsCapital is not the continuing or surviving corporation or pursuant to which PlainsCapital's shares of common stock would be converted into cash, securities or other property, other than a consolidation, merger or share exchange of PlainsCapital in which the holders of PlainsCapital's common stock immediately prior to such transaction have the same proportionate ownership of common stock of the surviving corporation immediately after such transaction;

any sale, lease, exchange or other transfer (excluding transfer by way of pledge or hypothecation) in one transaction or a series of related transactions, of all or substantially all of PlainsCapital's assets;

PlainsCapital's shareholders approve any plan or proposal for PlainsCapital's liquidation or dissolution;

the cessation of control (by virtue of their not constituting a majority of directors) of the board by the individuals (the "Continuing Directors") who (i) on March 28, 2010 were directors or (ii) become directors after March 28, 2010 and whose election or nomination for election by PlainsCapital's shareholders was approved by a vote of at least two-thirds of the directors then in office who were directors on March 28, 2010 or whose election or nomination for election was previously so approved;

the acquisition of beneficial ownership (within the meaning of Rule 13(d)(3) under the 1934 Act) of a majority of the voting power of PlainsCapital's outstanding voting securities by any

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person or group (as such term is used in Rule 13(d)(5) under the 1934 Act) who beneficially owned less than a majority of the voting power of PlainsCapital's outstanding voting securities on March 28, 2010; provided, however, that an acquisition will not constitute a change in control if the acquirer is (i) a trustee or other fiduciary holding securities under PlainsCapital's employee benefit plan and acting in such capacity, (ii) PlainsCapital's subsidiary or a corporation owned, directly or indirectly, by PlainsCapital's shareholders in substantially the same proportions as their ownership of PlainsCapital's voting securities, or (iii) any other person whose acquisition of shares of voting securities is approved in advance by a majority of the Continuing Directors; or

in a Title 11 bankruptcy proceeding, the appointment of a trustee or the conversion of a case involving PlainsCapital to a case under Chapter 7.

Notwithstanding the foregoing, in the event a Restricted Stock Unit Award Agreement is subject to Section 409A of the Code, then, in lieu of the foregoing definition and to the extent necessary to comply with the requirements of Section 409A of the Code, the definition of "Change in Control" for purposes of such Restricted Stock Unit Award Agreement is a definition that is compliant with Section 409A of the Code.

"Good Reason" is generally defined to mean the following:

without the executive's express written consent, the assignment to the executive of any duties materially inconsistent with his or her positions, duties, responsibilities and status with PlainsCapital as of the beginning of the current term of his employment agreement or a significant material diminishment in his or her titles or offices as in effect at the beginning of the current term, or any removal of the executive from or any failures to re-elect the executive to any of such positions, except in connection with the termination of his or her employment for "cause" or as a result of his or her disability (within the meaning of PlainsCapital's disability policy in effect at the time of the disability) or death, or termination by the executive other than for "good reason";

a significant and material adverse diminishment in the nature or scope of the authorities, powers, functions or duties attached to the position with which the executive had immediately prior to the "change in control" or a reduction in the executive's aggregate base salary and bonus (and, with respect to Messrs. White and Schaffner only, benefits) (or, with respect to Mr. Salmans, a reduction in aggregate base salary only) from PlainsCapital without the prior written consent of the executive;

PlainsCapital relocates its principal executive offices or requires the executive to have as his or her principal location of work any location which is in excess of 50 miles from the location thereof immediately prior to a "change in control"; or

any substantial and material breach of the executive's employment agreement by PlainsCapital.

"Retirement" is generally defined to mean any termination of service, other than a termination for cause or due to death or total and permanent disability, upon or after attainment of age sixty-two (62).

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Set forth below are the amounts that the Named Executive Officers would have received, in addition to the accrued benefits payable upon a termination for Cause as described above, if the specified events had occurred on December 31, 2011. These amounts are based upon a stock price of $14.00 per share, the value of PlainsCapital's common stock computed as of December 31, 2011 in the ESOP valuation.

Alan B. White	Termination without Cause or after non-renewal of employment agreement or for Good Reason	Termination due to death	Termination due to disability	Termination upon Change in Control
Cash Severance(1)	$ 5,758,889			$ 5,758,889
Accrued Bonus(2)	$ 569,630	$ 569,630	$ 569,630	$ 569,630
Welfare Benefits(3)	$ 19,567			$ 19,567
Auto Allowance(4)				$ 72,000
Stock Options(5)	$ 117,149			$ 117,149
Restricted Stock				$ 1,200,010
Common Stock(6)		$ 1,372,798		$ 1,372,798
Supp. Pension(7)	$ 5,908,598	$ 2,954,299	$ 6,638,900	$ 5,908,598
Life/AD&D Benefits(8)		$ 1,400,000	$ 700,000	
Tax Gross-Up(9)				$ 2,413,981
Total	**$ 12,373,833**	**$ 6,296,727**	**$ 7,908,530**	**$ 17,432,622**

(1) Cash Severance calculation based on three times the sum of (i) the base salary on December 31, 2011 and (ii) the average bonus paid with respect to 2008, 2009, and 2010 unless the termination of employment is in connection with a Change in Control, in which case the Cash Severance calculation based on three times the sum of (i) the base salary on December 31, 2011 and (ii) the bonus paid for 2010, or, if higher, the average bonus paid with respect to 2008, 2009, and 2010.

(2) Accrued Bonus equals the *pro rata* portion, based upon the number of days employed during the current year, of: the bonus paid for 2010, or, if higher, the average bonus paid with respect to 2008, 2009, and 2010.

(3) Welfare Benefits calculation based on the cost of continuing coverage under the medical, dental, group life, and long-term disability plans for two years.

(4) Auto Allowance calculation based on $3,000 monthly automobile allowance continued for two years.

(5) Stock Option calculation based on options outstanding as of December 31, 2011, which include 12,960 options at an exercise price of $6.6937 and 7,200 options at an exercise price of $10.8806.

(6) Common Stock based on number of vested restricted stock units converted into shares of common stock upon event.

(7) Supplemental Pension Benefits calculation based on accrued benefit as of December 31, 2011.

(8) Life insurance and accidental death and dismemberment insurance policies provide a benefit of two times annual salary, up to a maximum benefit of $700,000 per policy.

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(9)

Tax Gross-Up calculation based on whether benefits payable in connection with a change in control exceed three times the Named Executive Officer's average W-2 compensation for the five-year period (2006, 2007, 2008, 2009, and 2010).

John A. Martin	Termination without Cause or after non-renewal of employment agreement	Termination due to death	Termination due to disability	Termination upon Change in Control
Cash Severance(1)	$ 368,000			$ 1,104,000
Accrued Bonus				
Welfare Benefits(2)				$ 12,135
Auto Allowance				
Stock Options				
Restricted Stock				
Common Stock(3)		$ 214,788		$ 214,788
Supp. Pension				
Life/AD&D Benefits(4)		$ 1,400,000	$ 700,000	
Tax Gross-Up				
Total	**$ 368,000**	**$ 1,614,788**	**$ 700,000**	**$ 1,330,923**

(1)

Cash Severance calculation based on one (1) times the sum of (i) the base salary on December 31, 2011 and (ii) the average bonus paid with respect to 2008, 2009, and 2010 unless the termination of employment is in connection with a Change in Control, in which case the Cash Severance calculation based on three times the sum of (i) the base salary on December 31, 2011 and (ii) the bonus paid for 2010, or, if higher, the average bonus paid with respect to 2008, 2009, and 2010.

(2)

Welfare Benefits calculation based on the cost of continuing coverage under the medical, dental, group life, and long-term disability plans for two years.

(3)

Common Stock based on number of vested restricted stock units converted into shares of common stock upon event.

(4)

Life insurance and accidental death and dismemberment insurance policies provide a benefit of two times annual salary, up to a maximum benefit of $700,000 per policy.

Hill A. Feinberg	Termination without Cause or after non-renewal of employment agreement	Termination due to death	Termination due to disability	Termination upon Change in Control
Cash Severance(1)	$ 966,678			$ 3,745,998
Accrued Bonus				
Welfare Benefits(2)				$ 22,031
Auto Allowance				
Stock Options				
Restricted Stock				$ 288,008
Common Stock(3)		$ 420,000		$ 420,000
Supp. Pension				
Life/AD&D Benefits(4)		$ 960,000	$ 480,000	
Tax Gross-Up				
Total	**$ 966,678**	**$ 1,380,000**	**$ 480,000**	**$ 4,476,037**

(1)

Cash Severance calculation based on one (1) times the sum of (i) the base salary on December 31, 2011 and (ii) the average bonus paid with respect to 2008, 2009, and 2010 unless the termination of employment is in connection with a Change in Control, in which case the Cash Severance

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calculation based on three times the sum of (i) the base salary on December 31, 2011 and (ii) the bonus paid for 2010, or, if higher, the average bonus paid with respect to 2008, 2009, and 2010.

(2) Welfare Benefits calculation based on the cost of continuing coverage under the medical, dental, group life, and long-term disability plans for two years.

(3) Common Stock based on number of vested restricted stock units converted into shares of common stock upon event.

(4) Life insurance and accidental death and dismemberment insurance policies provide a benefit of two times annual salary, up to a maximum benefit of $700,000 per policy.

James R. Huffines	Termination without Cause or after non-renewal of employment agreement	Termination due to death	Termination due to disability	Termination upon Change in Control
Cash Severance(1)	$ 681,481			$ 2,233,332
Accrued Bonus				
Welfare Benefits(2)				$ 22,031
Auto Allowance(3)				$ 48,000
Stock Options(4)				$ 54,721
Restricted Stock(5)		$ 350,000	$ 70,000	$ 590,002
Common Stock(6)		$ 392,000		$ 392,000
Supp. Pension	$ 989,052	$ 494,526	$ 1,248,656	$ 1,438,615
Life/AD&D Benefits(7)		$ 1,400,000	$ 700,000	
Tax Gross-Up				
Total	**$ 1,670,533**	**$ 2,636,526**	**$ 2,018,656**	**$ 4,778,701**

(1) Cash Severance calculation based on one (1) times the sum of (i) the base salary on December 31, 2011 and (ii) the average bonus paid with respect to 2008, 2009, and 2010 unless the termination of employment is in connection with a Change in Control, in which case the Cash Severance calculation based on three times the sum of (i) the base salary on December 31, 2011 and (ii) the bonus paid for 2010, or, if higher, the average bonus paid with respect to 2008, 2009, and 2010.

(2) Welfare Benefits calculation based on the cost of continuing coverage under the medical, dental, group life, and long-term disability plans for two years.

(3) Auto Allowance calculation based on $2,000 monthly automobile allowance continued for two years.

(4) Stock Option calculation based on options outstanding as of December 31, 2011, which include 5,184 options at an exercise price of $6.6937 and 5,400 options at an exercise price of $10.8806.

(5) Restricted Stock calculation for vested restricted stock on total and permanent disability is a *pro rata* calculation based on the number of full years between the grant date and assumed date of disability of December 31, 2011, plus an additional year for the year in which the disability occurs if it occurs after the 183rd day. For the November 15, 2010 grant of 25,000, the payment would be 25,000 multiplied by 1 year multiplied by a stock price of $14.00, divided by 5 (which is the number of years to full vesting).

(6) Common Stock based on number of vested restricted stock units converted into shares of common stock upon event.

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(7) Life insurance and accidental death and dismemberment insurance policies provide a benefit of two times annual salary, up to a maximum benefit of $700,000 per policy.

Todd L. Salmans	Termination without Cause or after non-renewal of employment agreement	Termination due to death	Termination due to disability	Termination upon Change in Control
Cash Severance(1)	$ 880,000			$ 3,420,000
Accrued Bonus				
Welfare Benefits(2)				$ 13,809
Auto Allowance(3)				$ 24,000
Stock Options				
Restricted Stock(4)		$ 835,814	$ 237,163	$ 835,814
Common Stock				
Supp. Pension				
Life/AD&D Benefits(5)		$ 1,400,000	$ 700,000	
Tax Gross-Up				
Total	**$ 880,000**	**$ 2,235,814**	**$ 937,163**	**$ 4,293,623**

(1) Cash Severance calculation based on one (1) times the sum of (i) the base salary on December 31, 2011 and (ii) the average bonus paid with respect to 2008, 2009, and 2010 unless the termination of employment is in connection with a Change in Control, in which case the Cash Severance calculation based on three times the sum of (i) the base salary on December 31, 2011 and (ii) the bonus paid for 2010, or, if higher, the average bonus paid with respect to 2008, 2009, and 2010.

(2) Welfare Benefits calculation based on the cost of continuing coverage under the medical, dental, group life, and long-term disability plans for two years.

(3) Auto Allowance calculation based on $1,000 monthly automobile allowance continued for two years.

(4) Restricted Stock calculation for vested restricted stock on total and permanent disability is a *pro rata* calculation based on the number of full years between the grant date and assumed date of disability of December 31, 2011, plus an additional year for the year in which the disability occurs if it occurs after the 183rd day. For the 2010 grant of 25,000, the payment would be 25,000 multiplied by 2 years multiplied by a stock price of $14.00, divided by 5 (which is the number of years to full vesting). For the 2011 grant of 34,701, the payment would be 34,701 multiplied by 1 year multiplied by a stock price of $14.00, divided by 5 (which is the number of years to full vesting).

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(5)

Life insurance and accidental death and dismemberment insurance policies provide a benefit of two times annual salary, up to a maximum benefit of $700,000 per policy.

Jerry L. Schaffner	Termination without Cause or after non-renewal of employment agreement or for Good Reason	Termination due to death	Termination due to disability	Termination upon Change in Control
Cash Severance(1)	$ 2,168,333			$ 2,169,999
Accrued Bonus(2)	$ 223,333	$ 223,333	$ 223,333	$ 223,333
Welfare Benefits(3)	$ 36,957			$ 36,957
Auto Allowance(4)				$ 48,000
Stock Options(5)	$ 43,765			$ 43,765
Restricted Stock				$ 360,010
Common Stock(6)		$ 490,000		$ 490,000
Supp. Pension(7)	$ 580,147	$ 290,074	$ 1,101,292	$ 843,855
Life/AD&D Benefits(8)		$ 1,400,000	$ 700,000	
Tax Gross-Up(9)				$ 1,072,828
Total	**$ 3,052,535**	**$ 2,403,407**	**$ 2,024,625**	**$ 5,288,747**

(1)

Cash Severance calculation based on three times the sum of (i) the base salary on December 31, 2011 and (ii) the average bonus paid with respect to 2008, 2009, and 2010 unless the termination of employment is in connection with a Change in Control, in which case the Cash Severance calculation based on three times the sum of (i) the base salary on December 31, 2011 and (ii) the bonus paid for 2010, or, if higher, the average bonus paid with respect to 2008, 2009, and 2010.

(2)

Accrued Bonus equals the *pro rata* portion, based upon the number of days employed during the current year, of: the bonus paid for 2010, or, if higher, the average bonus paid with respect to 2008, 2009, and 2010.

(3)

Welfare Benefits calculation based on the cost of continuing coverage under the medical, dental, group life, and long-term disability plans for two years.

(4)

Auto Allowance calculation based on $2,000 monthly automobile allowance continued for two years.

(5)

Stock Option calculation based on options outstanding as of December 31, 2011, which include 2,916 options at an exercise price of $6.6937 and 7,200 options at an exercise price of $10.8806.

(6)

Common Stock based on number of vested restricted stock units converted into shares of common stock upon event.

(7)

Supplemental Pension Benefits calculation based on accrued benefit as of December 31, 2011.

(8)

Life insurance and accidental death and dismemberment insurance policies provide a benefit of two times annual salary, up to a maximum benefit of $700,000 per policy.

(9)

Tax Gross-Up calculation based on whether benefits payable in connection with a change in control exceed three times the Named Executive Officer's average W-2 compensation for the five-year period (2006, 2007, 2008, 2009, and 2010).

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Director Compensation

Directors' compensation is determined by the board of directors. PlainsCapital pays members of its board of directors based on the directors' participation in board meetings held throughout the year. Each director receives $3,500 for each board of directors' meeting attended. In addition, PlainsCapital's non-employee directors each receive an annual cash retainer of $15,000 and are entitled to receive an annual grant of restricted shares of PlainsCapital's common stock having a value of $15,000 on the date of grant. The Chairman of PlainsCapital's Audit Committee receives an additional $10,000 annual retainer, the Chairman of the Compensation Committee receives an additional $7,500 annual retainer, and the Chairman of the Nominating and Corporate Governance Committee receives an additional $5,000 annual retainer. In addition, the non-chairman members of the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee receive an additional $2,000 annual retainer for each of such committees on which they serve as a non-chairman member.

The following table summarizes the compensation paid by PlainsCapital to directors who are not Named Executive Officers for the fiscal year ended December 31, 2011.

Director Compensation Table

Fiscal Year 2011

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)(1)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Total ($)
Charlotte Jones Anderson	$ 48,500	$ 14,998					$ 63,498
Tracy A. Bolt	$ 58,500(2)	$ 14,998					$ 73,498
Lee Lewis	$ 46,500	$ 14,998					$ 61,498
Andrew J. Littlefair	$ 47,000	$ 14,998					$ 61,998
Michael T. McGuire	$ 50,500	$ 14,998					$ 65,498
A. Haag Sherman	$ 56,000	$ 14,998					$ 70,998
Robert C. Taylor, Jr.	$ 53,500	$ 14,998					$ 68,498

(1) Represents the grant date fair value of 1,332 restricted shares of common stock granted on May 11, 2011, based upon a stock price of $11.26 per share, the value of PlainsCapital's common stock computed as of December 31, 2009 in PlainsCapital's ESOP valuation, the most current valuation available at the date of grant. There were no stock and option awards outstanding as of December 31, 2011 for each non-NEO director. The number of stock and option awards outstanding as of December 31, 2011 for Messrs. White, Feinberg and Huffines may be found in the Outstanding Equity Awards at Fiscal Year End table under the heading "Compensation Information."

(2) Includes $3,500 that Mr. Bolt received as compensation for a meeting of the board of directors for which Mr. Bolt was unable to attend due to technical difficulties.

Security Ownership of Certain Beneficial Owners and Management

The following table and accompanying footnotes set forth as of August 2, 2012 certain information regarding the beneficial ownership of the shares of PlainsCapital's voting stock by: (i) each person who is known by PlainsCapital to own beneficially more than 5% of such shares; (ii) each member of PlainsCapital's board of directors and each of PlainsCapital's named executive officers; and (iii) all of PlainsCapital's directors and executive officers as a group (13 persons). Alan White, Chairman and

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Chief Executive Officer of PlainsCapital; John A. Martin, Executive Vice President and Chief Financial Officer of PlainsCapital; Hill A. Feinberg, Chief Executive Officer of First Southwest; James R. Huffines, President and Chief Operating Officer of PlainsCapital; Todd L. Salmans, President and Chief Executive Officer of PrimeLending; and Jerry L. Schaffner, President and Chief Executive Officer of the Bank, are currently the only executive officers of PlainsCapital. Except as otherwise indicated, the beneficial owners listed in the table below have sole voting and investment powers with respect to the shares indicated, and the address for each beneficial owner is 2323 Victory Avenue, Suite 1400, Dallas, Texas 75219. The applicable percentage ownership is based on 34,462,390 shares of PlainsCapital common stock issued as of August 2, 2012, plus, on an individual basis, the right of that individual to obtain shares of PlainsCapital common stock upon exercise of stock options within 60 days of August 2, 2012. The aggregate amount of shares of PlainsCapital common stock issued includes 1,736,279 shares of common stock that are held in escrow by an escrow agent on behalf of the former stockholders of First Southwest that may be released to such stockholders upon the satisfaction of the earnout provisions contained in the First Southwest Merger Agreement. Pursuant to the First Southwest Merger Agreement, the former shareholders of First Southwest are entitled to vote these earnout shares prior to their cancellation or release from escrow.

	PlainsCapital Common Stock Beneficially Owned(1)	
Name	**Number**	**Percentage**
Directors and Named Executive Officers		
Charlotte Jones Anderson	3,586(2)	*
Tracy A. Bolt	3,586(3)	*
Hill A. Feinberg	2,162,145(4)(5)	6.3%
James R. Huffines	222,658(6)	*
Lee Lewis	781,186(7)	2.3%
Andrew J. Littlefair	3,586(8)	*
John A. Martin	12,965(9)	*
Michael T. McGuire	3,586(10)	*
Todd L. Salmans	61,692(11)	*
Jerry L. Schaffner	228,451(12)	*
A. Haag Sherman	18,586(13)	*
Robert C. Taylor, Jr.	36,463(14)	*
Alan B. White	2,803,180(5)(15)(16)	8.1%
PlainsCapital Named Executive Officers and Directors as a Group (13 persons)	6,341,670	18.4%
Certain Persons		
Charles Eric Maedgen Exempt Estate Trust	2,389,122(5)(17)(18)	6.9%
Maedgen & White, Ltd.	2,389,122(5)(16)(17)	6.9%
Elizabeth M. White	2,554,816(19)	7.4%

* Less than 1%.

(1) No shares of PlainsCapital's second class of common stock were issued or outstanding as of August 2, 2012.

(2) Includes 1,071 shares of restricted stock granted to Ms. Anderson. Pursuant to the terms of her restricted stock grant, she has the right to vote the shares but may only dispose of the shares after they vest on May 9, 2013.

(3) Includes 1,071 shares of restricted stock granted to Mr. Bolt. Pursuant to the terms of his restricted stock grant, he has the right to vote the shares but may only dispose of the shares after they vest on May 9, 2013.

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(4) Includes 532,284 shares of common stock currently held in escrow with U.S. Bank National Association for the benefit of Mr. Feinberg (the "Feinberg Earnout Shares"). The Feinberg Earnout Shares are subject to the earnout provisions of the First Southwest Merger Agreement. Mr. Feinberg may not receive the Feinberg Earnout Shares until January 31, 2013, and the number of shares that he will receive, if any, is subject to reduction in accordance with the terms of the First Southwest Merger Agreement. Mr. Feinberg has the right to vote, but not the power to dispose of, the Feinberg Earnout Shares prior to their cancellation or release from escrow and may be deemed the beneficial owner thereof. Also includes 36,000 shares of restricted stock granted to Mr. Feinberg. Pursuant to the terms of Mr. Feinberg's restricted stock grant, he has the right to vote such shares but may only dispose of such shares to the extent they have vested. 435,000 of the shares held by Mr. Feinberg are pledged as security on a loan from an unaffiliated party.

(5) Such beneficially owned shares of common stock are subject to a voting and support agreement with Hilltop. Pursuant to such agreement, Hilltop may cause such beneficially owned shares to be voted in favor of approval of the merger as more fully described in the section titled "The Merger Agreement Voting Agreements" above.

(6) Includes 5,400 shares of common stock issuable to Mr. Huffines upon exercise of stock options. Also includes 55,000 shares of restricted stock granted to Mr. Huffines. Pursuant to the terms of Mr. Huffines' restricted stock grant, he has the right to vote such shares but may only dispose of such shares to the extent they have vested. Also includes 7,890 shares of common stock allocated to the account of Mr. Huffines pursuant to the ESOP. Each ESOP participant has the right to direct the ESOP Trustee to vote the shares allocated to his or her account on all matters requiring the vote of PlainsCapital's shareholders and as such, Mr. Huffines may be deemed the beneficial owner of such shares.

(7) Includes 777,600 shares of common stock held by Lee Lewis Construction. Mr. Lewis is the sole owner of Lee Lewis Construction and may be deemed to have voting and/or investment power with respect to the shares owned by Lee Lewis Construction. Also includes 1,071 shares of restricted stock granted to Mr. Lewis. Pursuant to the terms of his restricted stock grant, he has the right to vote the shares but may only dispose of the shares after they vest on May 9, 2013.

(8) Includes 1,071 shares of restricted stock granted to Mr. Littlefair. Pursuant to the terms of his restricted stock grant, he has the right to vote the shares but may only dispose of the shares after they vest on May 9, 2013.

(9) Includes 338 shares of common stock allocated to the account of Mr. Martin pursuant to the ESOP. Each ESOP participant has the right to direct the ESOP Trustee to vote the shares allocated to his or her account on all matters requiring the vote of PlainsCapital's shareholders and as such, Mr. Martin may be deemed the beneficial owner of such shares.

(10) Includes 1,071 shares of restricted stock granted to Mr. McGuire. Pursuant to the terms of his restricted stock grant, he has the right to vote the shares but may only dispose of the shares after they vest on May 9, 2013.

(11) Includes 1,991 shares of common stock allocated to the account of Mr. Salmans pursuant to the ESOP. Each ESOP participant has the right to direct the ESOP Trustee to vote the shares allocated to his or her account on all matters requiring the vote of PlainsCapital's shareholders and as such, Mr. Salmans may be deemed the beneficial owner of such shares. Includes 25,000 and 34,701 shares of restricted stock granted to Mr. Salmans on April 1, 2010 and April 1, 2011, respectively. Pursuant to the terms of Mr. Salmans' restricted stock grant, he has the right to vote such shares but may only dispose of such shares after such shares have vested on April 1, 2015 and April 1, 2016, respectively.

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(12)
Includes 7,200 shares of common stock issuable to Mr. Schaffner upon the exercise of stock options. Also includes 15,426 shares of common stock held by Mr. Schaffner in an individual retirement account and 1,881 shares held by Susan Schaffner, the spouse of Mr. Schaffner, in an individual retirement account. Also includes 45,000 shares of restricted stock granted to Mr. Schaffner. Pursuant to the terms of Mr. Schaffner's restricted stock grant, he has the right to vote such shares but may only dispose of such shares to the extent they have vested. Also includes 44,467 shares of common stock allocated to the account of Mr. Schaffner pursuant to the ESOP. Each ESOP participant has the right to direct the ESOP Trustee to vote the shares allocated to his or her account on all matters requiring the vote of PlainsCapital's shareholders and as such, Mr. Schaffner may be deemed the beneficial owner of such shares.

(13)
Includes 1,071 shares of restricted stock granted to Mr. Sherman. Pursuant to the terms of his restricted stock grant, he has the right to vote the shares but may only dispose of the shares after they vest on May 9, 2013.

(14)
Includes 1,071 shares of restricted stock granted to Mr. Taylor. Pursuant to the terms of his restricted stock grant, he has the right to vote the shares but may only dispose of the shares after they vest on May 9, 2013.

(15)
Includes 7,200 shares of common stock issuable to Mr. White upon exercise of stock options; 122,286 shares held by Mr. White in an individual retirement account; 6,375 shares held directly by the reporting person's spouse; 30,678 shares held by Double E Investments ("Double E"); 16,602 shares held by EAW White Family Partnership, Ltd. ("EAW"); and 10,368 held by Maedgen, White and Maedgen ("MW&M"). As the manager of Double E, the managing partner of MW&M and the sole member of the general partner of EAW, Mr. White has exclusive authority to vote and/or dispose of the securities held by Double E, MW&M and EAW, respectively, and may, therefore, be deemed to have sole voting and dispositive power over the shares of common stock held by Double E, MW&M and EAW. Also includes 2,389,122 shares held by Maedgen & White, Ltd. 442,977 of the shares held by Maedgen & White, Ltd. are pledged as security on loans from an unaffiliated party. Also includes 150,000 shares of restricted stock granted to Mr. White. Pursuant to the terms of Mr. White's restricted stock grant, he has the right to vote such shares but may only dispose of such shares to the extent they have vested. Also includes 45,547 shares of common stock allocated to the account of Mr. White and 5,667 shares of common stock allocated to Mr. White's spouse pursuant to the ESOP. Each ESOP participant has the right to direct the ESOP Trustee to vote the shares allocated to his or her account on all matters requiring the vote of PlainsCapital's shareholders and as such, Mr. White may be deemed the beneficial owner of such shares.

(16)
Mr. White is the sole general partner of Maedgen & White, Ltd. and may be deemed to beneficially own the shares held by Maedgen & White, Ltd. As the sole general partner of Maedgen & White, Ltd., Mr. White has the power to vote the shares held by Maedgen & White, Ltd. The Agreement of Limited Partnership of Maedgen & White, Ltd. requires the approval of 80% of the limited partnership interests in Maedgen & White, Ltd. before its general partner may dispose of the shares held by Maedgen & White, Ltd. Mr. White, directly and indirectly, controls approximately 77% of the limited partnership interests of Maedgen & White, Ltd. and therefore may be deemed to share dispositive power over the shares held by Maedgen & White, Ltd.

(17)
The Charles Eric Maedgen Exempt Estate Trust (the "Trust") is a limited partner of Maedgen & White, Ltd. The Trust holds approximately 40% of the partnership interest in Maedgen & White, Ltd. Because the approval of 80% of the limited partnership interests in Maedgen & White, Ltd. is required before the shares held by Maedgen & White, Ltd. may be sold, the Trust has the power to prevent the sale of the shares held by Maedgen & White, Ltd. and therefore may

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be deemed to share dispositive power over the shares held by Maedgen & White, Ltd. The Trust does not have voting power over, and disclaims beneficial ownership with respect to, the shares held by Maedgen & White, Ltd. Mr. White is the sole trustee of the Trust.

(18) Comprised of 2,389,122 shares of common stock held by Maedgen & White, Ltd.

(19) Includes 2,389,122 shares held by Maedgen & White, Ltd. Ms. White is the former spouse of Mr. White, Chairman and Chief Executive Officer of PlainsCapital, and a limited partner of Maedgen & White, Ltd. Ms. White holds approximately 24% of the partnership interest in Maedgen & White, Ltd. Because the approval of 80% of the limited partnership interests in Maedgen & White, Ltd. is required before the shares held by Maedgen & White, Ltd. may be sold, Ms. White has the power to prevent the sale of the shares held by Maedgen & White, Ltd. and therefore may be deemed to share dispositive power over the shares held by Maedgen & White, Ltd. Ms. White does not have voting power over, and disclaims beneficial ownership with respect to, the shares held by Maedgen & White, Ltd. Also includes 119,955 shares held by Ms. White in an individual retirement account and 32,989 shares of common stock allocated to the account of Ms. White pursuant to the ESOP. Each ESOP participant has the right to direct the ESOP Trustee to vote the shares allocated to his or her account on all matters requiring the vote of PlainsCapital's shareholders and as such, Ms. White may be deemed the beneficial owner of such shares. Ms. White's address is c/o PlainsCapital Bank, 5010 University Ave., Lubbock, Texas 79413.

THE MERGER

Terms of the Merger

Each of Hilltop's and PlainsCapital's respective boards of directors has approved the merger agreement. The merger agreement provides for the merger of PlainsCapital with and into Meadow Corporation, a subsidiary of Hilltop, with Meadow Corporation continuing as the surviving entity. In the merger, each share of PlainsCapital common stock, par value $0.01 per share, issued and outstanding immediately prior to the completion of the merger will be converted into the right to receive $9.00 in cash and 0.776 of a share of Hilltop common stock, subject to certain adjustments. No fractional shares of Hilltop common stock will be issued in connection with the merger, and holders of PlainsCapital common stock will be entitled to receive cash in lieu thereof.

Hilltop shareholders are being asked to approve the issuance of Hilltop common stock in connection with the merger agreement and PlainsCapital shareholders are being asked to approve the merger agreement. See "The Merger Agreement" included elsewhere in this joint proxy statement/prospectus for additional and more detailed information regarding the legal documents that govern the merger, including information about the conditions to the completion of the merger and the provisions for terminating and amending the merger agreement.

Background of the Merger

Each of the PlainsCapital board of directors and the Hilltop board of directors has from time to time engaged with their respective senior management to explore strategic alternatives to enhance shareholder value and, in the case of the PlainsCapital board of directors, as there is currently no established market for PlainsCapital's common stock, to provide liquidity to shareholders.

In December 2008, PlainsCapital participated in the Capital Purchase Program ("CPP") of the U.S. Treasury through the sale of preferred stock to the Treasury, which raised approximately $87 million of capital. Later in December 2008, PlainsCapital purchased First Southwest, a financial advisory company.

PlainsCapital later decided to pursue an initial public offering and filed an S-1 registration statement with the SEC in August 2009. In November 2009, due to continued softening in the equity markets, PlainsCapital suspended its initial public offering but did not withdraw its S-1 registration statement on file with the SEC.

Beginning in December 2010 and continuing into the first few months of 2011, various financial institutions and investors contacted Alan White, the Chairman and Chief Executive Officer of PlainsCapital to discuss possible strategic transactions. Interested parties included both financial and strategic parties. Most of the discussions with these parties did not lead to any formal proposal, while discussions with one strategic partner led to a proposal that the PlainsCapital board of directors concluded was not financially attractive for shareholders. All discussions had generally concluded by April 2011, except for discussions between Mr. White and a financial investor, which recurred from time to time during the summer of 2011 but ultimately did not lead to a proposal of financial terms. During this period, the PlainsCapital board of directors continued to weigh potential transactions against resuming an initial public offering, although market conditions for an offering remained uncertain.

On April 4, 2011, Mr. White met with Curt Bradbury from Stephens, who informed Mr. White that Gerald Ford, the chairman of Hilltop, was potentially interested in a strategic combination between Hilltop and PlainsCapital. On April 7, 2011, Mr. White and Mr. Hill A. Feinberg, the Chairman and Chief Executive Officer of First Southwest, met with Mr. Ford and discussed the possible combination between Hilltop and PlainsCapital. At a special meeting on April 8, 2011, the PlainsCapital board of directors discussed the various strategic combinations that Mr. White had

pursued over the previous months. Mr. White informed the PlainsCapital board of directors about his discussions with Mr. Ford concerning Hilltop's potential interest in a combination. Based on Mr. Ford's favorable industry reputation and proven track record in building successful banking franchises, the PlainsCapital board of directors authorized Mr. White and the rest of PlainsCapital's management to engage in exploratory discussions with Hilltop. On April 28, 2011, at a meeting of the Hilltop board of directors, Mr. Ford informed the Hilltop board of directors of the initiation of discussions with PlainsCapital regarding a potential strategic transaction between the two companies.

During May and June of 2011, Mr. White and representatives from Hilltop continued to discuss the possibility of a transaction and began to work through organizational and structural issues. In late May, Hilltop made a preliminary offer of $14.00 per share of PlainsCapital common stock, to be paid 40% in cash and 60% in Hilltop stock. In early June, PlainsCapital and Hilltop entered into a confidentiality agreement to facilitate due diligence. On June 21 and 22, Mr. White informed Mr. Bradbury and Mr. Ford that if Hilltop was interested in proceeding with negotiations it needed to increase its offer price. Mr. Ford agreed to do so, as confirmed in an indication of interest delivered to Mr. White on June 24, 2011. In that letter, Hilltop made a preliminary offer of $8.10 in cash and 0.699 shares of Hilltop common stock for each share of PlainsCapital common stock, equal to a total value per share of $14.14 based on the trading price of Hilltop's common stock on such date and $16.20 per share of PlainsCapital common stock based on Hilltop's March 31, 2011 book value.

On June 29, 2011, the PlainsCapital board of directors met to discuss the Hilltop indication of interest. The PlainsCapital board of directors authorized management to proceed with detailed due diligence on Hilltop and further negotiation of potential terms of a merger, and also authorized the engagement of J.P. Morgan as financial advisor and Haynes and Boone, LLP and Sullivan & Cromwell LLP as legal advisors to assist in the potential transaction.

During July and August of 2011 Hilltop performed extensive due diligence on PlainsCapital. On July 28, 2011, the mergers and acquisitions committee of the Hilltop board of directors held a meeting to discuss the status and terms of the potential transaction, and the process and results to date of Hilltop's due diligence on PlainsCapital. At a meeting held on August 4, 2011, Hilltop management updated the Hilltop board of directors on the progress and results to date of Hilltop's due diligence on PlainsCapital.

The PlainsCapital board of directors met on August 11, 2011 to discuss the status of the Hilltop transaction and, with the assistance of J.P. Morgan, to evaluate the economic terms of the Hilltop transaction as compared to an initial public offering of PlainsCapital's common stock. Negotiations with Hilltop continued into September 2011. On September 9, 2011, Mr. Ford informed Mr. White that following its due diligence Hilltop was not able to maintain its initial offer but would potentially be interested in a transaction at a reduced price. Mr. White updated the PlainsCapital board of directors of these developments at a meeting held on September 13, 2011. Following discussion and consultation with J.P. Morgan, the PlainsCapital board of directors concluded that the possibility of reducing the price, when combined with Hilltop's decreasing stock price, made a combination with Hilltop financially unattractive. Accordingly, the PlainsCapital board of directors authorized management to discontinue discussions with Hilltop. Hilltop management informed the members of the Hilltop board of directors of the termination of discussions.

In September 2011, Mr. White and Mr. John Martin, the Chief Financial Officer of PlainsCapital, met with a private equity firm to discuss a possible equity investment in PlainsCapital, which could be used to redeem the CPP preferred stock sold to the U.S. Treasury or for acquisitions. In late September 2011, PlainsCapital received approval to participate in the U.S. Treasury's SBLF. Following receipt of approval from the PlainsCapital board of directors, PlainsCapital closed the SBLF transaction and used a significant portion of the proceeds to redeem its CPP preferred stock. While this transaction made a potential private equity investment less attractive, Mr. White and Mr. Martin

continued discussions with the private equity firm through early 2012. PlainsCapital continued in late 2011 to evaluate various strategic options to raise capital to fund expansion, including issuing equity in one or more private placements and recommencing preparation for an IPO.

On October 27, 2011, the mergers and acquisitions committee of the Hilltop board of directors held a meeting and discussed the termination of discussions between Hilltop and PlainsCapital. On November 2, 2011, the Hilltop board of directors held a meeting and discussed the termination of discussions between Hilltop and PlainsCapital.

During the first quarter of 2012, a number of investment banks contacted PlainsCapital to discuss the equity markets generally and the potential for an initial public offering by PlainsCapital.

On March 23, 2012, Mr. Ford called Mr. White to discuss potentially reopening negotiations concerning a strategic combination of Hilltop and PlainsCapital. Mr. Ford and Mr. White discussed the potential structure and valuation of the transaction. No specific terms for a transaction were proposed at that time.

On March 28, 2012, Mr. Ford and Mr. White met once again to discuss the potential transaction. They discussed a structure in which PlainsCapital would become a subsidiary of Hilltop, and after further discussions of price, Mr. Ford made a preliminary offer of consideration of $9.00 in cash and $9.00 in shares of Hilltop common stock per share of PlainsCapital common stock, based on Hilltop's December 31, 2011 book value (equal to 0.776 shares of Hilltop common stock). Based on the trading price of Hilltop's common stock on such date, this was equal to a total value per share of PlainsCapital common stock of $15.58.

On April 2, 2012, at a special meeting of the PlainsCapital board of directors, the PlainsCapital board of directors discussed the potential business combination with Hilltop and its benefits, including specifically that it would provide liquidity for PlainsCapital shareholders through the payment of cash and publicly traded stock consideration. The PlainsCapital board of directors also discussed other potential transactions that might be available to PlainsCapital in the future. After a discussion of these issues and the proposed transaction with Hilltop in general, the PlainsCapital board of directors authorized the executive management of PlainsCapital to conduct due diligence and attempt to negotiate a business combination transaction with Hilltop.

On April 3, 2012, the Hilltop board of directors held a telephonic meeting during which Mr. Ford informed the board of directors of the discussions with PlainsCapital regarding a potential transaction, and reviewed for the Hilltop board of directors the background of the discussions and negotiations between PlainsCapital and Hilltop, taking questions from the board of directors throughout.

During April 2012, the executive management of each company continued to perform due diligence on the other company and worked towards negotiating a definitive merger agreement. On April 9, 2012, Wachtell, Lipton, Rosen & Katz, Hilltop's legal advisor, delivered a draft merger agreement to Sullivan & Cromwell.

On April 25, 2012, the mergers and acquisitions committee of the Hilltop board of directors held a meeting to discuss the status and terms of the potential transaction, and the process and results to date of Hilltop's due diligence on PlainsCapital.

On May 3, 2012, the PlainsCapital board of directors met with senior management of PlainsCapital and their outside legal and financial advisors. Management reviewed for the PlainsCapital board of directors the background of the discussions and negotiations between PlainsCapital and Hilltop. Representatives of J.P. Morgan gave a presentation to the PlainsCapital board of directors concerning the financial aspects of the proposed transaction with Hilltop.

Following this presentation, management discussed in detail the process and conclusions drawn from its reverse due diligence on Hilltop. Representatives of Sullivan & Cromwell then described to the

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PlainsCapital board of directors the material legal terms of the transaction and the regulatory and shareholder approvals that would be required to complete the proposed merger. The financial and legal advisors then met solely with the independent directors in executive session before the meeting was adjourned.

On May 3, 2012, the Hilltop board of directors met with senior management of Hilltop and with Stephens. Management reviewed for the Hilltop board of directors the background of the discussions and negotiations between PlainsCapital and Hilltop. Representatives of Stephens gave a presentation to the Hilltop board of directors concerning the financial aspects of the proposed transaction with PlainsCapital. Following this presentation, management discussed in detail the process and results to date of Hilltop's due diligence on PlainsCapital.

Between May 3 and May 8, 2012, management of PlainsCapital and Hilltop and their respective financial and legal advisors continued to negotiate the terms of the definitive merger agreement.

On May 8, 2012, the PlainsCapital board of directors again met with senior management and its legal and financial advisors. Representatives of J.P. Morgan led a discussion concerning the financial terms of the proposed transaction and rendered to the PlainsCapital board of directors its oral opinion (subsequently confirmed in a written opinion dated the same date), as described under "The Merger Opinion of PlainsCapital's Financial Advisor" included elsewhere in this joint proxy statement/prospectus, that, as of the date of its opinion, 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 PlainsCapital common stock was fair, from a financial point of view, to such holders.

Representatives of Sullivan & Cromwell then discussed the terms of the transaction as set forth in the proposed definitive merger agreement and the terms of the other agreements that related persons of PlainsCapital would enter into in connection with the proposed transaction. PlainsCapital's financial and legal advisors then met with the independent directors in executive session.

After these discussions, the PlainsCapital board of directors unanimously approved the proposed merger, authorized management to enter into a definitive merger agreement, recommended that PlainsCapital shareholders vote in favor of the merger and authorized management to execute the merger agreement.

On May 8, 2012, the Hilltop board of directors held a telephonic meeting, along with its financial and legal advisors, to review and consider the transaction. Stephens reviewed with the Hilltop board of directors its financial analysis of the proposed merger and the proposed consideration and rendered to the Hilltop board of directors its oral opinion (subsequently confirmed in a written opinion dated the same date), as described under "The Merger Opinion of Hilltop's Financial Advisor" included elsewhere in this joint proxy/prospectus, that, as of the date of its opinion, and based upon and subject to the various assumptions, considerations, qualifications and limitations set forth in its written opinion, the consideration to be paid by Hilltop pursuant to the merger agreement was fair, from a financial point of view, to Hilltop. The representative of Wachtell Lipton reviewed the provisions of the merger agreement and the other agreements that related persons of Hilltop would enter into in connection with the proposed transaction. After these discussions, the Hilltop board of directors, by unanimous vote, determined that the merger agreement was advisable and in the best interests of Hilltop and its shareholders, recommended that Hilltop's shareholders vote in favor of the stock issuance proposal and authorized management to execute the merger agreement. In addition, the Hilltop board of directors agreed that, upon effectiveness of the merger, certain provisions in Hilltop's charter relating to restrictions on ownership of Hilltop's common stock would cease to be effective.

After the meetings of the Hilltop and PlainsCapital boards of directors, Hilltop and PlainsCapital executed the merger agreement. In addition, Mr. White, Mr. Feinberg, certain entities controlled by Mr. White and certain entities controlled by Mr. Ford executed voting and support agreements with

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respect to the transaction, and Mr. White and Mr. Jerry L. Schaffner entered into retention agreements with Hilltop relating to their employment following closing of the merger.

The transaction was announced on the morning of May 9, 2012 in a press release issued jointly by Hilltop and PlainsCapital.

PlainsCapital's Reasons for the Merger; Recommendation of the PlainsCapital Board of Directors

After careful consideration, at its meeting on May 8, 2012, the PlainsCapital board of directors determined that the plan of merger contained in the merger agreement is in the best interests of PlainsCapital and its shareholders and that the consideration to be received in the merger is fair to the PlainsCapital shareholders. Accordingly, the PlainsCapital board of directors, by a unanimous vote of the directors, adopted the merger agreement and the plan of merger and unanimously recommends that PlainsCapital shareholders vote "FOR" approval of the plan of merger.

In reaching its decision to adopt the merger agreement and recommend approval of the merger agreement to the PlainsCapital shareholders, the PlainsCapital board of directors consulted with PlainsCapital's management, as well as with its outside legal and financial advisors, and considered a number of factors, including:

The PlainsCapital board of directors has evaluated multiple potential acquisitions presented by management over the past several years, particularly from late 2010 through early 2012, as well as an IPO as an independent company. The PlainsCapital board of directors considered that management had met with several of the most likely acquirors given PlainsCapital's size, businesses and markets, and that the merger consideration offered by Hilltop to PlainsCapital shareholders was more favorable than that in other potential acquisition transactions. Further, based on its knowledge of PlainsCapital's business, operations, financial condition, earnings and prospects, and its knowledge of the current environment in the financial services industry, including national and economic conditions and financial market conditions, the PlainsCapital board of directors concluded that the Hilltop transaction would deliver greater value to PlainsCapital shareholders than they could realize as shareholders of an independent company.

Based on a comparison of the closing price on the NYSE of Hilltop common stock on May 8, 2012 with the value of the per share merger consideration of $9.00 in cash plus 0.776 shares of Hilltop common stock as of the market close on the day prior to public announcement of the merger, the PlainsCapital board of directors considered that the market value of the merger consideration for PlainsCapital shareholders as of May 8, 2012, would be $15.18 per share, or approximately $528 million in the aggregate. The PlainsCapital board of directors also considered Hilltop's business, operations, financial condition, earnings and prospects and took into account the results of PlainsCapital's due diligence review of Hilltop when evaluating the portion of the merger consideration to be paid in Hilltop common stock. Before the announcement of the merger, Hilltop's common stock traded at a significant discount to its book value. Because PlainsCapital will form the majority of the earnings and assets of Hilltop on a pro forma basis, the PlainsCapital board of directors considered the possibility that Hilltop's common stock would trade closer to its book value once the transaction was announced. The PlainsCapital board of directors also considered that PlainsCapital shareholders would receive shares of a New York Stock Exchange-listed company, without any trading restrictions or discount associated with an initial public offering. The PlainsCapital board of directors also considered Mr. Ford's favorable industry reputation and proven track record in building successful banking franchises and the value that he would be expected to add for future Hilltop shareholders, as well as the approximately $200 million in cash that Hilltop will have available for investing in PlainsCapital or other strategic opportunities.

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The PlainsCapital board of directors considered as favorable to its decision the financial analysis presented by J.P. Morgan to the PlainsCapital board of directors and the oral opinion delivered to PlainsCapital by J.P. Morgan on May 8, 2012, which was subsequently confirmed in a written opinion dated the same date delivered to PlainsCapital by J.P. Morgan, to the effect that, as of May 8, 2012 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 the outstanding shares of common stock of PlainsCapital pursuant to the merger agreement was fair, from a financial point of view, to such holders.

The PlainsCapital board of directors considered that the merger is expected to qualify as a "reorganization" for United States federal income tax purposes, which would generally allow PlainsCapital shareholders not to recognize gains to the extent that their gains exceed the cash portion of the merger consideration.

The PlainsCapital board of directors considered the governance of Hilltop upon completion of the merger, including (1) the retention of key members of PlainsCapital management, (2) the restructuring of Hilltop's board of directors so that one less than a majority of the members would be members of the pre-merger PlainsCapital board of directors, and (3) the appointment of Mr. White as Chairman and Chief Executive Officer of the surviving PlainsCapital company and Vice Chairman of the Hilltop board of directors. The PlainsCapital board of directors viewed these commitments as desirable given the confidence the PlainsCapital board of directors has in the PlainsCapital management team and the fact that PlainsCapital shareholders who receive Hilltop common stock would retain a substantial investment in the combined company and the value of such investment would be enhanced by the skills and strength of the combined company's management and board of directors.

The PlainsCapital board of directors assessed the regulatory and other approvals required in connection with the merger and the likelihood that the approvals needed to complete the merger would be obtained without unacceptable conditions. Further, because the merger would require approval of Hilltop's shareholders, the PlainsCapital board of directors also considered that Mr. Ford has agreed to vote his shares of Hilltop in favor of the merger.

The PlainsCapital board of directors considered the merger agreement's limitations on solicitation of alternative business combination transactions and the events that could lead to a termination of the merger agreement and the termination fees payable under certain circumstances. The PlainsCapital Board concluded that these restrictions would not prevent an interested third party from making a bona fide acquisition proposal that is superior for PlainsCapital shareholders. The PlainsCapital board of directors also considered the similar restrictions and termination fees payable by Hilltop under certain circumstances and believes that these provisions will increase the likelihood that Hilltop completes the transaction.

The PlainsCapital board of directors considered that some of PlainsCapital's directors and executive officers have other interests in the merger that are different from, or in addition to, their interests as PlainsCapital shareholders. See "The Merger Interests of Certain Directors and Executive Officers in the Merger" included elsewhere in this joint proxy statement/prospectus.

The foregoing discussion of the information and factors considered by the PlainsCapital board of directors is not intended to be exhaustive, but includes the material factors considered by the PlainsCapital board of directors. In reaching its decision to approve the merger agreement, the merger and the other transactions contemplated by the merger agreement, the PlainsCapital board of directors did not quantify or assign any relative weights to the factors considered, and individual directors may have given different weights to different factors. The PlainsCapital board of directors considered all these factors as a whole, including discussions with, and questioning of, PlainsCapital's management

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and PlainsCapital's financial and legal advisors, and overall considered the factors to be favorable to, and to support, its determination.

The PlainsCapital board of directors recommends that you vote "FOR" the proposal to adopt the merger agreement, "FOR" the proposal to approve on a non-binding, advisory basis, compensation that may be paid or become payable to PlainsCapital's named executive officers that is based on or otherwise relates to the merger contemplated by the merger agreement and "FOR" the proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies.

Hilltop's Reasons for the Merger; Recommendation of the Hilltop Board of Directors

In reaching its decision to adopt and approve the merger agreement, the merger and the other transactions contemplated by the merger agreement, and to recommend that its shareholders approve the share issuance proposal, the Hilltop board of directors consulted with Hilltop management, as well as its financial and legal advisors, and considered a number of factors, including the following material factors:

- each of Hilltop's and PlainsCapital's business, operations, financial condition, asset quality, earnings and prospects. In reviewing these factors, the Hilltop board of directors considered its view that PlainsCapital's business and operations complement those of Hilltop and that the merger would result in a combined company with a diversified revenue stream, a well-balanced portfolio and an attractive funding base;

- its understanding of the current and prospective environment in which Hilltop and PlainsCapital operate, including national and local economic conditions, the competitive environment for financial institutions generally, and the likely effect of these factors on Hilltop both with and without the proposed transaction;

- its review and discussions with Hilltop's management concerning the due diligence examination of PlainsCapital;

- the complementary nature of the cultures of the two companies, which management believes should facilitate integration and implementation of the transaction;

- management's expectation that Hilltop will retain its strong capital position upon completion of the transaction;

- the written opinion of Stephens, Hilltop's financial advisor, dated as of May 8, 2012, delivered to the Hilltop board of directors to the effect that, as of that date, and subject to and based on the various assumptions, considerations, qualifications and limitations set forth in the opinion, the exchange ratio pursuant to the merger agreement was fair, from a financial point of view, to Hilltop;

- the financial and other terms of the merger agreement, including the fixed exchange ratio, tax treatment and mutual deal protection and termination fee provisions, which it reviewed with its outside financial and legal advisors;

- the potential risks associated with achieving anticipated cost synergies and savings and successfully integrating PlainsCapital's business, operations and workforce with those of Hilltop;

- the nature and amount of payments to be received by PlainsCapital management in connection with the merger;

- the potential risk of diverting management attention and resources from the operation of Hilltop's business and towards the completion of the merger; and

the regulatory and other approvals required in connection with the merger and the expectation that such regulatory approvals will be received in a timely manner and without the imposition of unacceptable conditions.

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The foregoing discussion of the information and factors considered by the Hilltop board of directors is not intended to be exhaustive, but includes the material factors considered by the Hilltop board of directors. In reaching its decision to approve the merger agreement, the merger and the other transactions contemplated by the merger agreement, the Hilltop board of directors did not quantify or assign any relative weights to the factors considered, and individual directors may have given different weights to different factors. The Hilltop board of directors considered all these factors as a whole, including discussions with, and questioning of, Hilltop's management and Hilltop's financial and legal advisors, and overall considered the factors to be favorable to, and to support, its determination.

For the reasons set forth above, the Hilltop board of directors unanimously determined that the merger agreement and the transactions contemplated by the merger agreement, including the issuance of Hilltop common stock in connection with the merger, are advisable and in the best interests of Hilltop and its shareholders, and unanimously adopted and approved the merger agreement and the transactions contemplated by it. The Hilltop board of directors unanimously recommends that the Hilltop shareholders vote "FOR" the approval of the issuance of Hilltop common stock to PlainsCapital shareholders pursuant to the merger agreement, "FOR" the proposal to approve the adoption of the Hilltop Holdings Inc. 2012 Equity Incentive Plan, "FOR" the proposal to approve the adoption of the Hilltop Holdings Inc. Annual Incentive Plan and "FOR" the proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies.

Opinion of PlainsCapital's Financial Advisor

Pursuant to an engagement letter effective as of May 23, 2011, the board of directors of PlainsCapital retained J.P. Morgan as its financial advisor for the purpose of advising the board of directors in connection with the proposed merger. At the meeting of the board of directors on May 8, 2012, J.P. Morgan rendered its oral opinion to the board of directors (which was subsequently confirmed in writing by delivery of J.P. Morgan's 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 such opinion, the per share cash consideration (as defined in the merger agreement) and the exchange ratio (as defined in the merger agreement) (together, the "Consideration") to be paid to the holders of PlainsCapital common stock in the proposed merger was fair, from a financial point of view, to such holders. The J.P. Morgan written opinion, dated May 8, 2012, is sometimes referred to herein as the J.P. Morgan opinion.

The full text of the written opinion of J.P. Morgan dated May 8, 2012, which sets forth, among other things, the assumptions made, procedures followed, matters considered and any limitations on the review undertaken in rendering its opinion, is attached as Annex B to this joint proxy statement/prospectus and is incorporated herein by reference. The summary of J.P. Morgan's opinion set forth in this document is qualified in its entirety by reference to the full text of the opinion. Shareholders should read this opinion carefully and in its entirety. J.P. Morgan's written opinion is addressed to the PlainsCapital board of directors, is directed only to the Consideration to be paid in the merger and does not constitute a recommendation to any PlainsCapital shareholder as to how such shareholder should vote with respect to the merger or any other matter. The issuance of the J.P. Morgan opinion was approved by a fairness opinion committee of J.P. Morgan. J.P. Morgan provided its opinion to the PlainsCapital board of directors in connection with and for the purposes of its evaluation of the merger.

In arriving at its opinion, J.P. Morgan, among other things:

- reviewed the merger agreement;
- reviewed certain publicly available business and financial information concerning PlainsCapital and Hilltop and the industries in which they operate;

- compared the proposed financial terms of the merger with the publicly available financial terms of certain transactions involving companies J.P. Morgan deemed relevant and the consideration paid for such companies;

- compared the financial and operating performance of PlainsCapital and Hilltop with publicly available information concerning certain other companies J.P. Morgan deemed relevant and reviewed the current and historical market prices of Hilltop's common stock and certain publicly traded securities of such other companies;

- reviewed certain internal financial analyses and forecasts prepared by the management of each of PlainsCapital and Hilltop relating to their respective businesses; and

- performed such other financial studies and analyses and considered such other information as J.P. Morgan deemed appropriate for the purposes of its opinion.

In addition, J.P. Morgan held discussions with certain members of the management of each of PlainsCapital and Hilltop with respect to certain aspects of the merger, and the past and current business operations of PlainsCapital and Hilltop, the financial condition and future prospects and operations of PlainsCapital and Hilltop, the effects of the merger on the financial condition and future prospects of PlainsCapital and Hilltop, and certain other matters J.P. Morgan believed necessary or appropriate to its inquiry.

In giving its opinion, J.P. Morgan relied upon and assumed the accuracy and completeness of all information that was publicly available or was furnished to or discussed with J.P. Morgan by PlainsCapital and Hilltop or otherwise reviewed by or for J.P. Morgan, and J.P. Morgan did not independently verify (nor did it assume responsibility or liability for independently verifying) any such information or its accuracy or completeness. J.P. Morgan did not conduct and was not provided with any valuation or appraisal of any assets or liabilities, nor did J.P. Morgan evaluate the solvency of PlainsCapital or Hilltop under any state or federal laws relating to bankruptcy, insolvency or similar matters. In relying on financial analyses and forecasts provided to J.P. Morgan or derived therefrom, J.P. Morgan assumed that they were reasonably prepared based on assumptions reflecting the best then available estimates and judgments by management as to the expected future results of operations and financial condition of PlainsCapital and Hilltop to which such analyses or forecasts relate. J.P. Morgan expressed no view as to such analyses or forecasts or the assumptions on which they were based. J.P. Morgan also assumed that the merger and the other transactions contemplated by the merger agreement will qualify as a tax-free reorganization for United States federal income tax purposes and will be consummated as described in the merger agreement. J.P. Morgan also assumed that the representations and warranties made by PlainsCapital and Hilltop in the merger agreement and the related agreements are and will be true and correct in all respects material to J.P. Morgan's analysis. In addition, J.P. Morgan assumed that there will be no issuances of additional shares of PlainsCapital common stock or other securities following the date of the J.P. Morgan opinion that will cause the per share consideration and the exchange ratio to be less than $9.00 and 0.776, respectively. J.P. Morgan is not a legal, regulatory or tax expert and relied on the assessments made by advisors to PlainsCapital with respect to such issues. J.P. Morgan further assumed that all material governmental, regulatory or other consents and approvals necessary for the consummation of the merger will be obtained without any adverse effect on PlainsCapital or Hilltop or on the contemplated benefits of the merger.

The J.P. Morgan opinion is necessarily based on economic, market and other conditions as in effect on, and the information made available to J.P. Morgan as of, the date of the J.P. Morgan opinion. It should be understood that subsequent developments may affect the J.P. Morgan opinion, and that J.P. Morgan does not have any obligation to update, revise or reaffirm the J.P. Morgan opinion. The J.P. Morgan opinion is limited to the fairness, from a financial point of view, of the Consideration to be paid to the holders of PlainsCapital common stock in the proposed merger and J.P. Morgan has expressed no opinion as to the fairness of any consideration paid in connection with

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the merger to the holders of any other class of securities, creditors or other constituencies of PlainsCapital or as to the underlying decision by PlainsCapital to engage in the merger. Furthermore, J.P. Morgan has expressed no opinion with respect to the amount or nature of any compensation to any officers, directors, or employees of any party to the merger, or any class of such persons, relative to the merger consideration to be paid to the holders of PlainsCapital common stock in the merger or with respect to the fairness of any such compensation. J.P. Morgan has expressed no opinion as to the price at which the Hilltop common stock will trade at any future time.

In accordance with customary investment banking practice, J.P. Morgan employed generally accepted valuation methods in reaching its opinion. The following is a summary of the material financial analyses undertaken by J.P. Morgan in connection with rendering the J.P. Morgan opinion delivered to the PlainsCapital board of directors on May 8, 2012 and contained in the presentation delivered to the PlainsCapital board of directors on May 8, 2012 in connection with the rendering of such opinion. Some of the summaries of the financial analyses include information presented in tabular format. The tables are not intended to stand alone, and in order to more fully understand the financial analyses used by J.P. Morgan, the tables must be read together with the full text of each summary. Considering the data set forth herein without considering the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of J.P. Morgan's financial analyses.

The projections furnished to J.P. Morgan for PlainsCapital and Hilltop were prepared by the managements of PlainsCapital and Hilltop, respectively, in connection with the merger. PlainsCapital and Hilltop do not publicly disclose internal management forecasts of the type provided to J.P. Morgan in connection with J.P. Morgan's analysis of the merger, and such forecasts were prepared in connection with the merger and were not prepared with a view toward public disclosure. These forecasts were based on numerous variables and assumptions that are inherently uncertain and may be beyond the control of management, including, without limitation, factors related to general economic and competitive conditions and prevailing interest rates. Accordingly, actual results could vary significantly from those set forth in such forecasts. See the section titled "Opinion of PlainsCapital's Financial Advisor Financial Projections" included elsewhere in this joint proxy statement/prospectus.

All values in the following "Public Trading Multiples Analysis", "Selected Transaction Analysis" and "Company Dividend Discount Analysis" sections are presented on an equity value per share basis. In arriving at equity value per share for PlainsCapital, share count in all cases is based on PlainsCapital's fully diluted shares outstanding as of December 31, 2011 of approximately 34.8 million, with diluted share count calculated using the treasury stock method of net share settlement for outstanding options.

Public Trading Multiples Analysis

Using publicly available information, J.P. Morgan compared selected financial and market data of PlainsCapital with similar data for publicly traded companies engaged in businesses which J.P. Morgan judged to be sufficiently analogous to PlainsCapital. The companies were as follows:

Publicly-Traded Regional and Texas Banks

Texas Capital Bancshares, Inc.;

International Bancshares Corporation;

EverBank Financial Corp;

First Financial Bankshares, Inc.;

Home Bancshares, Inc.;

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- ViewPoint Financial Group, Inc.;
- BancFirst Corporation;
- Renasant Corporation;
- United Community Banks, Inc.;
- Southside Bancshares, Inc.; and
- Great Southern Bancorp, Inc.

Mortgage Trading Peers

- Ocwen Financial Corporation;
- EverBank Financial Corp;
- Nationstar Mortgage Holdings Inc.;
- PHH Corporation;
- Walter Investment Management Corp.; and
- Flagstar Bancorp, Inc.

Investment Banking Peers

- Raymond James Financial, Inc.;
- Stifel Financial Corp.;
- Evercore Partners Inc.;
- KBW, Inc.; and
- SWS Group, Inc.

In all instances, multiples were based on closing stock prices on May 4, 2012. For each of the following analyses performed by J.P. Morgan, estimated financial data for the selected companies were based on the selected companies' filings with the Securities and Exchange Commission and information J.P. Morgan obtained from SNL Financial and FactSet Research Systems. The multiples and ratios for each of the selected companies were based on the most recent publicly available information.

With respect to the selected companies, the information J.P. Morgan presented included:

- multiple of price to estimated earnings per share for 2013, or Price / 2013 EPS;
- multiple of price to tangible book value per share, or Price / TBVPS; and
- premium to core deposits, which are defined as the sum of the total deposits, less time deposits with balances over $100,000, less foreign deposits, and less unclassified deposits, or Core Deposit Premium.

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Results of the analysis were presented for the selected companies, as indicated in the following table:

	Publicly Traded Regional and Texas Banks	Mortgage Trading Peers	Investment Banking Peers
Price / 2013 EPS (Median)	11.7x	8.5x	11.9x
Price / TBVPS (Median)	1.4x	1.1x	1.5x
Core Deposit Premium (%) (Median)	4.5%	N/A	N/A

Based on the above analysis, J.P. Morgan then applied a multiple reference range of 7.5x to 9.5x for Price / 2013 EPS, 1.1x to 1.7x for Price / TBVPS and 2% - 7% for Core Deposit Premium. J.P. Morgan determined the reference range for Price / 2013 EPS by calculating a blended multiple based on the weighted average of the estimated segment income for calendar year 2013 for each of PlainsCapital's segments which J.P. Morgan obtained from the management of PlainsCapital. The analysis indicated the following equity values per share of PlainsCapital common stock, as compared to the total consideration of $15.28 per share of PlainsCapital common stock (the "Assumed Consideration"), which was calculated assuming cash consideration of $9.00 and an exchange ratio of 0.776, which equals $6.28 based on the closing stock price of Hilltop common stock of $8.10 on May 4, 2012:

Price / 2013 EPS	$17.75 - $22.47
Price / TBVPS	$11.24 - $17.37
Core Deposit Premium	$11.93 - $16.21
Assumed Consideration	$15.28

Selected Transaction Analysis

Using publicly available information and earnings per share information obtained from SNL Financial and investor presentations, J.P. Morgan examined the following precedent bank transactions (both completed and pending) with transaction values between $200 million and $1 billion since July 2009:

Acquiror	Target
Cadence Bancorp, LLC	Encore Bancshares, Inc.(1)
Prosperity Bancshares, Inc.	American State Financial Corporation(1)
Susquehanna Bancshares, Inc.	Tower Bancorp, Inc.
Valley National Bancorp	State Bancorp, Inc.
Brookline Bancorp, Inc.	Bancorp Rhode Island, Inc.
Susquehanna Bancshares, Inc.	Abington Bancorp, Inc.
People's United Financial, Inc.	Danvers Bancorp, Inc.
Nara Bancorp, Inc.	Center Financial Corporation
First Niagara Financial Group, Inc.	Harleysville National Corporation

(1)
As of May 8, 2012, the date of the J.P. Morgan written opinion, the closing of this transaction had not yet occurred.

For each of the selected transactions, J.P. Morgan calculated, among other things, Price / TBVPS and Core Deposit Premium. Based on the results of this analysis and other factors that J.P. Morgan considered appropriate, J.P. Morgan applied a multiple of 1.2x to 1.8x to PlainsCapital's tangible book value per share as of December 31, 2011 and a premium of 3% - 10% to PlainsCapital's core deposits as of December 31, 2011. The analysis indicated the following implied equity values per share of

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PlainsCapital common stock, as compared to the Assumed Consideration per share of PlainsCapital common stock:

Price / TBVPS	$12.26 - $18.39
Core Deposit Premium	$12.79 - $18.78
Assumed Consideration	$15.28

Company Dividend Discount Analysis

J.P. Morgan calculated a range of implied values for PlainsCapital common stock by discounting to present values estimates of PlainsCapital's future dividend stream and terminal value. In performing its analysis, J.P. Morgan utilized the following assumptions, among others:

- December 31, 2011 valuation date;
- a blended exit multiple based on the weighted average of the estimated segment income for calendar year 2013 for each of PlainsCapital's segments which J.P. Morgan obtained from the management of PlainsCapital;
- earnings assumptions based on management estimates, including a forecast of 2012 net income (after dividends distributed by PlainsCapital in connection with its participation in the U.S. Treasury's SBLF) and 6% long-term earnings growth;
- the following asset growth assumptions based on management estimates: 6% forecast asset growth and 5% long-term asset growth;
- cost of excess capital of 3.0%;
- no cost synergies or one-time charges;
- 35% marginal tax rate;
- 10.6% constant payout ratio;
- discount rates from 13.0% - 15.0%;
- target tangible common equity to tangible asset ratio of 8.0%; and
- 5.0% credit mark on loans held for investment.

These calculations resulted in a range of implied values of $12.71 to $17.12 per share of PlainsCapital common stock, as compared to the Assumed Consideration per share of PlainsCapital common stock, as illustrated by the following table:

	Blended Exit Multiple		
Discount Rate (%)	**7.5**	**8.5**	**9.5**
13.0	$ 14.91	$ 16.02	$ 17.12
14.0	$ 13.77	$ 14.78	$ 15.79
15.0	$ 12.71	$ 13.64	$ 14.57

Assumed Consideration	$ 15.28

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"Sum of the Parts" Analysis for Hilltop

J.P. Morgan performed a "sum of the parts" valuation to calculate a range of implied per share equity values for Hilltop in order to assess the value indicated by Hilltop's closing stock price of $8.10 per share on May 4, 2012 for purposes of its inclusion as part of the merger consideration. J.P. Morgan calculated a range of implied per share equity value for NLASCO using similar analyses and methodologies to those used with respect to PlainsCapital, with appropriate adjustments to account for differences between the businesses of NLASCO and PlainsCapital. J.P. Morgan calculated a range of values for Hilltop's investment in SWS Group, Inc. ("SWS") by determining the aggregate value of (i) the present value of Hilltop's loan to SWS, (ii) the fair market value of Hilltop's open market purchases of shares of SWS common stock, and (iii) a range of values for Hilltop's warrant to purchase shares of SWS common stock by using the Black-Scholes model. In determining the sum of the parts valuation, J.P. Morgan then included the amount of Hilltop's cash and subtracted the amount of Hilltop's indebtedness outstanding with respect to its senior exchangeable notes due 2025. Such analyses supported the use of Hilltop's May 4, 2012 closing stock price for purposes of calculating the value of the Consideration.

Value Creation Analysis

J.P. Morgan prepared a value creation analysis that compared the equity value of PlainsCapital (based on the dividend discount analysis) to the pro forma combined company equity value. J.P. Morgan determined the pro forma combined company equity value by calculating (1) the sum of (a) the equity value of Hilltop based on the sum of the parts analysis described above in "Sum of the Parts Analysis for Hilltop", with a valuation for each of NLASCO and Hilltop's investment in SWS equal to the midpoint of the range of values determined by J.P. Morgan, (b) the equity value of PlainsCapital using the midpoint value determined in J.P. Morgan's dividend discount analysis described above in "Company Dividend Discount Analysis", and (c) the value of Hilltop's net operating losses as of December 31, 2011, which J.P. Morgan calculated by assuming that 100% of the net operating losses would be used to offset taxable income of the pro forma combined company and a 35% tax rate.

Based on the aggregate value of (1) the cash consideration to be received by the holders of PlainsCapital common stock in the merger and (2) the equity value of the pro forma combined company to be owned in the aggregate by the holders of PlainsCapital common stock upon the closing of the merger, the analysis indicated that the merger would create value for the holders of PlainsCapital common stock as compared to the equity value of PlainsCapital.

The foregoing summary of the material financial analyses does not purport to be a complete description of the analyses or data presented by J.P. Morgan. The preparation of a fairness opinion is a complex process and is not necessarily susceptible to partial analysis or summary description. J.P. Morgan believes that the foregoing summary and its analyses must be considered as a whole and that selecting portions of the foregoing summary and these analyses, without considering all of its analyses as a whole, could create an incomplete view of the processes underlying the analyses and its opinion. As a result, the ranges of valuations resulting from any particular analysis or combination of analyses described above were merely utilized to create points of reference for analytical purposes and should not be taken to be the view of J.P. Morgan with respect to the actual value of PlainsCapital. In arriving at its opinion, J.P. Morgan reviewed various financial and operational metrics for PlainsCapital, including forecasts with respect to PlainsCapital and Hilltop which were made available to J.P. Morgan by or on behalf of PlainsCapital and Hilltop. In arriving at its opinion, J.P. Morgan did not attribute any particular weight to any analyses or factors considered by it and did not form an opinion as to whether any individual analysis or factor (positive or negative), considered in isolation, supported or failed to support its opinion. Rather, J.P. Morgan considered the totality of the factors and analyses performed in determining its opinion. Analyses based upon forecasts of future results are inherently uncertain, as they are subject to numerous factors or events beyond the control of the parties and their

advisors. Accordingly, forecasts and analyses used or made by J.P. Morgan are not necessarily indicative of actual future results, which may be significantly more or less favorable than suggested by those analyses. Moreover, J.P. Morgan's analyses are not and do not purport to be appraisals or otherwise reflective of the prices at which businesses actually could be bought or sold. None of the selected companies reviewed is identical to PlainsCapital or Hilltop. However, the companies selected were chosen because they are publicly traded companies with operations and businesses that, for purposes of J.P. Morgan's analysis, may be considered similar to those of PlainsCapital or Hilltop, as applicable. The analyses necessarily involve complex considerations and judgments concerning differences in financial and operational characteristics of the companies involved and other factors that could affect the companies compared to PlainsCapital or Hilltop, as applicable.

As a part of its investment banking business, J.P. Morgan and its affiliates are continually engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, investments for passive and control purposes, negotiated underwritings, competitive biddings, secondary distributions of listed and unlisted securities, private placements and valuations for estate, corporate and other purposes. J.P. Morgan was selected to advise PlainsCapital with respect to the merger on the basis of such experience and its familiarity with PlainsCapital.

J.P. Morgan acted as financial advisor to the PlainsCapital board of directors with respect to the merger and will receive a fee from PlainsCapital for its services (including for the rendering of the J.P. Morgan opinion) of 0.9% of the total consideration in the merger, which includes the cash consideration and merger consideration to be paid to holders PlainsCapital common stock at the consummation of the merger. Based on the average closing stock price of Hilltop stock for the ten trading days ending on May 7, 2012, the J.P. Morgan fee will be approximately $4.9 million, of which $1 million was payable at the time J.P. Morgan delivered its opinion to the PlainsCapital board of directors and $3.9 million of which will become payable only if the merger is consummated. In addition, PlainsCapital has agreed to reimburse J.P. Morgan for certain expenses incurred in connection with its services, including the fees and disbursements of counsel, and will indemnify J.P. Morgan for certain liabilities arising out of its engagement.

During the two years preceding the date of its opinion letter, neither J.P. Morgan nor any of its affiliates have had any other material financial advisory or other material commercial or investment banking relationships with Hilltop or PlainsCapital other than that certain of J.P. Morgan's affiliates provide treasury and cash management services to PlainsCapital and is a lender under outstanding credit facilities of PlainsCapital and certain of its subsidiaries, for which J.P. Morgan receives customary compensation or other financial benefits. In the past, J.P. Morgan and its affiliates have had commercial or investment banking relationships with certain funds or companies in which Gerald J. Ford, the beneficial owner of 26.7% of Hilltop common stock as of April 11, 2012, as reported by Hilltop in its Schedule 14A filed on April 30, 2012, has a significant ownership stake. In the ordinary course of its businesses, J.P. Morgan and its affiliates may actively trade the debt and equity securities of Hilltop for its own account or for the accounts of customers and, accordingly, they may at any time hold long or short positions in such securities.

Certain PlainsCapital Prospective Financial Information

PlainsCapital does not as a matter of course make public projections as to future revenues, earnings or other results due to, among other reasons, the uncertainty of the underlying assumptions and estimates. However, PlainsCapital is including this unaudited prospective financial information that was made available to the PlainsCapital board of directors, J.P. Morgan and Stephens in connection with the evaluation of the merger. The inclusion of this information should not be regarded as an indication that any of PlainsCapital, Hilltop, J.P. Morgan, Stephens or any other recipient of this information considered, or now considers, it to be necessarily predictive of actual future results.

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The unaudited prospective financial information was prepared by and is the responsibility of Hilltop management and in general was prepared solely for internal use and is subjective in many respects. While presented with numeric specificity, the prospective financial information reflects numerous estimates and assumptions made by the management of PlainsCapital with respect to business, economic, market and financial conditions and matters specific to PlainsCapital's business, all of which are difficult to predict and many of which are beyond PlainsCapital's control. PlainsCapital can give no assurance that the prospective financial information and the underlying estimates and assumptions are reasonable. Further, since the unaudited prospective financial information covers multiple years, such information by its nature becomes less predictive with each successive year. As a result of these factors, there can be no assurance that the prospective results will be realized. Actual results are likely to differ materially from those set forth below, and for a discussion of some of the factors that could cause actual results to differ please see the section titled "Cautionary Statement Regarding Forward-Looking Statements" included elsewhere in this joint proxy statement/prospectus.

The unaudited prospective financial information was not prepared with a view toward public disclosure, nor was it prepared with a view toward compliance with GAAP, published guidelines of the SEC or the guidelines established by the American Institute of Certified Public Accountants for preparation and presentation of prospective financial information. In addition, the unaudited prospective financial information requires significant estimates and assumptions that make it inherently less comparable to the similarly titled GAAP measures in PlainsCapital's historical GAAP financial statements. Neither PlainsCapital's independent registered public accounting firm, nor any other independent accountants, have compiled, examined or performed any procedures with respect to the unaudited prospective financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability.

Furthermore, the unaudited prospective financial information does not take into account any circumstances or events occurring after the date it was prepared. PlainsCapital can give no assurance that, had it prepared the prospective financial information either as of the date of the merger agreement or as of the date of this joint proxy statement/prospectus, similar estimates and assumptions would be used. PlainsCapital does not intend to make publicly available any update or other revision to the prospective financial information. The prospective financial information does not take into account the possible financial and other effects of the merger and do not attempt to predict or suggest future results of the combined company.

In light of the foregoing, and considering that the Hilltop and PlainsCapital special meetings will be held many months after the prospective financial information was prepared, as well as the uncertainties inherent in any forecasted information, shareholders are cautioned not to place unwarranted reliance on such information

The following table presents selected unaudited prospective financial data for the fiscal years ending 2012 through 2014:

	2012	2013	2014
		(in thousands)	
Total assets	$ 5,908,752	$ 6,211,583	$ 6,540,139
Net income before noncontrolling interest and dividends on preferred stock	$ 76,506	$ 86,184	$ 91,981
Income applicable to PlainsCapital corporation common shareholders	$ 71,619	$ 82,100	$ 88,263

Opinion of Hilltop's Financial Advisor

The Hilltop board of directors retained Stephens to provide it with financial advisory services and a fairness opinion in connection with the merger. The Hilltop board of directors selected its financial

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advisor based on Stephens' qualifications, expertise and reputation and its knowledge of the business and affairs of Hilltop and its familiarity with PlainsCapital. At the meeting of the Hilltop board of directors on May 8, 2012, Stephens rendered its oral opinion, subsequently confirmed in writing, that as of such date and based upon and subject to the various assumptions, considerations, qualifications and limitations set forth in its written opinion, the cash and stock consideration to be paid by Hilltop pursuant to the merger agreement was fair from a financial point of view to Hilltop.

The full text of the written opinion of Stephens, dated as of May 8, 2012, is attached as Annex C to this joint proxy statement/prospectus. The opinion sets forth, among other things, the assumptions made, procedures followed, matters considered and limitations on the scope of the review undertaken by Stephens in rendering its opinion. We encourage you to read the entire opinion carefully and in its entirety. Stephens' opinion is directed to Hilltop's board of directors and addresses only the fairness from a financial point of view to Hilltop of the cash and stock consideration to be paid by Hilltop pursuant to the merger agreement as of the date of the opinion. It does not address any other aspects of the merger or address the prices at which the Hilltop common stock will trade at any time. Stephens' opinion does not address the relative merits of the merger as compared to other business strategies or transactions that might be available to Hilltop or Hilltop's underlying business decision to effect the merger and does not constitute a recommendation to any holder of Hilltop common stock or PlainsCapital common stock as to how to vote at any shareholders' meeting held in connection with the merger or whether to take any other action with respect to the merger. The summary of the opinion of Stephens set forth below is qualified in its entirety by reference to the full text of the opinion.

In arriving at its opinion, Stephens, among other things:

- reviewed certain publicly available financial statements, reports and other business and financial information regarding Hilltop and PlainsCapital;
- reviewed certain internal financial statements and other financial and operating data (including financial projections) concerning Hilltop and PlainsCapital prepared by the managements of Hilltop and PlainsCapital, respectively;
- reviewed the reported prices and trading activity for the common stock of Hilltop;
- compared the financial performance of PlainsCapital and Hilltop's operating businesses with the performance and pricing of the stock of certain other publicly-traded companies that Stephens deemed relevant;
- reviewed the financial terms, to the extent publicly available, of certain transactions that Stephens deemed relevant;
- reviewed with management of Hilltop the projections prepared by Hilltop of the potential future financial performance of PlainsCapital and Hilltop;
- reviewed with management of PlainsCapital the projections prepared by PlainsCapital of the potential future financial performance of PlainsCapital;
- reviewed the pro forma impact of the merger on Hilltop's earnings per share, book value per share, and tangible book value per share, as projected by Hilltop;
- discussed with management of Hilltop and PlainsCapital the past and current business operations, financial condition and future business prospects of Hilltop and PlainsCapital;
- reviewed the financial terms and conditions of the merger agreement dated May 8, 2012;

- assisted in deliberations regarding the material terms of the merger; and

- performed such other analyses, reviewed such other information, considered such other factors, and provided such other services as Stephens deemed appropriate.

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For purposes of rendering its opinion, Stephens relied on and assumed the accuracy and completeness of the information and financial data that was publicly available or was provided to, or discussed with Stephens by Hilltop and PlainsCapital and of the other information reviewed by Stephens in connection with the preparation of its opinion, and its opinion is based upon such information. Stephens has not assumed any responsibility for independent verification of the accuracy or completeness of any of such information or financial data. Stephens has further relied on the assurances of the managements of Hilltop and PlainsCapital that they are not aware of any information that would make any of such information inaccurate or misleading in any material respect. Stephens has not made or undertaken, nor has it assumed any responsibility for making or undertaking, an independent evaluation or appraisal of any of the assets or liabilities of Hilltop or of PlainsCapital; nor has Stephens evaluated the solvency or fair value of Hilltop or of PlainsCapital under any laws relating to bankruptcy, insolvency or similar matters. Stephens has not conducted, nor has Stephens assumed any obligation to conduct, any physical inspection of the properties or facilities of Hilltop or of PlainsCapital. With respect to the financial forecasts prepared by the managements of Hilltop and PlainsCapital, Stephens has assumed that such financial forecasts have been reasonably prepared and reflect the best currently available estimates and judgments of the managements of Hilltop and PlainsCapital as to the potential future financial performance of Hilltop and PlainsCapital and that the financial results reflected by such projections will be realized as predicted. Stephens expresses no view as to such forecasts or the assumptions on which they were based. Stephens has also assumed that the representations and warranties contained in the Merger Agreement and all related documents are true and correct in all material respects.

As part of its investment banking business, Stephens regularly issues fairness opinions and is continually engaged in the valuation of companies and their securities in connection with business reorganizations, private placements, negotiated underwritings, mergers and acquisitions and valuations for estate, corporate and other purposes. Stephens is familiar with Hilltop and PlainsCapital and, in the past, has provided investment banking services to both Hilltop and PlainsCapital for which Stephens and its affiliates have received customary compensation, and Stephens expects to provide similar services in the future. During the past two years, such services have included (i) acting as an underwriter in a proposed public offering of shares of common stock of PlainsCapital, which offering was not completed, (ii) performing an independent valuation of shares owned by the PlainsCapital Employee Stock Ownership Plan as amended, (iii) providing financial advisory services to Hilltop in connection with a loan to SWS pursuant to a funding agreement dated March 20, 2011 and (iv) providing a fairness opinion to PlainsCapital in connection with the pending sale of PlainsCapital's membership interest in Hester Capital to an unaffiliated third party (which engagement and related fairness opinion occurred subsequent to the execution of the merger agreement). Stephens expects to pursue future investment banking services assignments from participants in this merger, including Hilltop. In the ordinary course of business, Stephens and its affiliates at any time may hold long or short positions, and may trade or otherwise effect transactions as principal or for the accounts of customers, in debt, equity or other securities or financial instruments or options on securities of Hilltop or of any other participant in the merger.

Stephens is not a legal, accounting, regulatory or tax expert, and has relied solely, and without independent verification, on the assessments of Hilltop and its other advisers with respect to such matters. Stephens has assumed, with Hilltop's consent, that the merger and the other transactions contemplated by the merger agreement will have the tax consequences described in discussions with, and materials furnished to Stephens by, representatives of Hilltop and that the merger will not result in adverse tax consequences for Hilltop or PlainsCapital.

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Stephens' opinion is necessarily based upon market, economic, regulatory and other conditions as they existed and could be evaluated on, and on the information made available to Stephens as of, the date of the opinion. It should be understood that subsequent developments may affect Stephens' opinion and that Stephens does not have any obligation to update, revise or reaffirm its opinion. Stephens has assumed that the merger will be consummated on the terms of the merger agreement dated May 8, 2012, without material waiver or modification. Stephens has assumed all necessary regulatory, lending or other consents or approvals (contractual or otherwise) for the merger will be obtained and that no restrictions, including any divestiture requirements or amendments or modifications, will be imposed that would have an adverse effect on Hilltop or PlainsCapital or on the contemplated benefits of the merger to Hilltop. Stephens does not express any opinion as to the price at which the common stock or any other securities of Hilltop will trade following the announcement or completion of the merger or as to the impact of the merger on the solvency or viability of Hilltop or PlainsCapital or the ability of Hilltop or PlainsCapital to pay their respective obligations when they come due.

The following is a summary of the material financial analyses delivered by Stephens to the board of directors of Hilltop in connection with rendering its oral opinion and its written opinion letter, dated May 8, 2012. The various analyses summarized below were based on market data, including common stock closing prices of publicly-traded companies, as of May 7, 2012, the last full trading day preceding the day of the meeting of the Hilltop board of directors to consider and approve the merger agreement, and is not necessarily indicative of current market conditions. Some of these summaries of financial analyses include information presented in tabular format. In order to understand the financial analyses used by Stephens, the tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the financial analyses.

Hilltop Common Stock Valuation Analysis. For purposes of its analysis of the value of the stock consideration to be paid by Hilltop in the merger, Stephens considered (i) Hilltop's reported trading prices and the related valuation multiples of historical book value per share, and (ii) an estimated aggregate sum of the parts intrinsic value per share of Hilltop's net assets.

For background purposes, Hilltop's assets and liabilities at the parent company level as of March 31, 2012, consisted primarily of (i) cash and cash equivalents of approximately $528 million, (ii) approximately $65 million in fair value of investments in debt and equity securities of a public company, (iii) net operating loss tax carryforwards with a book value of approximately $19 million, (iv) investment in a wholly owned insurance company subsidiary, NLASCO, with a book value of approximately $130 million, and (v) approximately $91 million of outstanding convertible debt. The net book value of Hilltop as of March 31, 2012 was approximately $651 million, or $11.55 per share.

During the three year period ending May 7, 2012, Hilltop's common stock traded at a range of 0.62x - 1.09x, and at an average of 0.87x, of its reported book value per share as of the previous quarter end. Based on Hilltop's March 31, 2012 book value per share of $11.55, this range of trading multiples implies a range of market trading values of $7.11 - $12.64 per share. During the one year period ended May 7, 2012, Hilltop's common stock traded at an average price to reported book value per share of 0.73x. These historical multiples and trading values compare to the May 7, 2012 closing market price of $8.03, or 0.70x book value per share.

For analytical purposes, Stephens also considered the intrinsic value per share of Hilltop. Stephens considered a sum of the parts analysis of the estimated values of: (i) Hilltop's non-operating assets and liabilities, including its cash and cash equivalents net of long term debt, investments, and net operating loss carryforwards, in aggregate, plus (ii) the estimated value of NLASCO considering several valuation methods.

Hilltop's recorded book value for its non-operating net assets as of March 31, 2012 was approximately $521 million, or approximately $9.25 per share. Based on discussions with Hilltop

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management and due to the overall nature, liquidity and accounting methodology of these net assets, Stephens concluded that Hilltop's recorded book value is a reasonable approximation of the intrinsic value ascribable to these assets.

For NLASCO, Stephens analyzed the historical and projected financial performance of the insurance company as provided by Hilltop management to compare to relevant publicly-traded insurance companies and relevant recent transactions in the property and casualty insurance industry, which resulted in a NLASCO value per share range of $1.86 - $3.36. Stephens also prepared a discounted cash flow analysis for NLASCO based on Hilltop management's projected financial performance for NLASCO which resulted in a NLASCO value per share range of $2.95 - $3.83.

Based on its analyses of the aggregate sum of the parts value of Hilltop's non-operating assets and liabilities and NLASCO as described above, Stephens calculated an intrinsic value range of Hilltop common stock to be $11.11 - $13.08 per share. For purposes of its fairness analyses, Stephens concluded that Hilltop's book value per share as of March 31, 2012, or $11.55, represents a reasonable approximation of the intrinsic value per share of Hilltop's common stock.

Implied Transaction Multiples. Stephens calculated select implied transaction multiples for PlainsCapital based upon the merger agreement and financial information provided by Hilltop and PlainsCapital management, including projected pro forma 2012 and 2013 earnings for PlainsCapital provided by Hilltop management. The consideration to be paid by Hilltop pursuant to the merger agreement is approximately $318.5 million in cash and 27.6 million shares of Hilltop common stock. As noted above and for analytical purposes, Stephens separately considered transaction multiples assuming values for Hilltop's common stock at (i) a market price per share as of May 7, 2012 of $8.03 ("Market Value"), and (ii) a book value per share as of March 31, 2012 of $11.55 ("Book Value"). Based on the Market Value of Hilltop's common stock, Stephens calculated that the consideration to be paid by Hilltop equates to $9.00 per share of cash and $6.25 per share of Hilltop common stock for each share of PlainsCapital common stock, or aggregate consideration of $15.25 per share. Based on the Book Value of Hilltop's common Stock, Stephens calculated that the consideration to be paid by Hilltop equates to $9.00 per share of cash and $9.00 per share of Hilltop common stock for each share of PlainsCapital common stock, or aggregate consideration of $18.00 per share.

As used in Stephens' financial analyses, "LTM" means last twelve months, "EPS" means earnings per share, and "TBVPS" means tangible book value per share. "Core deposit premium" is defined as total equity value less tangible book value, divided by core deposits. Tangible book value represents the book value of common equity less the book value of goodwill and other intangible assets. Core deposits represent total deposits less certificates of deposits with balances greater than $100,000 and brokered deposits.

The results of these analyses are summarized in the table below:

	Multiple for PlainsCapital Assuming Hilltop Stock Value of:	
	Market Value	**Book Value**
Price/ LTM Diluted EPS	8.6x	10.2x
Price/ Estimated 2012 EPS	6.6x	7.8x
Price/ Estimated 2013 EPS	7.4x	8.8x
Price/ TBVPS	1.29x	1.53x
Core Deposit Premium	5.1%	8.2%

Relevant Public Companies Analysis. Stephens reviewed and compared certain publicly available information, ratios and market multiples of certain companies relevant to PlainsCapital and examined

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various market valuation data and information relating to those companies. Stephens divided the companies into two groups, Texas Banks and Regional Banks.

Texas Banks include:

- Cullen/Frost Bankers, Inc;
- First Financial Bankshares, Inc.;
- International Bancshares Corporation;
- Prosperity Bancshares, Inc.;
- Southside Bancshares, Inc.;
- Texas Capital Bancshares, Inc.; and
- ViewPoint Financial Group, Inc.

Regional Banks include:

- BancFirst Corporation;
- Bank of the Ozarks, Inc.;
- BOK Financial Corporation;
- Commerce Bancshares, Inc.;
- Cullen/Frost Bankers, Inc.;
- First Financial Bankshares, Inc;
- First Horizon National Corporation;
- Great Southern Bancorp, Inc.;
- Hancock Holding Company;

- Home BancShares, Inc.;
- IBERIABANK Corporation;
- International Bancshares Corporation;
- Pinnacle Financial Partners, Inc.;
- Prosperity Bancshares, Inc.;
- Renasant Corporation;
- Simmons First National Corporation;
- Southside Bancshares, Inc.;
- Texas Capital Bancshares, Inc.;
- Trustmark Corporation;
- UMB Financial Corporation; and
- ViewPoint Financial Group, Inc.

Stephens selected these companies because their businesses, geography and operating profiles are reasonably similar to PlainsCapital. No selected company identified above is identical to PlainsCapital. A complete analysis involves complex considerations and qualitative judgments concerning differences

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in financial and operating characteristics of the selected companies and other factors that could affect the public trading values of the selected companies.

Stephens examined the market trading multiples of the selected relevant companies based on the May 7, 2012 closing price and information publicly available at that time, including multiple of price to LTM diluted EPS, multiple of price to 2012 estimated EPS, multiple of price to 2013 estimated EPS, multiple of price to TBVPS and premium to core deposits. The results of this comparison based on publicly available financial data as of March 31, 2012, are set forth below:

	Relevant Public Banks			
	Regional		Texas	
	Low/High	Median	Low/High	Median
Price/ LTM Diluted EPS	11.3x - 24.6x	15.3x	11.3x - 24.2x	15.0x
Price/ Estimated 2012 EPS	11.5x - 19.4x	14.5x	11.5x - 19.4x	14.4x
Price/ Estimated 2013 EPS	10.9x - 18.6x	13.1x	10.9x - 18.6x	13.1x
Price/ TBVPS	1.05x - 3.24x	1.58x	1.18x - 3.24x	2.04x
Core Deposit Premium	0.7% - 24.6%	8.9%	3.4% - 21.1%	11.4%

Based on the financial information reviewed above, and based on PlainsCapital's LTM EPS of $1.77, estimated 2012 EPS of $2.32, estimated 2013 EPS of $2.06, March 31, 2012 TBVPS of $11.79 and core deposits of $3.2 billion, Stephens derived a range of implied equity values per share of PlainsCapital common stock. Estimated EPS and core deposit figures for PlainsCapital were provided by Hilltop management.

The following table reflects the results of this analysis:

	Multiple Range	Indicated PlainsCapital Value Range per Share
Price/ LTM Diluted EPS	11.0x - 15.0x	$19.50 - $26.59
Price/ Estimated 2012 EPS	11.0x - 14.0x	$25.50 - $32.46
Price/ Estimated 2013 EPS	10.0x - 13.0x	$20.56 - $26.73
Price/ Tangible Book Value Per Share	1.30x - 1.70x	$15.33 - $20.05
Core Deposit Premium	7.0% - 10.0%	$16.94 - $19.62

No company utilized in the comparable public company analysis is identical to PlainsCapital. In evaluating comparable companies, Stephens made judgments and assumptions with regard to industry performance, general business, economic, market and financial conditions and other matters, many of which are beyond the control of PlainsCapital, such as the impact of competition on the businesses of PlainsCapital and the industry generally, industry growth and the absence of any adverse material change in the financial condition and prospects of PlainsCapital or the industry or in the financial markets in general. Mathematical analysis (such as determining the average or median) is not in itself a meaningful method of using comparable company data.

Relevant transactions analysis. Stephens performed an analysis of selected precedent transactions announced since January 1, 2011 with transaction values of more than $100 million involving U.S. bank or thrift target companies with less than 4% nonperforming assets to total assets. The following transactions were considered by Stephens (in each case, the first named company was the acquirer and the second named company was the acquired company and the transaction date announcement is noted parenthetically):

Mitsubishi UFJ Financial Group Inc. / Pacific Capital Bancorp (March 9, 2012)

Cadence Bancorp LLC / Encore Bancshares, Inc. (March 5, 2012)

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Tompkins Financial Corporation / VIST Financial Corp. (January 25, 2012)

Prosperity Bancshares Inc. / American State Financial Corporation (January 12, 2012)

Susquehanna Bancshares Inc. / Tower Bancorp, Inc. (June 20, 2011)

F.N.B. Corp. / Parkvale Financial Corporation (June 15, 2011)

Valley National Bancorp / State Bancorp, Inc. (April 28, 2011)

Brookline Bancorp Inc. / Bancorp Rhode Island, Inc. (April 19, 2011)

IBERIABANK Corp. / Cameron Bancshares, Inc. (March 10, 2011)

Susquehanna Bancshares Inc. / Abington Bancorp, Inc. (January 26, 2011)

People's United Financial Inc. / Danvers Bancorp, Inc. (January 20, 2011)

Comerica Inc. / Sterling Bancshares, Inc. (January 16, 2011)

For each of these transactions, Stephens derived and compared, among other things, the price as a multiple of the target company's LTM Diluted EPS, price as a multiple to the target company's tangible book value, and the premium to the target company's core deposits (market capitalization less tangible common equity divided by the amount of core deposits). The following table reflects the results of the analysis:

			Multiple for PlainsCapital Assuming Hilltop Stock Value of:	
	Low/High Range	**Median**	**Market Value**	**Book Value**
Price/ LTM Diluted EPS	12.6x - 33.4x	23.3x	8.6x	10.2x
Price/ TBVPS	1.16x - 2.40x	1.91x	1.29x	1.53x
Core Deposit Premium	1.5% - 22.2%	12.4%	5.1%	8.2%

Based on the financial information reviewed above, and based on PlainsCapital's LTM Diluted EPS of $1.77, PlainsCapital's tangible book value of $11.79 per share and PlainsCapital's $3.2 billion of core deposits, Stephens derived a range of implied equity values per share of PlainsCapital common stock. The following table reflects the results of this analysis:

	Multiple Range	**Indicated PlainsCapital Value Range per Share**
Price/ LTM Diluted EPS	12.0x - 18.0x	$21.27 - $31.91
Price/ TBVPS	1.40x - 1.80x	$16.51 - $21.23
Core Deposit Premium	8.0% - 12.0%	$17.83 - $21.41

Because market conditions, transaction rationale and circumstances surrounding each of the selected relevant transactions were specific to each transaction, and because of the inherent differences between the businesses, operations and prospects of Hilltop and PlainsCapital and the businesses, operations and prospects of the target companies included in the precedent transaction analysis, Stephens believed that it was inappropriate to, and therefore did not, rely solely on the quantitative results of the relevant transactions analysis and accordingly made

qualitative judgments concerning differences between the financial and operating characteristics and prospects of PlainsCapital and the target companies included in the precedent transactions analysis that would affect the transaction value of each.

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No company or transaction utilized in the relevant transaction analyses is identical to PlainsCapital or the merger. In evaluating the precedent transactions, Stephens made judgments and assumptions with regard to general business, market and financial conditions and other matters, which are beyond the control of PlainsCapital, such as the impact of competition on the business of PlainsCapital or the industry generally, industry growth and the absence of any adverse material change in the financial condition of PlainsCapital or the industry or in the financial markets in general, which could affect the public trading value of the companies and the aggregate value of the transactions to which PlainsCapital is being compared.

PlainsCapital Discounted Cash Flow Analysis. Utilizing Hilltop's projections for PlainsCapital and assuming a target tangible common equity ratio of 7.5%, Stephens calculated a range of implied prices per share of PlainsCapital based upon the sum of the discounted net present values of (i) the projected stream of free cash flows to equity holders (dividends paid) for the years ending December 31, 2013 to December 31, 2017, and (ii) a projected terminal value of PlainsCapital as of December 31, 2017. Stephens considered discount rates ranging from 12.0% to 16.0% and EPS exit multiples ranging from 11.0x - 18.0x. Utilizing the ranges of discount rates and exit multiples, Stephens derived an implied valuation range for PlainsCapital of $15.21 - $26.11.

Illustrative Segment Valuation. PlainsCapital operates in three primary segments: Banking, Mortgage Origination and Financial Advisory. Stephens calculated an illustrative range of values for PlainsCapital by ascribing a range of illustrative multiples to each operating segment based on the segment's LTM Net Income. Stephens calculated two ranges of illustrative aggregate trading values per share based on (i) segment earnings as reported by PlainsCapital ("Reported Segment Earnings") and (ii) adjusted segment earnings based on a 2.00% reduction in the mortgage warehouse interest expense paid by the Mortgage Origination segment to the Banking segment ("Adjusted Segment Earnings"). The range of illustrative multiples Stephens applied is based on relevant publicly-traded companies for each segment. In addition, Stephens considered a 20% control premium applied to the aggregate segment values in calculating the range of illustrative segment values per share.

For the Banking segment, Stephens considered the relevant Texas Banks and Regional Banks in determining an appropriate range of public trading multiples. For the Mortgage Origination segment, the companies Stephens deemed relevant were HomeStreet, Inc., Ocwen Financial Corporation, PHH Corporation and Taylor Capital Group, Inc. For the Financial Advisory segment, the companies Stephens deemed relevant were Cowen Group, Inc., FBR & Co., Jefferies Group, Inc., JMP Group Inc., KBW, Inc., Piper Jaffray Companies, Raymond James Financial, Inc., Stifel Financial Corp. and SWS Group, Inc. Stephens selected these companies because their businesses and operating profiles are reasonably similar to the applicable PlainsCapital segment. No selected company identified above is directly comparable to the applicable PlainsCapital segment. A complete analysis involves complex considerations and qualitative judgments concerning differences in financial and operating characteristics of the selected companies and other factors that could affect the public trading values of those selected companies. This analysis does not incorporate the value of any adjustments for any potential tax impact resulting from a separation of the segments. In addition, this analysis does not account for the salability of each segment.

The multiples of LTM Net Income for the companies relevant to the Banking segment ranged from 11.3x to 24.6x. Based on the resulting range of multiples and due to certain other considerations related to the specific characteristics of the relevant companies, and based on their experience as investment bankers, Stephens applied a range of 15.0x to 17.0x LTM Net Income to the Banking segment of PlainsCapital.

The multiples of LTM Net Income for the companies relevant to the Mortgage Origination segment ranged from 2.9x to 19.2x. Based on the resulting range of multiples and due to certain other considerations related to the specific characteristics of the relevant companies, and based on their

experience as investment bankers, Stephens applied a range of 5.0x to 8.0x LTM Net Income to the Mortgage Origination segment of PlainsCapital.

The multiples of LTM Net Income for the companies relevant to the Financial Advisory segment ranged from 12.6x to 27.1x. Based on the resulting range of multiples and due to certain other considerations related to the specific characteristics of the relevant companies, and based on their experience as investment bankers, Stephens applied a range of 15.0x to 20.0x LTM Net Income to the Financial Advisory segment of PlainsCapital.

The following table reflects the results of this analysis:

	Aggregate Trading Value Range	**20% Control Premium Range**
Reported Segment Earnings	$16.84 - $21.85	$20.20 - $26.23
Adjusted Segment Earnings	$14.84 - $20.06	$17.81 - $24.07

Pro Forma Analysis. Stephens analyzed the potential pro forma impact of the merger on the future financial performance of Hilltop, reflected in the pro forma earnings per share of Hilltop, based on Hilltop management's internal 2013 EPS estimates for PlainsCapital and for Hilltop. The analysis indicated that the pro forma impact of the merger would be accretive by approximately 472% to Hilltop's estimated earnings per share in 2013 and would be dilutive by approximately 11% and 37% to Hilltop's book value per share and tangible book value per share, respectively, as of March 31, 2013. The financial forecasts and estimates underlying the analysis may vary from actual results, and the variations may be material.

The foregoing summary of certain material financial analyses does not purport to be a complete description of the analyses or data presented by Stephens. The preparation of a fairness opinion is a complex process and is not necessarily susceptible to partial analysis or summary description. Stephens believes that the foregoing summary and its analyses must be considered as a whole and that selecting portions of the foregoing summary and these analyses, without considering all of its analyses as a whole, could create an incomplete view of the processes underlying the analyses and its opinion. In arriving at its opinion, Stephens did not attribute any particular weight to any analyses or factors considered by it and did not form an opinion as to whether any individual analysis or factor (positive or negative), considered in isolation, supported or failed to support its opinion. Rather, Stephens considered the totality of the factors and analyses performed in determining its opinion. Analyses based upon forecasts of future results are inherently uncertain, as they are subject to numerous factors or events beyond the control of the parties and their advisors. Accordingly, forecasts and analyses used or made by Stephens are not necessarily indicative of actual future results, which may be significantly more or less favorable than suggested by those analyses. Moreover, Stephens' analyses are not and do not purport to be appraisals or otherwise reflective of the prices at which businesses actually could be bought or sold.

Pursuant to an engagement agreement with Hilltop, Stephens was formally retained to provide financial advisory services and a financial fairness opinion in connection with the Merger, and is entitled to receive from Hilltop reimbursement of its expenses, including fees and expenses of outside counsel to Stephens, and a customary fee for its services as financial adviser to Hilltop, a significant portion of which is contingent upon the consummation of the Merger. Stephens received a fee from Hilltop for providing its fairness opinion to Hilltop, which fee was not contingent upon consummation of the Merger. Hilltop has also agreed to indemnify Stephens and its affiliates, their respective directors, officers, agents and employees and each person, if any, controlling Stephens or any of its affiliates for certain liabilities arising out of its engagement, including certain liabilities that could arise out of providing its opinion letter and liabilities under the federal securities laws, related to or arising out of Stephens' engagement and any related transactions.

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Certain Hilltop Prospective Financial Information

Hilltop does not as a matter of course make public projections as to future revenues, earnings or other results due to, among other reasons, the uncertainty of the underlying assumptions and estimates. However, Hilltop is including this unaudited prospective financial information that was made available to the Hilltop board of directors, the PlainsCapital board of directors, J.P. Morgan and Stephens in connection with the evaluation of the merger. The inclusion of this information should not be regarded as an indication that any of Hilltop, PlainsCapital, J.P. Morgan, Stephens or any other recipient of this information considered, or now considers, it to be necessarily predictive of actual future results.

The unaudited prospective financial information was, in general, prepared solely for internal use and is subjective in many respects. As a result, there can be no assurance that the prospective results will be realized or that actual results will not be significantly higher or lower than estimated. Since the unaudited prospective financial information covers multiple years, such information by its nature becomes less predictive with each successive year. Hilltop shareholders are urged to review the SEC filings of Hilltop incorporated by reference into this joint proxy statement/prospectus for a description of risk factors with respect to the business of Hilltop. See "Cautionary Statement Regarding Forward-Looking Statements" and "Where You Can Find More Information" included elsewhere in this joint proxy statement/prospectus.

The unaudited prospective financial information was not prepared with a view toward public disclosure, nor was it prepared with a view toward compliance with published guidelines of the SEC or the guidelines established by the American Institute of Certified Public Accountants for preparation and presentation of prospective financial information. In addition, the unaudited prospective financial information requires significant estimates and assumptions that make it inherently less comparable to the similarly titled measures in Hilltop's historical financial statements. The unaudited prospective financial information included in this joint proxy statement/prospectus has been prepared by, and is the responsibility of, Hilltop's management. Hilltop and its management believe that the selected unaudited prospective financial data has been prepared on a reasonable basis, reflecting the best estimates and judgments, and represent, to the best of management's knowledge and opinion, Hilltop's expected course of action. However, because this information is highly subjective, it should not be relied on as necessarily indicative of future results.

PricewaterhouseCoopers LLP has neither examined, compiled nor performed any procedures with respect to the accompanying prospective financial information and, accordingly, PricewaterhouseCoopers LLP does not express an opinion or any other form of assurance with respect thereto. The PricewaterhouseCoopers LLP report incorporated by reference in this joint proxy statement/prospectus relates to Hilltop's historical financial information. It does not extend to the prospective financial information and should not be read to do so.

Furthermore, the unaudited prospective financial information does not take into account any circumstances or events occurring after the date it was prepared. Hilltop management can give no assurance that, had it prepared the prospective financial information either as of the date of the merger agreement or as of the date of this joint proxy statement/prospectus, similar estimates and assumptions would be used. Hilltop does not intend to make publicly available any update or other revision to the prospective financial information. The prospective financial information does not take into account the possible financial and other effects of the merger and do not attempt to predict or suggest future results of the combined company.

In light of the foregoing, and considering that the Hilltop and PlainsCapital special meetings will be held many months after the prospective financial information was prepared, as well as the uncertainties inherent in any forecasted information, shareholders are cautioned not to place unwarranted reliance on such information.

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The following table presents selected unaudited prospective financial data for NLASCO for the fiscal years ending 2012 through 2014:

	2012	2013	2014
		(in thousands)	
Premium earned	$ 148,141	$ 156,375	$ 162,468
Net underwriting income	$ 5,457	$ 6,244	$ 7,299
Net income	$ 11,288	$ 12,648	$ 13,837

Hilltop Board of Directors Following Completion of the Merger

Upon completion of the merger, Hilltop and its board of directors have agreed to take all actions necessary so that, at the effective time of the Merger, the board of directors of Hilltop will consist of members selected by the pre-merger board of directors of Hilltop and members selected by the pre-merger board of directors of PlainsCapital, with the number of members selected by the pre-merger board of directors of PlainsCapital to be one less in number than the number of members selected by the pre-merger board of directors of Hilltop.

Upon completion of the merger, the board of directors of Hilltop shall include, in addition to its existing committees, an Executive Committee which shall initially have five members, including three individuals selected from the current members of the board of directors of Hilltop and two individuals selected from the current members of the board of directors of PlainsCapital who have been designated to the board of directors of Hilltop. Mr. White will initially serve as Chairman of the Executive Committee of the board of directors of Hilltop.

PlainsCapital Directors Expected to be Appointed to Hilltop Board of Directors Following Completion of the Merger

The individuals from the pre-merger board of directors of PlainsCapital to be elected to the board of directors of Hilltop following the merger will include Mr. White, and have otherwise not yet been determined.

Public Trading Markets

Hilltop common stock trades on the New York Stock Exchange under the symbol "HTH." PlainsCapital common stock is not traded on any exchange, and there is no established public trading market for PlainsCapital's common stock. The newly issued Hilltop common stock issuable pursuant to the merger agreement will be listed on the New York Stock Exchange.

Dissenters' Rights

Under the TBOC, PlainsCapital shareholders have the right to demand appraisal of their shares of common stock in connection with the merger and to receive, in lieu of the merger consideration, payment in cash, for the fair value of their shares of PlainsCapital common stock as determined by an appraiser selected in a Texas state court proceeding. Any shareholder electing to exercise dissenters' rights must strictly comply with the provisions of Section 10.356 of the TBOC in order to perfect its rights of dissent and appraisal.

The following is intended to be a brief summary of the material provisions of the Texas statutory procedures required to be followed by a shareholder in order to demand and perfect dissenters' rights. This summary, however, is not a complete statement of all applicable requirements and is qualified in its entirety by reference to Subchapter H of Chapter 10, and specifically Sections 10.354 to 10.362, of the TBOC. The full text of Subchapter H of Chapter 10 is reproduced in its entirety in Annex H to this joint prospectus/proxy statement.

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This joint prospectus/proxy statement constitutes PlainsCapital's notice to its shareholders of the availability of dissenters' rights in connection with the merger in compliance with the requirements of Section 10.355 of the TBOC. If you wish to consider exercising your dissenters' rights, you should carefully review the text of Section 10.356 of the TBOC since failure to timely and properly comply with the requirements of Section 10.356 of the TBOC will result in the loss of your dissenters' rights under Texas law.

If you elect to demand appraisal of your shares of PlainsCapital common stock, you must satisfy each of the following conditions:

- Prior to the special meeting, you must deliver to PlainsCapital a written objection to the merger stating your intention to exercise your right to dissent in the event that the merger is completed, and setting forth the address at which notice shall be provided to you in such event. All written objections should be addressed to PlainsCapital Corporation, 2323 Victory Ave., Suite 1400, Dallas, Texas 75219, Attention: Scott J. Luedke, and should be executed by, or on behalf of, the record holder of the shares of PlainsCapital common stock in respect of which appraisal is being demanded.

- This written objection must be in addition to, and separate from, any proxy or vote against the approval of the merger agreement. Voting against the approval of the merger agreement by itself does not constitute a demand for appraisal within the meaning of Section 10.356 of the TBOC.

- You must vote against the approval of the merger agreement. Failing to vote against approval of the merger agreement will constitute a waiver of your dissenters' rights. An abstention from or a vote in favor of the approval of the merger agreement, by proxy or in person, will constitute a waiver of your dissenters' rights in respect of the shares of PlainsCapital common stock so voted and will nullify any previously filed written demands for appraisal.

- You must continuously hold your shares of PlainsCapital common stock from the record date through the effective time of the merger.

If you fail to comply with any of these conditions and the merger is completed, you will be entitled to receive the merger consideration for your shares of PlainsCapital common stock as provided for in the merger agreement, but you will have no dissenters' rights with respect to your shares of PlainsCapital common stock. A proxy card which is signed and does not contain voting instructions will, unless revoked, be voted "FOR" the approval of the merger agreement and the transactions contemplated thereby (including the merger), will constitute a waiver of your dissenters' rights, and will nullify any previous written demand for appraisal.

Beneficial owners who do not also hold the shares of PlainsCapital common stock of record may not directly make appraisal demands to PlainsCapital. The beneficial holder must, in such cases, have the record owner submit the required demand in respect of those shares of PlainsCapital common stock. If shares of PlainsCapital common stock are owned of record in a fiduciary capacity, such as by a trustee, guardian or custodian, execution of a written objection must be made in that capacity; and if the shares of PlainsCapital common stock are owned of record by more than one person, as in a joint tenancy or tenancy in common, the written objection must be executed by or for all joint owners. A record owner, such as a bank or broker, who holds shares of PlainsCapital common stock as a nominee for others, may exercise dissenters' rights with respect to the shares of PlainsCapital common stock held for one or more beneficial owners, while not exercising this right for other beneficial owners. In that case, the written objection should state the number of shares of PlainsCapital common stock as to which appraisal is sought. In cases in which no number of shares of PlainsCapital common stock is expressly mentioned, the written objection will be presumed to cover all shares of PlainsCapital common stock held in the name of the record owner.

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If you hold your shares of PlainsCapital common stock in a brokerage account or in other nominee form and you wish to exercise dissenters' rights, you should consult with your bank, broker or the other nominee to determine the appropriate procedures for making a demand for appraisal by the nominee.

Within ten days after the effective time of the merger, the surviving company must give written notice that the merger has become effective to each shareholder of PlainsCapital who has properly filed a written objection and who voted against the approval of the merger agreement. No later than twenty days after the date the surviving company sends such notice, a shareholder wishing to exercise dissenters' rights must make a written demand to the surviving company at the address above for payment of the fair value of the shareholder's shares, which written demand must include the shareholder's address, the number and class of shares owned by the shareholder and the fair value of such shares as estimated by the shareholder. Any shareholder making such a written demand for payment must submit to the surviving company for notation any certificated shares held by that shareholder which are subject to the demand within twenty days after making the written demand. The failure by any such shareholder who has made a written demand to submit its certificates will result in the termination of such shareholder's dissenters' rights.

The surviving company has twenty days after its receipt of a demand for payment to provide notice that the surviving company (i) accepts the amount claimed in the written demand and agrees to pay the amount claimed within ninety days from effective time of the merger or (ii) rejects the amount claimed and offers to pay its estimated fair value of the shares of PlainsCapital common stock.

If the surviving company accepts the amount claimed by the shareholder, the company must pay the shareholder within 90 days of the effective date of the merger, provided the shareholder delivers endorsed stock certificates for the shares dissenting.

If the surviving company rejects the amount claimed and offers its own estimated fair value of the shares, the shareholder may accept or refuse the offer. To accept the offer, the shareholder must provide notice to the surviving company that it accepts the offer within 90 days from the effective date of the merger. If accepted, the surviving company must pay the agreed amount within 120 days of the effective date of the merger provided the shareholder delivers endorsed stock certificates for the shares dissenting.

If, within ninety days after the completion of the merger, the surviving company's offer is not accepted, and the surviving company and a shareholder who has delivered written demand in accordance with Section 10.356 of the TBOC do not reach agreement as to the fair value of the shares of PlainsCapital common stock, either the surviving company or the shareholder may, within sixty days after the expiration of the 90-day period following the completion of the merger, file a petition in a court in Dallas County, Texas, with a copy served on the surviving company in the case of a petition filed by a shareholder, requesting a finding and a determination of the fair value of the shares of PlainsCapital common stock held by the shareholder. The surviving company has no obligation and has no present intention to file such a petition if there are objecting shareholders. Accordingly, it is the obligation of PlainsCapital's shareholders to initiate all necessary action to perfect their dissenters' rights in respect of shares of PlainsCapital common stock within the time prescribed in Sections 10.361 of the TBOC. The failure of a shareholder to file such a petition within the period specified could nullify the shareholder's previously written demand for appraisal.

If a petition for appraisal is duly filed by a shareholder and a copy of the petition is delivered to the surviving company, the surviving company will then be obligated, within ten days after receiving service of a copy of the petition, to provide the office of the clerk of the court in which the petition was filed with a list containing the names and addresses of all shareholders who have demanded an appraisal of their shares of PlainsCapital common stock and with whom agreements as to the value of their shares of PlainsCapital common stock have not been reached.

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After notice to dissenting shareholders, the court will conduct a hearing upon the petition, and determine those shareholders who have complied with Sections 10.354 to 10.361 and who have become entitled to the dissenters' rights provided thereby. After determination of the shareholders entitled to appraisal of their shares of PlainsCapital common stock, the court will appoint one or more qualified appraisers to appraise the shares of PlainsCapital common stock, determining their fair value. When the value is determined, the court will direct the payment of such value to the shareholders entitled to receive the same, immediately to the holders of uncertificated shares of PlainsCapital common stock and upon surrender by shareholders of the certificates representing shares of PlainsCapital common stock.

You should be aware that the fair value of your shares of PlainsCapital common stock as determined under Section 10.362 of the TBOC could be more, the same, or less than the merger consideration. You should also be aware that the opinion of PlainsCapital's financial advisor as to the fairness, from a financial point of view, of the merger consideration does not purport to be an appraisal.

Costs of the appraisal proceeding may be imposed upon the surviving company and the shareholders participating in the appraisal proceeding by the court as the court deems equitable in the circumstances. Any shareholder who had demanded dissenters' rights of appraisal will not, after the effective time of the merger, be entitled to vote shares of PlainsCapital common stock subject to that demand for any purpose or to receive payments of dividends or any other distribution with respect to those shares of PlainsCapital common stock, other than with respect to payment as of a record date prior to the effective time of the merger. If no petition for appraisal is filed with the court within the prescribed time period, or if the shareholder delivers a written withdrawal of such shareholder's demand for appraisal and an acceptance of the terms of the merger prior to receiving payment from the surviving company for the shares and before the filing of a petition for appraisal or if the court adjudges that the shareholder is not entitled to elect to dissent, then the right of that shareholder to appraisal will cease and that shareholder will be entitled to receive the merger consideration. Any withdrawal of a demand for appraisal made after the filing of a petition for appraisal may only be made with the written approval of the surviving company.

Failure to comply with all of the procedures set forth in Sections 10.354 to 10.361 of the TBOC will result in the loss of a shareholder's statutory dissenters' rights. In view of the complexity of Sections 10.354 to 10.361 of the TBOC, PlainsCapital's shareholders who may wish to dissent from the merger and pursue dissenters' rights should consult their legal advisors.

Regulatory Approvals Required for the Merger

Hilltop and PlainsCapital have agreed to use their reasonable best efforts to obtain all regulatory approvals required to complete the transactions contemplated by the merger agreement. These approvals include approval from the Federal Reserve Board, among others. Hilltop and PlainsCapital have filed, or are in the process of filing, applications and notifications to obtain the required regulatory approvals.

Federal Reserve Board. The transactions contemplated by the merger agreement are subject to approval by the Federal Reserve Board pursuant to Section 3 of the Bank Holding Company Act.

Additional Regulatory Approvals and Notices. A copy of the application submitted to the Federal Reserve Board in connection with the merger must be submitted to the Texas Department of Banking. Notifications and/or applications requesting approval may be submitted to various other federal and state regulatory authorities and self-regulatory organizations.

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Timing. We cannot assure you that all of the regulatory approvals described above will be obtained and, if obtained, we cannot assure you as to the timing of any such approvals, our ability to obtain the approvals on satisfactory terms or the absence of any litigation challenging such approvals. We also cannot assure you that any third party will not attempt to challenge the merger on antitrust grounds, and, if such a challenge is made, we cannot assure you as to its result.

Hilltop and PlainsCapital believe that the merger does not raise substantial antitrust or other significant regulatory concerns and that we will be able to obtain all requisite regulatory approvals on a timely basis without the imposition of any condition that would have a material adverse effect on Hilltop or PlainsCapital. The parties' obligation to complete the merger is conditioned upon the receipt of all 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. There can be no assurance, however, that any additional approvals or actions will be obtained.

Interests of Certain PlainsCapital Directors and Executive Officers in the Merger

The executive officers and directors of PlainsCapital have interests in the merger that are in addition to, or different from, their interests as shareholders. The board of directors of PlainsCapital was aware of these interests (including the retention agreements described below, which were contemplated and discussed at the time the merger agreement was entered into) and considered them, among other matters, in adopting the merger agreement. For purposes of all of the PlainsCapital agreements and plans described below, the completion of the transactions contemplated by the merger agreement will constitute a change of control.

PlainsCapital Representation on the Hilltop Board of Directors

Upon completion of the merger, the board of directors of Hilltop will be comprised of members selected by the pre-merger board of directors of Hilltop and members selected by the pre-merger board of directors of PlainsCapital, with the number of members selected by the pre-merger board of Hilltop to be one more than the number of members selected by the pre-merger board of directors of PlainsCapital.

Upon completion of the merger, the board of directors of Hilltop shall include, in addition to its existing committees, an Executive Committee which shall initially have five members, including three individuals selected from the pre-merger members of the board of directors of Hilltop and two individuals selected from the pre-merger members of the board of directors of PlainsCapital who have been designated to the board of directors of Hilltop. Mr. White will initially serve as Chairman of the Executive Committee of the board of directors of Hilltop.

Mr. White will serve as Chairman and Chief Executive Officer of PlainsCapital following the completion of the merger.

Employment Arrangements for Messrs. White and Schaffner

On May 8, 2012, Messrs. White and Schaffner each entered into retention agreements with Hilltop and Meadow Corporation. The retention agreements will become effective upon the consummation of the merger, and will supersede each of Messrs. White and Schaffner's current employment agreement.

Mr. White's Retention Agreement

Mr. White's retention agreement provides that, upon the consummation of the merger, he will serve as the Chairman and Chief Executive Officer of PlainsCapital and the Vice-Chairman of the

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board of directors and Chairman of the Executive Committee of Hilltop. The retention agreement will have a term of three years after the consummation of the merger, with automatic one-year renewals at the end of two years and each anniversary thereof, but may be terminated by written notice from either Hilltop or Mr. White ninety days before the second anniversary of employment (or of any subsequent renewal date). Mr. White will have an initial annual base salary of $1,350,000 and, subject to achieving a specified performance goal, Mr. White will be entitled to a bonus equal to the average of his annual bonus in the prior three calendar years and, if a higher threshold is achieved, he will be entitled to a bonus equal to 100% of his annual base salary. Mr. White will also be entitled to a lump sum payment equal to $6,430,890 (the amount that he would be entitled to under his current employment agreement with PlainsCapital if his employment were terminated after the merger) upon his termination of employment for any reason.

In addition, if Mr. White's employment is terminated without "cause" (including, for this purpose, in the event that a notice of non-renewal is delivered to Mr. White) following the consummation of the merger, Mr. White will be entitled to payments generally equal to the sum of the average of Mr. White's prior annual bonuses plus his annual base salary, multiplied by the greater of (i) the number of full and partial years remaining until the end of the term of his retention agreement and (ii) two. Mr. White will retain the right to be grossed-up for any excise tax relating to "excess parachute payments" (as defined in Section 280G of the Code) that is set forth in his current employment agreement, provided that the gross-up will only relate to any excise taxes arising in connection with this merger. Mr. White will also be subject to a noncompetition and nonsolicitation covenant during his employment and for a three-year period after termination of his employment.

Mr. Schaffner's Retention Agreement

Mr. Schaffner's retention agreement provides that he will serve as the President and Chief Executive Officer of PlainsCapital Bank, a wholly owned subsidiary of PlainsCapital, following the consummation of the merger. The term of the retention agreement will be two years following the consummation of the merger, with automatic one-year renewals at the end of the first year and each anniversary thereof, but may be terminated by written notice from either Hilltop or Mr. Schaffner ninety days before the first anniversary of employment (or any subsequent renewal date). Mr. Schaffner will have an initial annual base salary of $525,000. Mr. Schaffner's annual bonus will be determined at the discretion of the surviving company, however, provided that certain performance goals are achieved, Mr. Schaffner will be entitled to receive a bonus equal to the average of his bonuses for the prior three calendar years. Mr. Schaffner will also be entitled to a lump sum payment equal to $2,448,000 (the amount that he would be entitled to under his current employment agreement with PlainsCapital if his employment were terminated after the merger) upon his termination of employment for any reason.

In addition, if Mr. Schaffner's employment is terminated without "cause," Mr. Schaffner will be entitled to payments generally equal to the sum of (i) the average of Mr. Schaffner's annual bonus plus (ii) his annual base salary. Mr. Schaffner will retain the right to be grossed-up for any excise tax relating to "excess parachute payments" (as defined in Section 280G of the Code) that is set forth in his current employment agreement, provided that the gross-up will only relate to any excise taxes arising in connection with the merger. Mr. Schaffner will be subject to a two-year post-employment noncompetition covenant, and a three-year post-employment nonsolicitation covenant, under his retention agreement.

Employment Arrangements for Messrs. Feinberg, Huffines, Martin and Salmans and Other Executive Officers

PlainsCapital has previously entered into employment agreements with its other executive officers (Hill A. Feinberg, James R. Huffines, John A. Martin and Todd L. Salmans). Pursuant to these agreements, in the event that an executive officers' employment is terminated by PlainsCapital without

"cause," or, other than with respect to Mr. Martin, voluntarily by the executive officer for "good reason" (as each term is defined in the applicable employment agreement) in each case within the 24 months immediately following, or the six months immediately preceding, a change in control (as defined in the applicable employment agreement), such executive officer will be entitled to the following benefits:

- a payment equal to any earned and unpaid bonus, unpaid base salary through the termination date and earned and/or vested and unpaid amounts under any PlainsCapital compensation and benefits plan;

- a lump sum payment equal to three times the sum of such officer's (i) annual base salary and (ii) the higher of the most recent annual bonus paid and the average annual bonus paid or payable over the three years immediately prior to the termination of employment;

- two years of benefits continuation (subject to reduction of the executive officer obtains benefits from a subsequent employer earlier than two years following termination of employment);

- two years of continued auto allowance (subject to reduction if the executive officer receives an auto allowance from a subsequent employer earlier than two years following termination of employment); and

- the vesting and cash out of all outstanding stock options held by such executive officer at the current fair market value on the effective date of such termination of employment.

The employment agreements with Messrs. Martin, Feinberg, Huffines and Salmans each provide that if the payments or distributions made, or benefits provided by PlainsCapital to or for the benefit of one of Messrs. Martin, Feinberg, Huffines or Salmans would constitute a "parachute payment" as defined in Section 280G of the Code, then the payments and benefits will be reduced so that the aggregate present value of all payments in the nature of compensation which are contingent on a change in control is one dollar ($1.00) less than the amount the executive could receive without being considered to have received any "parachute payment."

The merger agreement provides that PlainsCapital will use its reasonable best efforts to enter into amendments to the employment agreements with 15 of its officers before the consummation of the merger, including Mr. Feinberg, Mr. Huffines and Mr. Salmans, in a manner that would extend the term of the executives' employment agreements until the second anniversary of the consummation of the merger. The merger agreement also requires that, in the amendments (if obtained), PlainsCapital and the executives would agree to eliminate the automatic renewal feature of the employment agreements, such that the term of each employment agreement would expire on the second anniversary of the consummation of the merger without extension. If PlainsCapital is not able to reach agreement with any executive to amend his or her employment agreement in this way before their applicable renewal notice date, then PlainsCapital would provide the relevant executive with a notice of non-renewal prior to that date. None of the terms of the employment agreement relating to compensation or benefits will be amended.

In addition, PlainsCapital will provide notices to six officers under their employment agreements before September 30, 2012, including under the employment agreement with Mr. Martin, in a manner such that these employment agreements would terminate on the second anniversary of the consummation of the merger. None of the terms of the employment agreement relating to compensation or benefits will be amended in the notice of non-renewal.

SEPP Termination and Payout

On May 8, 2012, PlainsCapital Bank amended the SEPP to (i) eliminate the crediting of five additional years of benefit service for SEPP participants who might experience a termination of

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employment within the six months immediately before or the 24 months immediately after the consummation of the merger, and (ii) clarify certain benefits that are creditable upon the termination of the SEPP if the SEPP termination occurs at any time on or prior to December 31, 2012. The clarification noted above provides that SEPP participants are entitled to (a) be credited with a full year of service in respect of the year of the termination of the SEPP regardless of the number of days elapsed during the year of termination (not to exceed 15 years of benefit service), and (b) the inclusion of their 2012 compensation as if it were a completed calendar year in determining their average annual compensation under the SEPP. It is anticipated that the SEPP will be terminated in connection with the completion of the merger, with all accrued amounts (including all accruals in respect of 2012) to be paid to SEPP participants within 30 days of the completion of the merger. The only named executive officers participating in the SEPP are Mr. Alan B. White, Mr. Jerry Schaffner, and Mr. James R. Huffines.

Accelerated Vesting of Equity Awards

If the directors and executive officers of PlainsCapital own shares of PlainsCapital common stock, they will receive the same consideration per share on the same terms and conditions as the other shareholders of PlainsCapital in the merger. As of August 2, 2012, the directors and executive officers of PlainsCapital beneficially owned in the aggregate 6,341,670 shares of PlainsCapital common stock and held 352,544 restricted stock units.

If unvested and outstanding immediately before the consummation of the merger, then upon the consummation of the merger, the merger agreement provides that each restricted share of PlainsCapital common stock subject to vesting, repurchase or other restrictions granted under any PlainsCapital stock plan, and each restricted stock unit representing the right to receive a share of PlainsCapital common stock granted under any PlainsCapital stock plan, will vest in full upon the consummation of the merger. All PlainsCapital equity will be paid out to holders upon the consummation of the merger, according to the terms of the merger agreement. The following number of restricted shares and restricted stock units will accelerate and become vested in full for each director and executive officer, assuming the consummation of the merger occurs on September 30, 2012 (there are no unvested options held by directors or executive officers):

Directors

Name	Restricted Stock	Restricted Stock Units
Charlotte Jones Anderson	1,071	
Tracy A. Bolt	1,071	
Lee Lewis	1,071	
Andrew J. Littlefair	1,071	
Michael T. McGuire	1,071	
A. Haag Sherman	1,071	
Robert C. Taylor	1,071	

Executive Officers

Name	Restricted Stock	Restricted Stock Units
Alan B. White	85,715	143,762
John A. Martin		33,342
Hill A. Feinberg	20,572	50,000
James R. Huffines	42,143	51,988
Todd L. Salmans	59,701	20,000
Jerry L. Schaffner	25,715	53,452

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Executive Officer Merger-Related Compensation

The following table sets forth the value of the benefits under the change of control severance agreements and retention agreements described above and under "Potential Payments Upon Termination or Change in Control" that would be received by each named executive officer (as well as Mr. Schaffner) who has a change of control severance agreement or a retention agreement, assuming the merger closes on September 30, 2012 and the executive's employment is terminated at or immediately following the effective time of the merger.

The following table sets forth the information required by Item 402(t) of Regulation S-K regarding certain compensation that each of PlainsCapital's named executive officers may receive that is based on or that otherwise relates to the merger. This compensation is referred to as "golden parachute" compensation. The "golden parachute" compensation payable to PlainsCapital's named executive officers is subject to a non-binding advisory vote of PlainsCapital shareholders, as described under "Proposals Submitted to PlainsCapital Shareholders Non-Binding Advisory Vote Approving Compensation."

While not required pursuant to Item 402(t) of Regulation S-K, the following table also includes quantification of these amounts for Jerry Schaffner, who is one of our executive officers but is not a named executive officer under SEC rules. These amounts are not subject to the non-binding advisory vote of PlainsCapital shareholders, as described under "Proposals Submitted to PlainsCapital Shareholders Non-Binding Advisory Vote Approving Compensation."

Assuming that the merger closes as of September 30, 2012, and each of the named executive officers (and Mr. Schaffner) is terminated in a qualifying termination of employment on or immediately following the effective time of the merger, the named executive officers would receive the approximate amounts set forth in the table below, based on a per share price of Hilltop common stock of $10.58, which is the average closing price per share of Hilltop common stock for the first five days following the public announcement of the merger on May 9, 2012, as required pursuant to Item 402(t) of Regulation S-K (which results in merger consideration of approximately $17.21 per share of PlainsCapital's common stock). Please note that the amounts indicated below are estimates based on multiple assumptions that may or may not actually occur. As a result, the actual amounts, if any, to be received by a named executive officer may differ from the amounts set forth below (for example, if a named executive officer's employment is not terminated, much if not most of the payments will not be made). At this time, there is no intention or expectation of termination of employment of any of the executives identified below in connection with the merger.

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Golden Parachute Compensation

Name	Cash ($)(1)	Equity ($)(2)	Pension/ NQDC ($)(3)	Perquisites/ Benefits ($)(4)	Tax Reimbursement ($)(5)	Other ($)(6)	Total ($)
Alan B. White *Chairman and Chief Executive Officer*	12,079,409	3,994,871	675,077	0	6,091,617	0	22,840,974
Jerry L. Schaffner *President and Chief Executive Officer of PlainsCapital Bank*	3,209,111	1,408,036	48,888	0	1,393,989	0	6,060,024
John A. Martin *Chief Financial Officer*	2,025,000	573,816	0	25,356	0	(1,345,753)	1,278,419
Hill A. Feinberg *President and Chief Executive Officer of First Southwest*	3,560,333	1,214,544	0	42,433	0	(72,519)	4,744,791
James R. Huffines *President and Chief Operating Officer*	3,142,500	1,654,173	263,462	87,966	0	(2,386,054)	2,762,047
Todd L. Salmans *President and Chief Executive Officer of PrimeLending*	4,950,000	1,371,654	0	52,293	0	(3,277,052)	3,096,895

(1) Unless otherwise indicated below, these amounts represent "double trigger" benefits, and include the estimated value of (i) the cash severance payments under the applicable Employment Agreements or Retention Agreements, as applicable, payable following a qualifying termination of employment, and (ii) the estimated bonus payment, payable following a qualifying termination of employment. The estimated amount of each benefit for each named executive officer is as follows:

Mr. White: The sum of (1) $6,430,890 under the Retention Agreement with Hilltop, dated May 8, 2012, in full satisfaction of Mr. White's rights under Section 6 (Termination Upon Change in Control) of the Employment Agreement, by and between Mr. White and PlainsCapital, dated January 1, 2009, payable in a cash lump sum upon any termination of employment; and (2) cash severance under the Retention Agreement of $5,648,519, which is (i) the sum of Mr. White's annual base salary and the average of the annual bonus amounts paid to him for the three most recently completed fiscal years ending immediately prior to the date of termination (2009, 2010, and 2011), multiplied by (ii) the greater of (A) two, and (B) the number of full and partial years from the date of termination through the end of the applicable employment period under the Retention Agreement (assumed to be three for purposes herein), payable over the "severance period," which is the greater of two years from the date of termination and the number of full and partial years from the date of termination through the end of the applicable employment period under the Retention Agreement. The foregoing cash amounts in subparagraph (1) represent "modified single trigger" benefits, payable assuming the occurrence of the merger and a termination of employment for any reason on or after the effective time of the merger, and the foregoing cash amounts in subparagraph (2) represent "double trigger" benefits, payable assuming the occurrence of the merger and a qualifying

termination of employment on or after the effective time of the merger. With respect to the amounts described in subparagraph (1) that are paid in full satisfaction of Section 6 of the Employment Agreement with PlainsCapital, such amounts are payable upon any termination of employment at any time, subject to any delay required by Section 409A of the Internal Revenue Code and the execution of a release of claims. The cash severance amounts described in subparagraph (2) are payable upon a termination of employment other than for cause, death or disability or a termination due to non-renewal by Hilltop at any time on or after the effective time of the merger, subject to any delay required by Section 409A of the Internal Revenue Code and the execution of a release of claims.

Mr. Schaffner: The sum of (1) $2,448,000 under the Retention Agreement with Hilltop, dated May 8, 2012, in full satisfaction of Mr. Schaffner's rights under Section 6 (Termination Upon Change in Control) of the Employment Agreement, by and between Mr. Schaffner and PlainsCapital, dated January 1, 2009, payable in a cash lump sum upon any termination of employment; and (2) cash severance under the Retention Agreement of $761,111, which is the sum of Mr. Schaffner's annual base salary and the average of the annual bonus amounts paid to him for the three most recently completed fiscal years ending immediately prior to the date of termination (2009, 2010, and 2011), payable over the one year period following the date of termination. The foregoing cash amounts in subparagraph (1) repesent "modified single trigger" benefits, payable assuming the occurrence of the merger and a termination of employment for any reason on or after the effective time of the merger, and the foregoing cash amounts in subparagraph (2) represent "double trigger" benefits, payable assuming the occurrence of the merger and a qualifying termination of employment on or after the effective time of the merger. With respect to the amounts described in subparagraph (1) that are paid in full satisfaction of Section 6 of the Employment Agreement with PlainsCapital, such amounts are payable upon any termination of employment at any time, subject to any delay required by Section 409A of the Internal Revenue Code and the execution of a release of claims. The cash severance amounts described in subparagraph (2) are payable upon a termination of employment other than for cause, death or disability at any time on or after the effective time of the merger, subject to any delay required by Section 409A of the Internal Revenue Code and the execution of a release of claims.

Messrs. Martin, Feinberg, Huffines and Salmans: Under the applicable Employment Agreements with PlainsCapital, cash severance based on three times the sum of (i) annual base salary, and (ii) the higher of the bonus paid for the most recently completed calendar year and the average bonus paid with respect to the three most recently completed calendar years ending immediately prior to the date of termination (2009, 2010, and 2011). The foregoing cash amounts represent "double trigger" benefits, payable assuming the occurrence of the merger and a termination of employment during the six (6) months prior to or the twenty-four (24) month following the effective time of the merger. The cash severance amounts are payable upon a termination of employment by the executive for good reason (except for Mr. Martin) or a termination of employment by the employer without cause, subject to the execution of a release of claims.

(2)

These amounts represent the estimated value of the benefits for the accelerated vesting and/or cash-out of all equity awards (*e.g.*, cash-out of vested stock options and accelerated vesting of restricted stock and restricted stock units) at the effective time of the merger. These amounts are all "single trigger" benefits; the vesting and/or cash-out of all equity awards will occur in connection with the merger.

(3)

These amounts represent the estimated value of the enhanced benefits under the PlainsCapital Bank Supplemental Executive Pension Plan (the "SEPP"), calculated as of September 30, 2012. In connection with the merger, PlainsCapital adopted the Second Amendment to the SEPP, under which participants are entitled to enhanced benefits upon the SEPP's termination on or prior to

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December 31, 2012, including (i) crediting for a full year of service for 2012, regardless of the number of days elapsed during 2012 (not to exceed 15 years of benefit service), and (ii) inclusion of 2012 compensation as if it were a completed calendar year in determining a participant's average annual compensation for purposes of the SEPP. It is anticipated that the SEPP will be terminated in connection with the merger. For purposes of this disclosure table, only the amounts of the enhanced benefits under the SEPP in connection with the merger have been included.

(4)

These amounts represent "double trigger" benefits, and include the estimated value of in-kind benefits provided under the applicable Employment Agreements, including continued medical, dental, group life, and long-term disability plan benefits, and automobile allowance (for Messrs. Huffines and Salmans, in the total amount of $48,000 and $24,000, respectively), as applicable, which would be provided upon a qualifying termination of employment for a period of two years. These benefits are payable assuming the occurrence of the merger and a termination of employment by the executive for good reason (except for Mr. Martin) or a termination of employment by the employer without cause, subject to the execution of a release of claims, during the six (6) months prior to or the twenty-four (24) month following the effective time of the merger. Under the applicable employment agreements, the continued medical, dental, group life, and long-term disability plan benefits (or the payment for such benefits if the executive is ineligible to participate under the employer's welfare plans) are to be provided for the period beginning on the date of termination of employment and ending on the earlier of (A) the second anniversary of such date, or (B) the day of the executive's eligibility to participate in comparable welfare benefit plans maintained by a subsequent employer. Under the applicable employment agreements, the continuation of the automobile allowance is to be provided for the period beginning on the date of termination of employment and ending on the earlier of (A) the second anniversary of such date, or (B) the day of the executive's eligibility to receive an automobile allowance from a subsequent employer.

(5)

These amounts represent both "modified single trigger" and "double trigger" benefits, assuming the occurrence of the merger and a termination of employment in connection with the merger, and include the estimated amounts that may become payable to the executives to indemnify them from the impact of the excise taxes that may be due by reason of the application of Section 4999 of the Internal Revenue Code on certain "excess parachute payments." Such "gross-up" amounts will be payable if necessary to indemnify the executive for the impact of such excise taxes (and all federal, state and local taxes on such gross-up amount (including any interest or penalties imposed with respect to such taxes)). With respect to the amounts paid in full satisfaction of Section 6 of the Employment Agreement with PlainsCapital, any gross-up (if applicable) on such amounts would represent "modified single trigger" benefits. With respect to the amounts paid as cash severance upon a qualifying termination of employment, any gross-up on such amount would represent "double trigger" benefits. Under the applicable agreements, even if there were no termination of employment, the gross-up provisions could still apply if any amounts were paid to the executives in connection with the merger and such amounts were subject to Section 4999 of the Internal Revenue Code (*i.e.*, such amounts would be "single trigger" benefits in such event). However, based on the value of benefits paid in connection with the merger without a termination of employment, no amounts are anticipated to be subject to Section 4999 of the Internal Revenue Code, and therefore, no gross-up amount is anticipated to be payable without a termination of employment. These amounts are subject to further change based on the effective time of the merger, date of termination, interest rates then in effect, and certain other assumptions used in the calculation.

(6)

Each of the applicable Employment Agreements for each of Messrs. Martin, Feinberg, Huffines, and Salmans contains a scaleback adjustment provision which provides that, in the event that any payment or distribution made, or benefit provided, by PlainsCapital to or for the benefit of the

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executive would constitute a "parachute payment" as defined in Section 280G of the Internal Revenue Code, then the benefits will be reduced so that the aggregate present value of all payments in the nature of compensation that are contingent on a change in control (within the meaning of Section 280G of the Internal Revenue Code) is one dollar ($1.00) less than the amount the executive could receive without being considered to have received any parachute payment. These amounts represent the amount of the scaleback adjustment.

The following amounts represent the total amounts payable with respect to each executive in connection with the "double trigger" benefits described in notes (1), (4), and (5) above; such amounts do not include the "single trigger" benefits described in note (2) above or reflect the scaleback of benefits described in note (6) above. For Mr. White: $18,171,326; for Mr. Schaffner: $4,603,100; for Mr. Martin: $2,050,356; for Mr. Feinberg: $3,602,766; for Mr. Huffines: $3,270,432; and for Mr. Salmans: $5,002,293. The following amounts represent the total amounts payable with respect to each executive in connection with the "modified single trigger" benefits (which are included in the "double trigger" totals in the prior sentence) described in notes (1) and (5) above; such amounts do not include the "single trigger" benefits described in note (2) above: for Mr. White, $6,430,890, plus a portion of the gross-up amount in note (5) above; and for Mr. Schaffner, $2,448,000, plus a portion of the gross-up amount in note (5) above.

Indemnification of PlainsCapital Directors and Officers and Continuation of Directors' and Officers' Insurance

Each present and former director, officer and employee of PlainsCapital and its subsidiaries (when acting in such capacity) will be indemnified to the fullest extent permitted by law for any acts arising out of or pertaining to matters existing occurring at or prior to the closing. Additionally, Hilltop will provide director and officer liability insurance with respect to claims arising from facts or events occurring before the completion of the merger, which will contain at least the same coverage and amounts, and on no less advantageous terms to the indemnified party as that coverage currently provided by PlainsCapital, at an aggregate cost not to exceed 300% of the annual aggregate premiums currently paid by PlainsCapital for such insurance. In lieu of the foregoing, prior to the closing, PlainsCapital may purchase "tail" D&O insurance, at an aggregate cost not to exceed 300% of the annual aggregate premiums currently paid by it for such insurance.

THE MERGER AGREEMENT

The following describes certain aspects of the merger, including certain material provisions of the merger agreement. The following description of the merger agreement is subject to, and qualified in its entirety by reference to, the merger agreement, which is attached to this joint proxy statement/prospectus as Annex A and is incorporated by reference into this joint proxy statement/prospectus. We urge you to read the merger agreement carefully and in its entirety, as it is the legal document governing the merger.

Structure of the Merger

Each of Hilltop's board of directors and PlainsCapital's board of directors has approved the merger agreement. The merger agreement provides for the merger of PlainsCapital with and into Meadow Corporation, with Meadow Corporation continuing as the surviving entity in the merger under the name "PlainsCapital Corporation."

Merger Consideration

Each shareholder of PlainsCapital common stock issued and outstanding immediately prior to the completion of the merger will receive per share consideration consisting of 0.776 shares of Hilltop common stock and $9.00 in cash, subject to certain adjustments, except for (i) shares of PlainsCapital common stock held by PlainsCapital or Hilltop (other than shares held in trust accounts or otherwise in a fiduciary capacity) and (ii) specified shares of PlainsCapital common stock held by PlainsCapital shareholders properly asserting dissenters' rights at the completion of the merger. The purchase consideration to PlainsCapital shareholders includes approximately 27.3 million shares of Hilltop common stock and approximately $317 million of cash. The aggregate consideration to be paid by Hilltop will not increase if the number of shares of PlainsCapital common stock outstanding at the effective time of the merger exceeds the number of shares outstanding as of the date of the merger agreement, other than due to the issuance of certain shares pursuant to equity awards. As a result, if the number of shares of PlainsCapital common stock outstanding as of the effective time of the merger exceeds the number of shares outstanding at the time the merger agreement was executed, the consideration to be received in respect of each share of PlainsCapital common stock will accordingly be decreased, as such additional shares will share in the same aggregate pool of consideration to be paid by Hilltop.

Fractional Shares

Hilltop will not issue any fractional shares of Hilltop common stock in the merger. Instead, a PlainsCapital shareholder who otherwise would have received a fraction of a share of Hilltop common stock will receive an amount in cash rounded to the nearest cent. The cash amount will be determined by multiplying (i) the average high and low sales prices of Hilltop common stock on the NYSE, as reported on the New York Stock Exchange Composite Transaction Tape on the date of the completion of the merger by (ii) the fraction of a share of Hilltop common stock to which such holder would otherwise be entitled to receive.

Surviving Corporation; Governing Documents; Directors and Officers

At the completion of the merger, the articles of incorporation and bylaws of Meadow Corporation in effect immediately prior to the effective time will be the articles of incorporation and bylaws of the surviving corporation after completion of the merger until thereafter amended in accordance with their respective terms and applicable law.

As of the completion of the merger, the Hilltop board of directors will take all action necessary so that the members of the Hilltop board of directors include a number of directors selected by the pre-merger board of directors of Hilltop that is one more than the number of members selected by the

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pre-merger board of directors of PlainsCapital. One of the PlainsCapital designees will be Mr. White, who will serve as Vice Chairman of the Hilltop board of directors.

As of the completion of the merger, Hilltop will form an executive committee of the board of directors, consisting of three members selected by the pre-merger Hilltop board of directors and two members selected by the pre-merger PlainsCapital board of directors. The chairman of the executive committee will initially be Mr. White.

Treatment of PlainsCapital Stock Options and Other Equity-Based Awards

Each outstanding stock option to acquire shares of PlainsCapital common stock will vest in full at the completion of the merger and, subject to the execution of a stock-based award surrender agreement, the holder of a PlainsCapital stock option will be entitled to receive the merger consideration with respect to each share of PlainsCapital common stock underlying a PlainsCapital stock option, less the exercise price for such PlainsCapital stock option and the applicable withholding taxes.

Each share of PlainsCapital restricted stock and each PlainsCapital restricted stock unit will vest in full at the completion of the merger and, subject to the execution of a stock-based award surrender agreement, the holders of such restricted stock or restricted stock units will be entitled to receive the merger consideration with respect to such equity award, less applicable withholding taxes.

Each share of PlainsCapital Series C preferred stock will be converted into a share of a new series of Hilltop's preferred stock with equivalent rights and preferences.

Closing and Completion of the Merger

The merger will be completed only if all of the conditions to the merger discussed in this joint proxy statement/prospectus and set forth in the merger agreement are either satisfied or waived. See "The Merger Agreement Conditions to Completion of the Merger" included elsewhere in this joint proxy statement/prospectus.

The merger shall become effective when the agreement of merger is accepted for filing by (i) the Secretary of State of the State of Texas in accordance with the Texas Business Organizations Code and (ii) the State Department of Assessments and Taxation of Maryland in accordance with Maryland corporation law. The completion of the merger will occur on the first business day of the first calendar month that follows the month in which the last of the conditions to the merger is satisfied or waived, unless those conditions are satisfied on or after December 1, 2012 and before December 31, 2012, in which case the completion of the merger will occur on December 31, 2012, or unless extended by mutual agreement of the parties. It is currently anticipated that the completion of the merger will occur in the fourth quarter of 2012 subject to the receipt of regulatory approvals and other customary closing conditions, but neither Hilltop nor PlainsCapital can guarantee when or if the merger will be completed.

Conversion of Shares; Exchange of Certificates

The conversion of PlainsCapital common stock into the right to receive the merger consideration will occur automatically at the completion of the merger. Promptly after completion of the merger, the exchange agent will exchange certificates or book-entry shares representing shares of PlainsCapital common stock for the merger consideration to be received pursuant to the terms of the merger agreement.

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Letter of Transmittal

As soon as reasonably practicable after the completion of the merger, the exchange agent will mail appropriate transmittal materials and instructions to those persons who were holders of PlainsCapital common stock immediately prior to the completion of the merger. These materials will contain instructions on how to surrender shares of PlainsCapital common stock in exchange for the merger consideration the holder is entitled to receive under the merger agreement.

If a certificate for PlainsCapital common stock has been lost, stolen or destroyed, the exchange agent will issue the merger consideration upon receipt of (i) an affidavit of that fact by the claimant and (ii) if reasonably required, such bond as Hilltop may determine is necessary as indemnity against any claim that may be made against Hilltop with respect to such lost, stolen or destroyed certificate.

After completion of the merger, there will be no further transfers on the stock transfer books of PlainsCapital other than to settle transfers of PlainsCapital common stock that occurred prior to the effective time of the merger.

Withholding

Hilltop and the exchange agent will be entitled to deduct and withhold from the consideration otherwise payable to any PlainsCapital shareholder the amounts it is required to deduct and withhold under any applicable federal, state, local or foreign tax law. If any such amounts are withheld, these amounts will be treated for all purposes of the merger agreement as having been paid to the shareholders from whom they were withheld.

Dividends and Distributions

Whenever a dividend or other distribution is declared by Hilltop on Hilltop common stock, the record date for which is after the completion of the merger, the declaration will include dividends or other distributions on all shares of Hilltop common stock issuable under the merger agreement, but such dividends or other distributions will not be paid to the holder thereof until such holder has duly surrendered its PlainsCapital stock certificates.

Representations and Warranties

The representations, warranties and covenants described below and included in the merger agreement were made only for purposes of the merger agreement and as of specific dates, are solely for the benefit of Hilltop and PlainsCapital, may be subject to limitations, qualifications or exceptions agreed upon by the parties, including those included in confidential disclosures made for the purposes of, among other things, allocating contractual risk between Hilltop and PlainsCapital rather than establishing matters as facts, and may be subject to standards of materiality that differ from those standards relevant to investors. You should not rely on the representations, warranties, covenants or any description thereof as characterizations of the actual state of facts or condition of Hilltop, PlainsCapital or any of their respective subsidiaries or affiliates. Moreover, information concerning the subject matter of the representations, warranties and covenants may change after the date of the merger agreement, which subsequent information may or may not be fully reflected in public disclosures by Hilltop or PlainsCapital. The representations and warranties and other provisions of the merger agreement should not be read alone, but instead should be read only in conjunction with the information provided elsewhere in this joint proxy statement/prospectus and in the documents incorporated by reference into this joint proxy statement/prospectus.

The merger agreement contains customary representations and warranties of Hilltop and PlainsCapital relating to their respective businesses. The representations and warranties in the merger agreement do not survive the completion of the merger.

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PlainsCapital has made representations and warranties regarding, among other things:

- corporate matters, including due organization and qualification of subsidiaries;
- capitalization;
- securities issuable pursuant to equity awards;
- authority relative to execution and delivery of the merger agreement;
- absence of conflicts with, or violations of, organizational documents or other obligations as a result of the merger;
- required governmental and/or regulatory filings and consents;
- reports to regulatory authorities;
- financial statements, internal controls and the absence of undisclosed liabilities;
- broker's fees payable in connection with the merger;
- the absence of certain changes or events;
- compliance with applicable law;
- inapplicability of certain state takeover statutes;
- employee benefits matters;
- agreements with regulatory authorities;
- receipt of an opinion of its financial advisor;
- accuracy of information filed with any governmental agency and/or regulatory authority;
- legal proceedings;
- certain material contracts;

- environmental matters;
- tax matters;
- intellectual property matters;
- real and personal property;
- insurance matters;
- derivatives matters;
- loan matters;
- compliance with applicable law and regulatory requirements relating to investment advisory services and broker-dealer services;
- CRA Compliance;
- title to investment securities;
- related party matters; and
- labor matters.

Hilltop has made representations and warranties regarding, among other things:

- corporate matters, including due organization and qualification of subsidiaries;

capitalization;

authority relative to execution and delivery of the merger agreement;

the absence of conflicts with, or violations of, organizational documents or other obligations as a result of the merger;

required governmental and/or regulatory filings;

reports to regulatory authorities;

financial statements, internal controls and the absence of undisclosed liabilities;

broker's fees payable in connection with the merger;

the absence of certain changes or events;

compliance with applicable law;

employee benefits matters;

agreements with regulatory authorities;

accuracy of information filed with any governmental agency and/or regulatory authority;

legal proceedings;

certain material contracts;

environmental matters;

tax matters;

real and personal property;

insurance matters;

- derivatives matters;
- related party transactions;
- labor matters;
- matters relating to the operation of Hilltop's insurance businesses;
- availability of funds to complete the merger; and
- the regulatory status of certain of Hilltop's investments.

Certain representations and warranties of Hilltop and PlainsCapital are qualified as to "materiality" or "material adverse effect." For purposes of the merger agreement, a "material adverse effect," means with respect to any party, a material adverse effect on (i) the financial condition, results of operations or business of such party and its subsidiaries taken as a whole or (ii) the ability of either party to timely consummate the transactions contemplated by the merger agreement. A material adverse effect with respect to clause (i) of the foregoing definition shall not include effects arising out of, relating to or resulting from:

- changes after the date of the merger agreement in applicable GAAP or regulatory accounting requirements, except to the extent that the effects of such change are materially disproportionately adverse to the financial condition, results of operations or business of such party and its subsidiaries, taken as a whole, as compared to other companies in the industry in which such party and its subsidiaries operate;

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changes after the date of the merger agreement in laws, rules or regulations of general applicability to companies in the industries in which such party and its subsidiaries operate, except to the extent that the effects of such change are materially disproportionately adverse to the financial condition, results of operations or business of such party and its subsidiaries, taken as a whole, as compared to other companies in the industry in which such party and its subsidiaries operate;

changes after the date of the merger agreement in global, national or regional political conditions or general economic or market conditions (including changes in prevailing interest rates, credit availability and liquidity, currency exchange rates, and price levels or trading volumes in the United States or foreign securities markets) affecting other companies in the industries in which such party and its subsidiaries operate, except to the extent that the effects of such change are materially disproportionately adverse to the financial condition, results of operations or business of such party and its subsidiaries, taken as a whole, as compared to other companies in the industry in which such party and its subsidiaries operate;

changes after the date of the merger agreement in the credit markets, any downgrades in the credit markets, or adverse credit events resulting in deterioration in the credit markets generally and including changes to any previously correctly applied asset marks resulting therefrom, except to the extent that the effects of such change are materially disproportionately adverse to the financial condition, results of operations or business of such party and its subsidiaries, taken as a whole, as compared to other companies in the industry in which such party and its subsidiaries operate;

a decline in the trading price of a party's common stock or a failure, in and of itself, to meet earnings projections, but not, in either case, including any underlying causes thereof, the public disclosure of the merger agreement or the transactions contemplated thereby or the consummation of the transactions contemplated thereby;

the public disclosure of the merger agreement or the transactions contemplated thereby or the consummation of the transactions contemplated thereby;

any outbreak or escalation of hostilities, declared or undeclared acts of war or terrorism, except to the extent that the effects of such change are materially disproportionately adverse to the financial condition, results of operations or business of such party and its subsidiaries, taken as a whole, as compared to other companies in the industry in which such party and its subsidiaries operate; or

actions or omissions taken with the prior written consent of the other party or expressly required by the merger agreement.

Covenants and Agreements

Conduct of Business Prior to the Completion of the Merger

PlainsCapital has agreed that, prior to the completion of the merger, it will, and will cause each of its subsidiaries to, conduct its business in the ordinary course consistent with past practice in all material respects and use commercially reasonable efforts to maintain and preserve intact its business organization and advantageous business relationships. Each of PlainsCapital and Hilltop have agreed to, and to cause each of their respective subsidiaries to, take no action that is intended to or would reasonably be expected to adversely affect or materially delay the ability of either PlainsCapital, Meadow Corporation or Hilltop to obtain any necessary approvals of any regulatory agency or other governmental entity required for the transactions contemplated by the merger agreement or to perform its covenants and agreements under the merger agreement.

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Additionally, PlainsCapital has agreed that prior to the completion of the merger, except as required by the merger agreement, required by applicable law or with the prior written consent of Hilltop, PlainsCapital will not, and will not permit any of its subsidiaries to, subject to certain exceptions, undertake the following actions:

- issue, deliver, sell, dispose of, authorize, pledge or encumber or pledge any shares of its capital stock or other equity interests or securities convertible into, or exchangeable for, additional shares of capital stock or other equity interests, except for issuances under dividend reinvestment plans in the ordinary course of business or automatic grants pursuant to existing PlainsCapital stock plans (none of which issuances or grants may include the issuance or grant of any stock options);

- declare or pay any dividends or other distributions on any shares of its capital stock, except for (i) dividends from one wholly-owned subsidiary to PlainsCapital or another wholly-owned subsidiary, (ii) regular quarterly dividends on the PlainsCapital common stock at a rate no greater than $0.06 per share and (iii) required dividends on PlainsCapital common stock;

- adjust, split, combine, reclassify or acquire any capital stock (other than repurchases of shares of PlainsCapital common stock in the ordinary course of business to satisfy obligations under dividend reinvestment plans or PlainsCapital employee benefit plans);

- enter into, amend the material terms of, knowingly violate the terms of, waive any material rights under, or terminate any (i) material contract, regulatory agreement or other binding obligation that is material to PlainsCapital and its subsidiaries, taken as a whole, (ii) material restriction on the ability of PlainsCapital and its subsidiaries to conduct its business as it was being conducted as of the date of the merger agreement, or (iii) any contract governing the terms of the PlainsCapital common stock, or any other outstanding PlainsCapital capital stock or indebtedness;

- sell, transfer, mortgage, encumber or otherwise dispose of any of its properties, deposits, businesses or assets other than in the ordinary course of business and in transactions that, together with any other such transactions, are not material to PlainsCapital and its subsidiaries, taken as a whole;

- acquire all or any portion of the assets, business, deposits or properties of any other entity, except in the ordinary course of business and in a transaction that, together with any other such transactions, is not material to PlainsCapital and its subsidiaries, taken as a whole, and would not reasonably be expected to present a material risk that the closing of the merger will be materially delayed or that any regulatory approval required to consummate the merger will be more difficult to obtain;

- amend its articles of incorporation or bylaws or comparable organizational documents, or similar governing documents of significant subsidiaries;

- implement or adopt any change in its accounting principles, practices or methods, other than as may be required by GAAP or applicable regulatory accounting requirements;

- except as required under applicable law or the terms of any employee benefit plan in effect as of the date of the merger agreement, increase the compensation or benefits of any of the current or former directors, officers, employees, consultants, independent contractors or other service providers of PlainsCapital or its subsidiaries, except for ordinary course merit-based increases in the base salary of employees (other than directors or executive officers or individuals who are party to an employment agreement or change of control agreement) consistent with past practice;

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except as required under applicable law or the terms of any employee benefit plan in effect as of the date of the merger agreement, (i) establish, amend, alter a prior interpretation in a manner that increases rights or increases costs, terminate or commit itself to the adoption of any employee benefit plan, (ii) grant, pay or increase any severance, retirement or termination pay, or commit to do so, (iii) accelerate the payment or vesting of, or lapsing of restrictions with respect to, any stock-based compensation, long-term incentive compensation or any bonus or other incentive compensation, (iv) cause the funding of any rabbi trust or similar arrangement or take any action to fund or in any way secure the payment of compensation or benefits under any employee benefit plan; (v) terminate the employment or services of any officer, employee, independent contractor or consultant other than for cause, or (vi) hire any officer, employee, independent contractor or consultant, except in the ordinary course of business for non-executive officer positions for a base salary not in excess of $250,000;

take, or omit to take, any action that would, or is reasonably likely to, prevent or impede the merger from qualifying as a "reorganization" within the meaning of Section 368(a) of the Code;

incur or guarantee any indebtedness for borrowed money, other than in the ordinary course of business;

increase the size of the warehouse line of credit extended by PlainsCapital Bank to PrimeLending to a total amount in excess of $1 billion;

enter into any new line of business or materially change its lending, investment, underwriting, risk and asset liability management and other banking and operating policies, except as required by law or requested by a regulatory agency;

make any material change to (i) its investment securities portfolio, derivatives portfolio or its interest rate exposure, through purchases, sales or otherwise, or (ii) the manner in which the portfolio is classified or reported, except as required by law or requested by a regulatory agency;

settle any action, suit, claim or proceeding against PlainsCapital or any of its subsidiaries, except for an action, suit, claim or proceeding that is settled in an amount and for consideration not in excess of $2,000,000 and that would not (i) impose any restriction on the business of PlainsCapital or its subsidiaries or (ii) create precedent for claims that are reasonably likely to be material to PlainsCapital or its subsidiaries;

alter materially its interest rate or pricing fee or fee pricing policies with respect to depository accounts of any of its subsidiaries or waive any material fees with respect thereto, other than as determined to be necessary or advisable by PlainsCapital in the good faith exercise of its discretion based on changes in market conditions;

make any material changes in its policies and practices with respect to (i) underwriting, pricing, originating, acquiring, selling, servicing, or buying or selling rights to service, loans or (ii) its hedging practices and policies, in each case except as required by law or requested by a regulatory agency;

enter into any securitizations of any loans or create any special purpose funding or variable interest entity other than on behalf of clients;

invest in any mortgage-backed or mortgage related securities which would be considered "high-risk" securities under applicable regulatory pronouncements;

except for loans that have been approved by PlainsCapital prior to the date of the merger agreement, make or acquire any loan or issue a commitment (or renew or extend an existing commitment) for any loan, that would result in total credit exposure in excess of $30,000,000

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with respect to borrowers with an outstanding loan from PlainsCapital or a subsidiary of PlainsCapital as of the date hereof or $10,000,000 with respect to all other borrowers;

enter into agreements relating to, or consummate purchases or sales (other than sales by PrimeLending) of, whole loans in excess of $10,000,000 in principal amount or purchase price;

make application for the opening, relocation or closing of any, or open, relocate or close any, branch office, loan production office or other significant office or operations facility;

pay, loan or advance any amount to, or sell, transfer or lease any properties, rights or assets to, or enter into any arrangement or agreement with any of its officers or directors or any of their family members, or any affiliates or associates of any of its officers or directors, other than loans originated in the ordinary course of business and, in the case of any such arrangements or agreements relating to compensation, fringe benefits, severance or termination pay or related matters, except pursuant to arrangements or agreements in effect on the date of the merger agreement which have been disclosed to Hilltop; or

make, change or revoke any material tax election, change or consent to any change in it or its subsidiaries' method of accounting for tax purposes (except as required by applicable tax law), take any material position on any material tax return filed on or after the date of the agreement, settle any material tax claim or assessment, enter into any closing agreement, waive or extend any statute of limitations with respect to a material amount of taxes, surrender any right to claim a refund for a material amount of taxes or file any amended tax return.

Hilltop has agreed that prior to the completion of the merger, except as expressly permitted by the merger agreement or with the prior consent of PlainsCapital, Hilltop will not, and will not permit any of its subsidiaries to, subject to certain exceptions, undertake the following actions:

amend its certificate of incorporation or bylaws or similar governing documents of any of its significant subsidiaries in a manner that would materially and adversely affect the holders of PlainsCapital common stock or that would materially impede Hilltop's ability to consummate the transactions contemplated by the merger agreement;

take, or omit to take, any action that would, or is reasonably likely to, prevent or impede the merger from qualifying as a "reorganization" within the meaning of Section 368(a) of the Code;

except as required by applicable law, regulation or policies imposed by any governmental entity, (i) take any action that would reasonably be expected to prevent, materially impede or materially delay the consummation of the transactions contemplated by the merger agreement or (ii) take, or omit to take, any action that is reasonably likely to result in any of the conditions to the merger not being satisfied;

issue, sell, grant, pledge, authorize or encumber any shares of its capital stock or other equity interests or securities convertible into, or exchangeable for, additional shares of capital stock or other equity interests, or permit any of such securities to become subject to new grants, in each case other than grants to members of the Hilltop board of directors in the ordinary course of business consistent with past practice as described in Hilltop's 2012 proxy statement;

make, declare, pay or set aside for payment any dividend on or in respect of, or declare or make any distribution on any shares of its stock;

directly or indirectly adjust, split, combine, redeem, reclassify, purchase or otherwise acquire, any shares of its stock (other than repurchases of common stock in the ordinary course of business to satisfy obligations under dividend reinvestment

plans or employee benefit plans);

sell, transfer, mortgage, encumber or otherwise dispose of or discontinue any of its material properties, deposits, businesses or assets other than in the ordinary course of business and in

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transactions that, together with all other such transactions, are not material to Hilltop and its subsidiaries, taken as a whole, and would not reasonably be expected to present a material risk that the closing of the merger will be materially delayed or that any regulatory approval required to consummate the merger will be more difficult to obtain;

acquire all or any material portion of the assets, business, deposits or properties of any other entity, except in the ordinary course of business and in a transaction that, together with any other such transactions, is not material to Hilltop and its subsidiaries, taken as a whole, and would not reasonably be expected to present a material risk that the closing of the merger will be materially delayed or that any regulatory approval required to consummate the merger will be more difficult to obtain;

enter into, amend the material terms of, knowingly violate the terms of, waive any material rights under, or terminate any (i) material contract or other binding obligation that is material to Hilltop and its subsidiaries, taken as a whole, (ii) material restriction on the ability of Hilltop and its subsidiaries to conduct its business as it was being conducted as of the date of the merger agreement, or (iii) any contract governing the terms of the Hilltop common stock, or any other outstanding Hilltop capital stock or indebtedness;

implement or adopt any change in its accounting principles, practices or methods, other than as may be required by GAAP or applicable regulatory accounting requirements;

enter into any new line of business or materially change its lending, investment, underwriting, risk and asset liability management and other banking and operating policies, except as required by law or requested by a regulatory agency;

settle any action, suit, claim or proceeding against Hilltop or any of its subsidiaries, except for an action, suit, claim or proceeding that is settled in an amount and for consideration not in excess of $2,000,000 and that would not (i) impose any restriction on the business of Hilltop or its subsidiaries or (ii) create a precedent for claims that are reasonably likely to be material to Hilltop or its subsidiaries;

except pursuant to arrangements or agreements in effect on the date of the merger agreement which have been previously disclosed to PlainsCapital, pay, loan or advance any amount to, or sell, transfer or lease any properties, rights or assets to, or enter into any arrangement or agreement (other than employment and compensation related arrangements) with any of its officers or directors or any of their family members, or any affiliates or associates of any of its officers or directors, other than loans originated in the ordinary course of business; or

make, change or revoke any material tax election, change or consent to any change in it or its subsidiaries' method of accounting for tax purposes (except as required by applicable tax law), take any material position on any material tax return filed on or after the date of the agreement, settle any material tax claim or assessment, enter into any closing agreement, waive or extend any statute of limitations with respect to a material amount of taxes, surrender any right to claim a refund for a material amount of taxes or file any amended tax return.

Regulatory Matters

Hilltop and PlainsCapital have agreed to use their respective reasonable best efforts to take all actions that are necessary, proper or advisable to comply promptly with all legal requirements with respect to the merger and the other transactions contemplated by the merger agreement and to obtain all permits, consents, authorizations, waivers or approvals of any third party or governmental entity required or advisable in connection with the merger and the other transactions contemplated by the merger agreement. Hilltop and PlainsCapital will use their respective reasonable best efforts to resolve any objections that may be asserted by any regulatory authority with respect to the merger agreement

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or the merger or the other transactions contemplated by the merger agreement and will consult with the other party in advance of any meeting or conference with any governmental entity. Hilltop will not be required to take any actions that would reasonably be expected to have a material adverse effect on Hilltop or PlainsCapital.

Employee Matters

The merger agreement provides that for the period beginning on the closing date and ending on December 31, 2013, Hilltop will maintain or cause to be maintained employee benefit plans for continuing employees that provide employee benefits that are substantially comparable in the aggregate to those generally applicable to employees of PlainsCapital and/or its subsidiaries immediately prior to the closing date (excluding the PlainsCapital employee stock ownership plan).

The PlainsCapital supplemental executive pension plan will be terminated in connection with the completion of the merger with all accrued amounts thereunder to be paid to participants within 30 days of the completion of the merger. Employment agreements with certain PlainsCapital executives will be amended to clarify that the term of each such employment agreement will be extended to two years after the completion of the merger.

Director and Officer Indemnification and Insurance

Each of Hilltop and Meadow Corporation has agreed to indemnify each present and former director, officer and employee of PlainsCapital 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 existing occurring at or prior to the closing. Additionally, Hilltop will provide director and officer liability insurance with respect to claims arising from facts or events occurring before the completion of the merger, which will contain at least the same coverage and amounts, and on no less advantageous terms to the indemnified party as that coverage currently provided by PlainsCapital, at an aggregate cost not to exceed 300% of the annual aggregate premiums currently paid by PlainsCapital for such insurance. In lieu of the foregoing, prior to the closing, PlainsCapital may purchase "tail" D&O insurance, at an aggregate cost not to exceed 300% of the annual aggregate premiums currently paid by it for such insurance.

Certain Additional Agreements

The merger agreement also contains additional covenants, including covenants relating to the filing of this joint proxy statement/prospectus, obtaining required consents, the listing of the shares of Hilltop common stock to be issued in the merger, access to information of the other company and public announcements with respect to the transactions contemplated by the merger agreement.

No Solicitation

Each of Hilltop and PlainsCapital agreed in the merger agreement that it will not, and will cause its subsidiaries and its subsidiaries' officers, directors, agents, advisors and affiliates not to, initiate, solicit, encourage or knowingly facilitate, any inquiries or proposals with respect to, or engage in any negotiations concerning, or provide any confidential or nonpublic information or data to, or have any discussions with, any person relating to any third-party acquisition proposal, provided, that if the board of directors of a party concludes in good faith (and based on the advice of counsel) that an unsolicited *bona fide* acquisition proposal is, or is reasonably expected to result in, a superior proposal, and subject to providing notice of its decision to take such action to the other party and the entry into a confidentiality agreement meeting certain requirements with the third party, that party may, to the extent the board of directors of such party concludes in good faith (and based on the advice of counsel) that failure to take such actions would be more likely than not to result in a violation of its

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fiduciary duties, (i) furnish or cause to be furnished nonpublic information to such third party and (ii) participate in negotiations or discussions with respect to the acquisition proposal.

An "acquisition proposal" is a tender or exchange offer, proposal for a merger, consolidation or other business combination involving a party or any of its significant subsidiaries, or any proposal or offer to acquire more than 40% of the voting power in, or more than 40% of the fair market value of the business, assets or deposits of, such party or any of its significant subsidiaries (with certain exceptions relating to sales of whole loans, securitizations and internal reorganizations).

A "superior proposal" is an unsolicited *bona fide* written acquisition proposal that the board of directors of the applicable party concludes in good faith is more favorable from a financial point of view to its shareholders than the merger and the other transactions contemplated by the merger agreement, and to be reasonably capable of being consummated on the terms proposed, (i) after receiving the advice of a nationally recognized investment banking firm, (ii) after taking into account the likelihood of consummation of such proposed transaction on its terms, (iii) after taking into account all legal (with the advice of counsel), financial (including the financing terms of any such proposal), regulatory and other aspects of such proposal (including any expense reimbursement provisions and conditions to closing) and any other relevant factors permitted under applicable law, and (iv) after taking into account any amendment or modification to the merger agreement proposed by the other party, except that the reference to "40%" in the definition of "acquisition proposal" will be replaced with "100%."

Change in Recommendation

The board of directors of each of Hilltop and PlainsCapital has agreed to recommend in favor of the proposals related to the merger and the transactions contemplated by the merger agreement; provided that if the board of directors of a party, after consultation with (and taking account of the advice of) counsel and after giving three business days' notice to the other party, may submit such proposals to its shareholders without a recommendation, and may communicate the basis for its lack of a recommendation to its shareholders, if it determines in good faith that, because of the receipt by such party of an acquisition proposal that the board of directors of such party concludes in good faith constitutes a superior proposal, it would be more likely than not to result in a violation of its fiduciary duties under applicable law to continue to recommend them. In the event of any such withdrawal of a recommendation, the applicable party shall continue to be obligated to submit the relevant proposals to its shareholders for a vote.

PlainsCapital has agreed not to submit any acquisition proposal other than the merger to a vote of its shareholders.

Conditions to Completion of the Merger

Hilltop's and PlainsCapital's respective obligations to complete the merger are subject to the fulfillment or waiver of the following conditions:

- approval of the merger proposal by PlainsCapital shareholders and the share issuance proposal by Hilltop shareholders;
- authorization for listing on the NYSE of the shares of Hilltop common stock to be issued in the merger;
- effectiveness of the registration statement of which this joint proxy/prospectus forms a part, and the absence of any stop order or proceedings seeking a stop order or initiation or threat of such proceedings by the SEC;

- the absence of any order, injunction or decree issued by any court or agency with competent jurisdiction, or other law, preventing the consummation of the merger or making the consummation of the merger or any of the other transactions contemplated by the merger agreement illegal;

- receipt of necessary regulatory approvals from the Federal Reserve, the Texas Department of Banking and under the Hart-Scott-Rodino Antitrust Improvement Act of 1976 as well as other regulatory approvals the failure of which would reasonably be expected to have a material adverse effect on Hilltop or PlainsCapital, with all of such approvals in full and effect;

- truth and correctness of the other party's representations and warranties when made and at the effective time of the merger (except to the extent expressly made as of an earlier date, in which case as of such date), except, in the case of representations and warranties other than certain representations and warranties regarding corporate matters, capitalization, authority and absence of conflicts with organizational documents or violations of law, absence of certain changes or events, brokers' fees, state takeover statutes (in the case of PlainsCapital) and the regulatory status of certain of Hilltop's investments, where the failure to be true and correct (without giving effect to any limitation as to "materiality" or "material adverse effect" set forth therein) has had or would reasonably be expected to have a material adverse effect on such other party, and subject to the other materiality standards set forth in the merger agreement;

- performance by the other party of its obligations under the merger agreement in all material respects; and

- the receipt of a tax opinion from its legal counsel to the effect that the merger will qualify as a "reorganization" within the meaning of Section 368(a) of the Code.

Hilltop's obligation to complete the merger is further conditioned on:

- the absence of any burdensome condition imposed by a governmental entity, in connection with the grant of a required regulatory approval or otherwise, on Hilltop or Meadow Corporation or their affiliates that would have a material adverse effect on any party to the merger agreement or any of their affiliates, in each case measured on a scale relative to PlainsCapital; and

- the fourth amendment to the First Southwest merger agreement remaining in full force and effect, with no modifications or amendments thereto.

Termination of the Merger Agreement

The merger agreement can be terminated at any time prior to the completion of the merger by mutual consent, or by either party 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;

- the merger has not been consummated by December 31, 2012;

- 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 by the earlier of December 31, 2012 or 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);

either or both of Hilltop's shareholders or PlainsCapital's shareholders fail to approve the share issuance proposal or the merger proposal, respectively; or

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- the other party's board of directors withdraws or materially and adversely modifies its recommendation with respect to the transactions contemplated by the merger agreement or recommends an alternative acquisition proposal.

Termination Fee

Upon termination of the merger agreement under specified circumstances, Hilltop or PlainsCapital may be required to pay the other a termination fee.

PlainsCapital is required to pay Hilltop a termination fee of $17.5 million if:

(i) any person publicly makes, or announces its intention to make, an acquisition proposal prior to the effective time of the merger, which proposal is publicly disclosed or made known to PlainsCapital management and not withdrawn, and the merger agreement is subsequently terminated:

- by either party because the merger has not been consummated by December 31, 2012, without the approval by PlainsCapital's shareholders of the merger proposal;
- by either party because PlainsCapital's shareholders failed to approve the merger proposal at a meeting called for such purpose; or
- by Hilltop for PlainsCapital's breach of 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 during the applicable cure period;

and, within 12 months of termination, an acquisition proposal for PlainsCapital is consummated or a definitive agreement with respect to an acquisition proposal for PlainsCapital has been executed (provided that the references to "40%" in the definition of acquisition proposal shall be replaced with references to "50%" for this purpose); or

(ii) the merger agreement is terminated by Hilltop prior to the time PlainsCapital's shareholders have approved the merger proposal because PlainsCapital or the board of directors of PlainsCapital submits the merger agreement to its shareholders without a recommendation for approval, or otherwise withdraws or materially and adversely modifies its recommendation, or recommends to its shareholders an acquisition proposal other than the merger.

If the agreement is terminated by Hilltop because PlainsCapital's shareholders failed to approve the merger at a meeting called for such purpose (other than in the event of a termination in connection with which the termination fee is payable), then PlainsCapital is required to pay Hilltop $5 million in respect of Hilltop's expenses in connection with the merger agreement.

Hilltop is required to pay PlainsCapital a termination fee of $17.5 million if the merger agreement is terminated (i) by either party because Hilltop's shareholders failed to approve the share issuance proposal at a meeting called for such purpose; or (ii) by PlainsCapital because Hilltop or the board of directors of Hilltop submits the share issuance proposal to its shareholders without a recommendation for approval, or otherwise withdraws or materially and adversely modifies its recommendation, or recommends to its shareholders an alternate acquisition proposal.

Effect of Termination

If the merger agreement is terminated, it will become void, except that (i) each of Hilltop and PlainsCapital will remain liable for any knowing breach of the merger agreement and (ii) designated provisions of the merger agreement will survive the termination, including those relating to payments of fees and expenses and the confidential treatment of information.

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Expenses and Fees

In general, each of Hilltop and PlainsCapital will be responsible for all expenses incurred by it in connection with the negotiation and completion of the transactions contemplated by the merger agreement. However, the costs and expenses of filing, printing and mailing this joint proxy statement/prospectus, and all filing and other fees paid to the SEC in connection with the merger, will be borne equally by Hilltop and PlainsCapital.

Amendment, Waiver and Extension of the Merger Agreement

Subject to applicable law, Hilltop and PlainsCapital may amend the merger agreement by written agreement. However, after any approval of the merger agreement by Hilltop's or PlainsCapital's shareholders, there may not be, without further approval of Hilltop's or PlainsCapital's shareholders, any amendment of the merger agreement that requires further approval under applicable law.

At any time prior to the completion of the merger, each party, to the extent legally allowed, may extend the time for the performance of any of the obligations or other acts of the other party; waive any inaccuracies in the representations and warranties of the other party; and waive compliance by the other party with any of the agreements and conditions contained in the merger agreement.

First Southwest Merger Agreement Amendment

In connection with the merger, the merger agreement between PlainsCapital and First Southwest Holdings, Inc. was amended to provide for the substitution of the merger consideration provided in the Hilltop/PlainsCapital merger agreement for the shares of PlainsCapital common stock currently held in escrow for the former shareholders of First Southwest Holdings, Inc., effective at the effective time of the merger.

Voting Agreements

Diamond A Financial, L.P., a limited partnership whose sole general partner is Gerald J. Ford, Chairman of the Hilltop board of directors, has entered into a voting and support agreement with PlainsCapital. Pursuant to such agreement, Diamond A Financial has agreed to vote all of its shares of Hilltop common stock in favor of the share issuance proposal and certain related matters, subject to certain exceptions. As of the record date for the Hilltop special meeting and to the knowledge of Hilltop, Diamond A Financial owned and had the ability to vote approximately 15,048,102 shares of Hilltop common stock, or approximately 26.7% of the outstanding shares of Hilltop common stock entitled to vote at the special meeting.

Alan B. White, Chairman and Chief Executive Officer of PlainsCapital, and certain entities controlled by him, and Hill A. Feinberg, a director of PlainsCapital and Chief Executive Officer of First Southwest a wholly owned subsidiary of PlainsCapital, have each entered into a voting and support agreement with Hilltop. Pursuant to such agreements, each such shareholder has agreed to vote all of their shares of PlainsCapital common stock in favor of the merger proposal and related matters, subject to certain exceptions. As of the record date for the PlainsCapital special meeting and to the knowledge of PlainsCapital, the shareholders party to these agreements owned and had the ability to vote approximately 4,944,083 shares of PlainsCapital common stock, or approximately 14.3% of the outstanding shares of PlainsCapital common stock entitled to vote at the PlainsCapital special meeting.

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DESCRIPTION OF HILLTOP CAPITAL STOCK

As a result of the merger, PlainsCapital shareholders who receive shares of Hilltop common stock in the merger will become shareholders of Hilltop. Your rights as shareholders of Hilltop will be governed by Maryland law and the articles of incorporation and the amended and restated bylaws of Hilltop. The following briefly summarizes the material terms of Hilltop common stock and preferred stock. We urge you to read the applicable provisions of the Maryland General Corporation Law (which we refer to as the MGCL), Hilltop's articles of incorporation and bylaws and federal law governing bank holding companies carefully in their entirety. Copies of Hilltop's governing documents have been filed with the SEC. To find out where copies of these documents can be obtained, see "Where You Can Find More Information."

Authorized Capital Stock

Hilltop's authorized capital stock consists of 100,000,000 shares of common stock, par value $0.01 per share, 10,000,000 shares of special voting stock, par value $0.01 per share, and 10,000,000 shares of preferred stock, par value $0.01 per share. As of the record date, there were 56,363,647 shares of Hilltop common stock outstanding, zero shares of special voting stock outstanding and zero shares of Hilltop preferred stock outstanding.

Common Stock

Preemptive Rights

Hilltop common stock has no preemptive rights.

Dividend Rights

Hilltop can pay dividends if, as and when declared by Hilltop's board of directors, subject to compliance with limitations imposed by law. The holders of Hilltop common stock will be entitled to receive and share equally in these dividends as they may be declared by Hilltop's board of directors out of funds legally available for such purpose. If Hilltop issues preferred stock, the holders of such preferred stock may have a priority over the holders of the common stock with respect to dividends.

Voting Rights

Each holder of Hilltop common stock will be entitled to one vote per share and will not have any right to cumulate votes in the election of directors. Directors will be elected by a plurality of the shares actually voting on the matter. If Hilltop issues preferred stock or special voting stock, holders of the preferred stock and special voting stock may also possess voting rights.

Liquidation Rights

In the event of liquidation, dissolution or winding up of Hilltop, whether voluntary or involuntary, the holders of Hilltop common stock would be entitled to receive, after payment or provision for payment of all its debts and liabilities, all of the assets of Hilltop available for distribution. If preferred stock is issued, the holders thereof may have a priority over the holders of the common stock in the event of liquidation or dissolution.

Ownership Limitations

Currently, Hilltop's articles of incorporation impose certain limitations on the amount of Hilltop common stock that may be acquired by any person, until such time as the Hilltop board of directors determines that such limitations shall cease to be effective. In connection with the merger, the Hilltop board of directors has agreed that such restrictions shall cease to be effective at the effective time of the merger.

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Preferred Stock

The Hilltop board of directors is authorized to fix and determine the relative rights and preferences of the shares of any series of Hilltop preferred stock and to provide for the issuance of the preferred stock. The holders of Hilltop preferred stock may have preferences over holders of Hilltop common stock in the payment of dividends, upon liquidation of Hilltop, in respect of voting rights and in the redemption of the capital stock of Hilltop. Series of preferred stock issued by Hilltop may also, in the discretion of Hilltop's board of directors, be made convertible into Hilltop common stock or other securities and may have sinking fund requirements.

Preferred Stock Issuable in the Merger

Pursuant to the merger agreement, Hilltop will issue 114,068 shares, constituting all of the designated shares, of a new series of its preferred stock having substantially the same rights, preferences, privileges and voting powers as PlainsCapital's outstanding Non-Cumulative Perpetual Preferred Stock, Series C, in exchange for the shares of such stock now held by the U.S. Treasury Department under its SBLF. The new series of Hilltop preferred stock, which will be designated as its Non-Cumulative Perpetual Preferred Stock, Series B, will rank senior to common stock and all other equity securities the terms of which expressly provide that such securities will rank junior to the Series B Preferred Stock and all other equity securities the terms of which do not expressly provide that such securities will rank senior or junior to the Series B Preferred Stock, with respect to the payment of dividends and distribution of assets upon any liquidation, dissolution or winding up of Hilltop.

The terms of the Series B Preferred Stock will provide that holders thereof are entitled to non-cumulative cash dividends at a fluctuating dividend rate based on Hilltop's level of qualified small business lending. Until December 31, 2013, the dividend rate the combined company will pay on any outstanding shares of such preferred stock will fluctuate on a quarterly basis between one percent (1%) and five percent (5%) per annum, based upon changes in the level of qualified small business lending by PlainsCapital Bank against its baseline. From January 1, 2014 through March 26, 2016, if PlainsCapital and the combined company have not sufficiently increased their small business lending, the combined company may become subject to a dividend rate as high as seven percent (7%) per annum, and may be required to pay a dividend rate penalty of 0.5% per quarter. Beginning March 27, 2016, the dividend rate on any outstanding shares of such preferred stock will be fixed at nine percent (9%) per annum.

The Series B Preferred Stock is non-voting, except in limited circumstances. For instance, holders of Series B Preferred Stock would have the right to vote in connection with the authorization of stock senior to the Series B Preferred Stock, amendments to the certificate of formation of the company adversely affecting the Series B Preferred Stock or certain fundamental transactions affecting the Series B Preferred Stock. In addition, in the event that the combined company following the merger misses five dividend payments, whether or not consecutive, the holder of the Series B Preferred Stock will have the right, but not the obligation, to appoint a representative as an observer on the combined company's board of directors. In the event that the combined company misses six dividend payments, whether or not consecutive, and if the then outstanding aggregate liquidation amount of Series B Preferred Stock is at least $25,000,000, then the holder of the Series B Preferred Stock will have the right to designate two directors to the board of directors of the combined company. The right of the holder of the Series B Preferred Stock to appoint a non-voting observer or elect directors, as the case may be, will terminate when full dividends have been timely paid on the Series B Preferred Stock for at least four consecutive dividend periods.

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The Series B Preferred Stock may be redeemed at any time at Hilltop's option, at a redemption price of 100% of the liquidation amount plus accrued but unpaid dividends to the date of redemption for the current period, subject to the approval of its federal banking regulator.

Listing

Hilltop common stock is traded on the NYSE under the symbol "HTH."

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ACCOUNTING TREATMENT OF THE MERGER

The merger will be accounted for as a "purchase," as that term is used under generally accepted accounting principles, for accounting and financial reporting purposes. Under purchase accounting, the assets (including identifiable intangible assets) and liabilities (including executory contracts and other commitments) of PlainsCapital as of the effective time of the merger will be recorded at their respective fair values and added to those of Hilltop. Any excess of purchase price over the fair values is recorded as goodwill. Consolidated financial statements of Hilltop issued after the merger would reflect these fair values and would not be restated retroactively to reflect the historical consolidated financial position or results of operations of PlainsCapital.

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UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE MERGER

The following general discussion sets forth the anticipated material United States federal income tax consequences of the merger to U.S. holders (as defined below) of PlainsCapital common stock that exchange their shares of PlainsCapital common stock for shares of Hilltop common stock and cash in the merger. This discussion does not address any tax consequences arising under the laws of any state, local or foreign jurisdiction, or under any United States federal laws other than those pertaining to income tax. This discussion is based upon the Code, the regulations promulgated under the Code and court and administrative rulings and decisions, all as in effect on the date of this joint proxy statement/prospectus. These laws may change, possibly retroactively, and any change could affect the accuracy of the statements and conclusions set forth in this discussion.

This discussion addresses only those holders of PlainsCapital common stock that hold their shares of PlainsCapital common stock as a capital asset within the meaning of Section 1221 of the Code (generally, property held for investment). Further, this discussion does not address all aspects of United States federal income taxation that may be relevant to you in light of your particular circumstances or that may be applicable to you if you are subject to special treatment under the United States federal income tax laws, including if you are:

- a financial institution;
- a tax-exempt organization;
- an S corporation or other pass-through entity (or an investor in an S corporation or other pass-through entity);
- an insurance company;
- a mutual fund;
- a dealer or broker in stocks and securities, or currencies;
- a trader in securities that elects mark-to-market treatment;
- a holder of PlainsCapital common stock subject to the alternative minimum tax provisions of the Code;
- a holder of PlainsCapital common stock that received PlainsCapital common stock through the exercise of an employee stock option, through a tax qualified retirement plan or otherwise as compensation;
- a person that is not a U.S. holder (as defined below);
- a person that has a functional currency other than the U.S. dollar;
- a holder of PlainsCapital common stock that holds PlainsCapital common stock as part of a hedge, straddle, constructive sale, conversion or other integrated transaction; or
- a United States expatriate.

In addition, the discussion does not address any alternative minimum tax or any state, local or foreign tax consequences of the merger, nor does it address any tax consequences arising under the unearned income Medicare contribution tax pursuant to the Health Care and Education Reconciliation Act of 2010. Determining the actual tax consequences of the merger to you may be complex. They will depend on your specific situation and on factors that are not within the control of PlainsCapital or Hilltop. You should consult with your own tax advisor as to the tax consequences of the merger in your particular circumstances.

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For purposes of this discussion, the term "U.S. holder" means a beneficial owner of PlainsCapital common stock that is for United States federal income tax purposes (i) an individual citizen or resident of the United States, (ii) a corporation, or entity treated as a corporation, organized in or under the laws of the United States or any state thereof or the District of Columbia, (iii) a trust if (a) a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust or (b) such trust has made a valid election to be treated as a U.S. person for U.S. federal income tax purposes or (iv) an estate, the income of which is includible in gross income for U.S. federal income tax purposes regardless of its source.

The United States federal income tax consequences to a partner in an entity or arrangement that is treated as a partnership for United States federal income tax purposes and that holds PlainsCapital common stock generally will depend on the status of the partner and the activities of the partnership. Partners in a partnership holding PlainsCapital common stock should consult their own tax advisors.

Tax Consequences of the Merger Generally

The parties intend for the merger to qualify as a "reorganization" within the meaning of Section 368(a) of the Code. It is a condition to Hilltop's obligation to complete the merger that Hilltop receive an opinion from Wachtell, Lipton, Rosen & Katz, dated the closing date of the merger, to the effect that the merger will qualify as a "reorganization" within the meaning of Section 368(a) of the Code. It is a condition to PlainsCapital's obligation to complete the merger that PlainsCapital receive an opinion from Sullivan & Cromwell, dated the closing date of the merger, to the effect that the merger will qualify as a "reorganization" within the meaning of Section 368(a) of the Code. These opinions will be based on representation letters provided by Hilltop and PlainsCapital and on customary factual assumptions. Neither of the opinions described above will be binding on the Internal Revenue Service. Hilltop and PlainsCapital have not sought and will not seek any ruling from the Internal Revenue Service regarding any matters relating to the merger, and as a result, there can be no assurance that the Internal Revenue Service will not assert, or that a court would not sustain, a position contrary to any of the conclusions set forth below.

Provided the merger qualifies as a "reorganization" within the meaning of Section 368(a) of the Code, upon exchanging your PlainsCapital common stock for Hilltop common stock and cash (other than cash received in lieu of a fractional share), you 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 Hilltop common stock received pursuant to the merger over that holder's adjusted tax basis in its shares of PlainsCapital common stock surrendered) and (2) the amount of cash received pursuant to the merger (excluding any cash received in lieu of a fractional share). If you acquired different blocks of PlainsCapital common stock at different times or different prices, you should consult your tax advisor regarding the manner in which gain or loss should be determined. Any recognized gain generally will be long-term capital gain if, as of the effective date of the merger, your holding period with respect to the PlainsCapital common stock surrendered exceeds one year. If, however, the cash received has the effect of the distribution of a dividend, the gain will be treated as a dividend to the extent of the holder's ratable share of accumulated earnings and profits as calculated for United States federal income tax purposes. See " Possible Treatment of Cash as a Dividend" below.

The aggregate tax basis in the shares of Hilltop common stock that you receive in the merger, including any fractional share interests deemed received and sold as described below, will equal your aggregate adjusted tax basis in the PlainsCapital common stock you surrender, reduced by the amount of cash received (excluding any cash received in lieu of a fractional share) and increased by the amount of gain, if any recognized by you (excluding any gain recognized with respect to cash received in lieu of a fractional share) on the exchange. Your holding period for the shares of Hilltop common stock that

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you receive in the merger (including a fractional share interest deemed received and sold as described below) will include your holding period for the shares of PlainsCapital common stock that you surrender in the exchange.

Possible Treatment of Cash as a Dividend

In general, the determination of whether the gain recognized in the exchange will be treated as capital gain or has the effect of a distribution of a dividend depends upon whether and to what extent the exchange reduces the holder's deemed percentage stock ownership of Hilltop. For purposes of this determination, the holder is treated as if it first exchanged all of its shares of PlainsCapital common stock solely for Hilltop common stock and then Hilltop immediately redeemed, which we refer to in this document as the "deemed redemption," a portion of the Hilltop common stock in exchange for the cash the holder actually received. The gain recognized in the deemed redemption will be treated as capital gain if the deemed redemption is (1) "substantially disproportionate" with respect to the holder or (2) "not essentially equivalent to a dividend."

The deemed redemption will generally be "substantially disproportionate" with respect to a holder if the percentage described in (2) below is less than 80% of the percentage described in (1) below. Whether the deemed redemption is "not essentially equivalent to a dividend" with respect to a holder will depend upon the holder's particular circumstances. At a minimum, however, in order for the deemed redemption to be "not essentially equivalent to a dividend," the deemed redemption must result in a "meaningful reduction" in the holder's deemed percentage stock ownership of Hilltop. In general, that determination requires a comparison of (1) the percentage of the outstanding stock of Hilltop that the holder is deemed actually and constructively to have owned immediately before the deemed redemption and (2) the percentage of the outstanding stock of Hilltop that is actually and constructively owned by the holder immediately after the deemed redemption. In applying the above tests, a holder may, under the constructive ownership rules, be deemed to own stock that is owned by other persons or stock underlying a holder's option to purchase in addition to the stock actually owned by the holder.

The Internal Revenue Service has ruled that a shareholder in a publicly held corporation whose relative stock interest is minimal (e.g., less than 1%) and who exercises no control with respect to corporate affairs is generally considered to have a "meaningful reduction" if that shareholder has a relatively minor (e.g., approximately 3%) reduction in its percentage stock ownership under the above analysis; accordingly, the gain recognized in the exchange by such a shareholder would be treated as capital gain.

These rules are complex and dependent upon the specific factual circumstances particular to each holder. Consequently, each holder that may be subject to these rules should consult its tax advisor as to the application of these rules to the particular facts relevant to such holder.

Cash Instead of a Fractional Share

If you receive cash instead of a fractional share of Hilltop common stock, you will be treated as having received the fractional share of Hilltop common stock pursuant to the merger and then as having sold that fractional share of Hilltop common stock for cash. As a result, you generally will recognize gain or loss equal to the difference between the amount of cash received and the basis allocable to your fractional share of Hilltop common stock. This gain or loss generally will be capital gain or loss, and will be long-term capital gain or loss if, as of the effective date of the merger, the holding period for the shares (including the holding period of PlainsCapital common stock surrendered therefor) is greater than one year. The deductibility of capital losses is subject to limitations.

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Backup Withholding

If you are a non-corporate holder of PlainsCapital common stock you may be subject to information reporting and backup withholding (currently at a rate of 28%) on any cash payments you receive. You generally will not be subject to backup withholding, however, if you:

- furnish a correct taxpayer identification number, certify that you are not subject to backup withholding on the substitute Form W-9 or successor form included in the election form/letter of transmittal you will receive and otherwise comply with all the applicable requirements of the backup withholding rules; or

- provide proof that you are otherwise exempt from backup withholding.

Any amounts withheld under the backup withholding rules will generally be allowed as a refund or credit against your United States federal income tax liability, provided you timely furnish the required information to the Internal Revenue Service.

This summary of certain material United States federal income tax consequences is for general information only and is not tax advice. You are urged to consult your tax advisor with respect to the application of United States federal income tax laws to your particular situation as well as any tax consequences arising under the United States federal estate or gift tax rules, or under the laws of any state, local, foreign or other taxing jurisdiction.

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COMPARISON OF SHAREHOLDERS' RIGHTS

Hilltop is incorporated in Maryland and PlainsCapital is incorporated in Texas. Your rights as a PlainsCapital shareholder are governed by the TBOC, the PlainsCapital certificate of formation, as amended, and the PlainsCapital bylaws. Upon completion of the merger, as a Hilltop shareholder your rights will be governed by the Maryland General Corporation Law (the "MGCL"), the Hilltop charter, as amended, and the Hilltop bylaws.

The following is a summary of the material differences between the rights of holders of Hilltop common stock and the rights of holders of PlainsCapital common stock, but does not purport to be a complete description of those differences. These differences may be determined in full by reference to the MGCL, the TBOC, the Hilltop charter, the PlainsCapital certificate of formation, the Hilltop bylaws and the PlainsCapital bylaws, in each case as amended. The PlainsCapital certificate of formation, the Hilltop charter and each corporation's bylaws are subject to amendment in accordance with their terms. Copies of the governing corporate instruments are available, without charge, to any person, including any beneficial owner to whom this document is delivered, by following the instructions listed under "Where You Can Find More Information" included elsewhere in this information statement.

PLAINSCAPITAL	HILLTOP
AUTHORIZED CAPITAL STOCK	
Authorized Shares. The PlainsCapital certificate of formation authorizes PlainsCapital to issue 250,000,000 shares of common stock, par value $0.001 per share, including 100,000,000 shares of common stock and 150,000,000 shares of a second series of common stock, no shares of which are outstanding and 50,000,000 shares of preferred stock, par value of $1.00 per share, issuable in series.	*Authorized Shares.* Hilltop is authorized under the Hilltop charter to issue 100,000,000 shares of common stock, par value $0.01 per share, 10,000,000 shares of Special Voting Stock, par value $0.01 per share and 10,000,000 shares of preferred stock, par value $0.01 per share. The Hilltop charter authorizes the Hilltop board of directors to classify and reclassify any unissued shares of Hilltop common stock and preferred stock into other classes or series of stock.
	Special Voting Stock. The Hilltop charter authorizes the board of directors, without further shareholder action, to issue up to 10,000,000 shares of special voting stock, none of which are currently issued and outstanding. A holder of special voting stock is not entitled to any regular or special dividend payments or other distributions, including any dividends or other distributions declared or paid with respect to shares of Hilltop's common stock or any other stock, and is not entitled to receive any distributions in the event of liquidation or dissolution. A holder of special voting stock has the right to one vote on all matters submitted to a vote of Hilltop's shareholders, and the holders of special voting stock vote collectively with the holders of Hilltop common stock as one class on all matters submitted to a vote of Hilltop's shareholders.

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PLAINSCAPITAL	HILLTOP
Preferred Stock. PlainsCapital's board of directors has the authority to issue a maximum of 50,000,000 shares of preferred stock from time to time in one or more series and with respect to each series of the preferred stock, to fix and determine by the resolution the number of shares to constitute the series, the designation thereof and any one or more of the following rights and preferences: (i) the rate of dividend; (ii) the price at and terms of and conditions on which shares may be redeemed; (iii) the amount payable upon shares in the event of involuntary liquidation; (iv) the amount payable upon shares in the event of voluntary liquidation; (v) sinking fund provisions (if any) for the redemption or repurchase of the shares; (vi) the terms and conditions on which shares may be converted, if the shares of any series are issued with the privilege of conversion; and (vii) voting rights (including the number of votes per share, the matters on which the shares can vote, and the contingencies that make the voting rights effective). The shares of each series of the preferred stock may vary from the shares of any other series in any or all of the foregoing respects. The board of directors may increase the number of shares designated for any existing series by adding to such series authorized and unissued shares not designated for any other series. The board of directors may decrease the number of shares designated for any existing series by subtracting from such series unissued shares designated for such series, and the shares so subtracted shall become authorized and unissued shares of preferred stock. There are currently 114,068 shares of PlainsCapital's preferred stock issued and outstanding, which have been designated Non-Cumulative Perpetual Preferred Stock, Series C.	*Preferred Stock.* The Hilltop charter authorizes the board of directors, without further shareholder action, to issue up to 10,000,000 shares of preferred stock, in one or more series, and determine any designations, preferences, qualifications, privileges, limitations, restrictions, or special or relative rights of additional series. The rights of preferred shareholders may supersede the rights of common shareholders. No shares of Hilltop preferred stock are currently outstanding. However, under the merger agreement, the PlainsCapital Series C Preferred Stock will be converted into one share of preferred stock of Hilltop having rights, preferences, privileges and voting powers, and limitations and restrictions thereof that are the same as the rights, preferences, privileges and voting powers, and limitations and restrictions thereof, of the PlainsCapital Series C Preferred Stock immediately prior to the effective time of the merger, taken as a whole.
PREEMPTIVE RIGHTS	
PlainsCapital shareholders do not have preemptive rights.	Hilltop's shareholders do not have preemptive rights.

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PLAINSCAPITAL	HILLTOP
VOTING RIGHTS IN AN EXTRAORDINARY TRANSACTION	
PlainsCapital's certificate of formation provides that any action to be taken by the shareholders of PlainsCapital at a meeting of shareholders with regard to a fundamental business transaction, including a merger, requires the vote of only a majority of the issued and outstanding shares of capital stock entitled to be voted thereon, rather than any greater number that otherwise would be required by the TBOC. Any change to the PlainsCapital certificate of formation relating to the classification of directors requires the vote of at least two-thirds of the issued and outstanding shares of capital stock entitled to be voted thereon. As discussed below in "*State Anti-Takeover Statutes and Article Provisions*," section 21.606 of the TBOC provides for further protections in instances where a business combination occurs with an affiliated shareholder (defined as a shareholder who beneficially owns 20% or more of the voting power of PlainsCapital stock entitled to vote in the election of directors). However, this provision is not applicable to the merger of PlainsCapital and Hilltop.	Under the MGCL, a board of directors must generally declare a merger, consolidation, share exchange or transfer of all or substantially all of its assets advisable and direct that such transaction be submitted to the shareholders of the corporation for consideration. The transaction must be approved by the affirmative vote of shareholders entitled to cast at least two-thirds of all the votes entitled to be cast on the matter, unless the charter provides for a greater or lesser vote (which must be at least a majority of all votes entitled to be cast on the matter). Hilltop's charter provides that such transactions shall be effective and valid if taken or approved by the affirmative vote of holders of shares entitled to cast a majority of all the votes entitled to be cast on the matter.
AMENDMENT TO THE CHARTER/ARTICLES OF INCORPORATION	
The PlainsCapital certificate of formation generally may be amended by a vote of at least a majority of the issued and outstanding shares of capital stock entitled to be voted thereon. However, as discussed above, the amendment of certain provisions governing the board of directors requires the affirmative vote of at least two-thirds of the issued and outstanding shares of capital stock entitled to be voted thereon.	Except for amendments relating to removal of directors (which require the affirmative vote of at least two-thirds of all the votes entitled to be cast on the matter), Hilltop's charter may be amended only by the affirmative vote of the holders of not less than a majority of all of the votes entitled to be cast on the matter.
AMENDMENT TO THE BYLAWS	
The PlainsCapital bylaws may be altered, amended or repealed (1) by the board of directors or (2) by the holders of at least a majority of the shares entitled to vote, and who voted for or against the matter, at a meeting of shareholders at which a quorum is present.	The Hilltop board of directors has the exclusive power to adopt, alter or appeal any provision of our bylaws and to make new bylaws.

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PLAINSCAPITAL	HILLTOP
APPRAISAL/DISSENTERS' RIGHTS	
Under section 10.354 of the TBOC, dissenters' or appraisal rights are available only in connection with specific transactions. Because PlainsCapital's common stock is held of record by less than 2,000 owners and is not listed on a national securities exchange, PlainsCapital shareholders are entitled to dissenters' rights in connection with the merger. See "The Merger Dissenters' Rights."	Under Maryland law, a dissenting or objecting shareholder has the right to demand and receive payment of the fair value of the shareholders' stock from the successor if (1) the corporation consolidates or merges with another corporation; (2) the corporation's stock is to be acquired in a statutory share exchange; (3) the corporation transfers its assets in a manner requiring shareholder approval; (4) the corporation amends its charter in a way which alters the contract rights, as expressly set forth in the charter, of any outstanding stock and substantially adversely affects the shareholder's rights, unless the right to do so is reserved in the charter of the corporation; or (5) the transaction is subject to certain provisions of the Maryland Business Combination Act, referred to as the MBCA. Maryland law provides that a shareholder may not demand the fair value of the shareholder's stock and is bound by the terms of the transaction if, among other things, (1) the stock is listed on a national securities exchange on the record date for determining shareholders entitled to vote on the matter or, in certain mergers, the date notice is given or waived (except certain mergers where stock held by directors and executive officers is exchanged for merger consideration not available generally to shareholders); (2) the stock is that of the successor in the merger, unless either (A) the merger alters the contract rights of the stock as expressly set forth in the charter and the charter does not reserve the right to do so or (B) the stock is to be changed or converted in whole or in part in the merger into something other than either stock in the successor or cash, scrip or other rights or interests arising out of provisions for the treatment of fractional shares of stock in the successor; or (3) the charter provides that the holders of the stock are not entitled to exercise the rights of an objecting shareholder. Hilltop's common stock is listed on the NYSE and is expected to be listed on the NYSE on the record date for the Hilltop special meeting. Accordingly, holders of Hilltop common stock are not expected to be entitled to demand and receive payment of fair value in accordance with the MGCL (commonly referred to as appraisal or dissenters' rights) in connection with the merger.

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PLAINSCAPITAL	HILLTOP
SPECIAL MEETINGS OF SHAREHOLDERS	
The PlainsCapital bylaws provide that a special meeting of the shareholders may be called at any time by the president, the chief executive officer or the board of directors, and shall be called by the chief executive officer or the secretary at the request in writing of the shareholders of not less than 35% of the voting power represented by all the shares issued, outstanding and entitled to be voted at the proposed special meeting.	The chairman of the board, chief executive officer, president or board of directors may call a special meeting of the Hilltop shareholders. A special meeting may also be called by the secretary at the request of shareholders entitled to cast at least a majority of all the votes entitled to be cast on the matter to be considered at the meeting.
SHAREHOLDER PROPOSALS AND NOMINATIONS	
If a shareholder wishes to nominate a candidate for election at an annual meeting of PlainsCapital shareholders, the shareholder must (i) be a shareholder of record of PlainsCapital at the time of the giving of the notice for such meeting, (ii) be entitled to vote at such meeting, and (iii) have given timely notice in writing to the secretary of PlainsCapital. To be timely in connection with an annual meeting, a shareholder's notice must be delivered to or mailed and received at the principal executive offices of PlainsCapital not less than 130 nor more than 170 calendar days prior to the first anniversary of the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is advanced more than 30 calendar days prior to such anniversary date or delayed more than 60 calendar days after such anniversary date then to be timely such notice must be received by PlainsCapital no later than the later of 120 calendar days prior to the date of the annual meeting or the close of business on the 7th calendar day following the earlier of the date on which notice of the annual meeting is first mailed by or on behalf of PlainsCapital or the day on which public announcement is first made of the date of the annual meeting. To be timely in connection with a special meeting, a shareholder's notice must be delivered to or mailed and received at the principal executive offices of PlainsCapital not less than 80 calendar days nor more than 100 calendar days prior to the date of such meeting; provided, however, that in the event that less than 90 calendar days' notice or prior public announcement of the date of the special meeting is given or made to the shareholders, the shareholder's notice to be timely must be so received not later than the close of business on the 7th calendar day following the earlier of the date on which notice of the date of the special meeting was first mailed by or on behalf of PlainsCapital or the day on which public announcement is first made of the date of the special meeting.	The Hilltop bylaws provide that with respect to an annual meeting of shareholders, nominations of individuals for election to the board of directors and the proposal of business to be considered by shareholders may be made only (i) pursuant to Hilltop's notice of the meeting, (ii) by or at the direction of the board of directors or (iii) by a shareholder who is entitled to vote at the meeting and who has complied with the advance notice procedures of the bylaws. With respect to special meetings of shareholders, only the business specified in Hilltop's notice of the meeting may be brought before the meeting. Nominations of individuals for election to the Hilltop board of directors at a special meeting may be made only (i) pursuant to Hilltop's notice of the meeting, (ii) by or at the direction of the board of directors, or (iii) provided that the board of directors has determined that directors will be elected at the meeting, by a shareholder who is entitled to vote at the meeting and who has complied with the advance notice provisions of the bylaws.

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PLAINSCAPITAL	HILLTOP
Any shareholder notice for nomination for directors must include all information relating to such nominees that is required to be discussed under the Exchange Act, as to the nominating shareholder, the name and address of such shareholder, the beneficial ownership of such shareholder, a description of certain arrangements and agreements relating to such nomination and certain representations as well as any other information that would be required to be disclosed in a proxy statement for the election of directors in an election contest.	
For business, other than nominations of directors, to be properly requested by a shareholder for consideration at an annual or special meeting, the shareholder must (i) be a shareholder of record of PlainsCapital at the time of the giving of the notice for such meeting provided for in these Bylaws, (ii) be entitled to vote at such meeting, and (iii) have given timely notice in writing to the secretary, and such business must be a proper matter for shareholder action. To be timely in connection with an annual meeting, a shareholder's notice must be delivered to or mailed and received at the principal executive offices of PlainsCapital not less than 90 nor more than 120 calendar days prior to the first anniversary of the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is advanced more than 30 calendar days prior to such anniversary date or delayed more than 60 calendar days after such anniversary date then to be timely such notice must be received by PlainsCapital no later than the later of 70 calendar days prior to the date of the annual meeting or the close of business on the 7th calendar day following the earlier of the date on which notice of the annual meeting is first mailed by or on behalf of PlainsCapital or the day on which public announcement is first made of the date of the annual meeting. To be timely in connection with a special meeting, a shareholder's notice must be delivered to or mailed and received at the principal executive offices of PlainsCapital not less than 40 calendar days nor more than 60 calendar days prior to the date of such meeting; provided, however, that in the event that less than 50 calendar days' notice or prior public announcement of the date of the special meeting is given or made to the shareholders, the shareholder's notice to be timely must be so received not later than the close of business on the 7th calendar day following the earlier of the date on which notice of the date of the special meeting was first mailed by or on behalf of PlainsCapital or the day on which public announcement is first made of the date of the special meeting.	

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PLAINSCAPITAL	HILLTOP
A shareholder's notice to the secretary must set forth as to each matter the shareholder proposes to bring before the annual or special meeting: (A) a description in reasonable detail of the business desired to be brought before the meeting and the reasons for conducting such business at the meeting; (B) the name and address, as they appear on PlainsCapital's books, of the shareholder proposing such business; (C) the class and number of shares of PlainsCapital that are owned beneficially and of record by the shareholder proposing such business with respect to PlainsCapital's securities, and any derivatives, hedged positions, synthetic and temporary ownership techniques, swaps, securities loans, timed purchases and other economic and voting interests or similar positions, securities or interests held by such shareholder with respect to PlainsCapital's securities; (D) any material interest of the shareholder proposing such business; and (E) any agreements the shareholder proposing such business has with other persons or entities in connection with such business.	

BOARD OF DIRECTORS

Number of Directors

PLAINSCAPITAL	HILLTOP
PlainsCapital has a board of directors consisting of ten (10) directors. To be elected as director, each director nominee must receive a plurality of the votes cast by the shareholders entitled to vote for the election of directors.	The Hilltop board of directors has twelve (12) members. The Hilltop bylaws provide that the number of directors will be not less than one (the minimum required by the MGCL) or more than fifteen (15) and may be increased or decreased from time to time in the discretion of the board, except that no decrease in the number of directors may affect the term of any incumbent director. Directors are elected by a plurality of all the votes cast at a meeting of shareholders duly called and at which a quorum is present.

Classification

PLAINSCAPITAL	HILLTOP
The PlainsCapital certificate of formation provides that the board of directors is classified with respect to the time for which the directors severally hold office into three (3) classes, as nearly equal in number as possible as determined by the board of directors, with the terms of office of one class expiring each year. At each annual meeting, the successors to the class of directors whose terms expire at that meeting will be elected for a term of office to expire at the third succeeding annual meeting after their election and until their successors have been duly elected and qualified.	Hilltop's board of directors is not classified; all directors are subject to re-election on an annual basis.

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PLAINSCAPITAL	HILLTOP
Removal	
PlainsCapital shareholders holding a majority of shares then entitled to vote at an election of directors may terminate the term of office of all or any of the directors only for cause and only by a vote at any annual or special meeting called for that purpose. Such removal shall be effective immediately upon such shareholder action even if successors are not elected simultaneously, and the vacancies on the board of directors caused by such action shall be filled only by election by the shareholders.	A director of Hilltop may be removed from office only for cause and then only by the affirmative vote of at least two-thirds of the votes entitled to be cast generally in the election of directors.
Vacancies	
PlainsCapital's board of directors may fill a vacancy on the board of directors by a majority vote of the board of directors then in office, although it may be less than a quorum. A director elected to fill a vacancy shall be elected for the unexpired term of his predecessor in office. During a period between two successive annual meetings of shareholders, the board of directors may not fill more than two vacancies created by an increase in the number of directors.	Vacancies in the Hilltop board of directors may be filled by vote of a majority of the remaining members of the board of directors, even if less than a quorum.
Special Meetings of the Board	
Special meetings of the board of directors may be called by or at the request of the chief executive officer or by the written request of a majority of directors then in office. Notice must be given at least three hours previous thereto if given either personally (including written notice delivered personally or by telephone notice) or by telex, telecopy, telegram, electronic mail or other means of immediate communication, or at least 72 hours previous thereto if given by written notice mailed or otherwise transmitted to each director at the address of his business or residence.	Special meetings of the Hilltop board of directors may be called by or at the request of the chairman of the board, the chief executive officer, the president or a majority of the directors then in office. The person or persons authorized to call special meetings of the board may fix any place as the place for holding any special meeting of the board called by them. The board may provide, by resolution, the time and place for the holding of special meetings of the board without other notice than such resolution.

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Director Liability and Indemnification

PLAINSCAPITAL

A director of PlainsCapital shall not be liable to PlainsCapital or its shareholders for monetary damages for any act or omission in the director's capacity as a director, unless the director is found liable under applicable law for:

(a) a breach of the director's duty of loyalty to PlainsCapital or its shareholders;

(b) an act or omission not in good faith that constitutes a breach of duty of the director to PlainsCapital or that involves intentional misconduct or a knowing violation of the law;

(c) a transaction from which the director received an improper benefit, regardless of whether the benefit resulted from an action taken within the scope of the director's duties; or

(d) an act or omission for which the liability of the director is expressly provided for by an applicable statute.

If the TBOC is amended to authorize action further eliminating or limiting the liability of directors, then according to the certificate of formation, the liability of a director of PlainsCapital shall automatically be eliminated or limited to the fullest extent permitted by the TBOC as so amended.

PlainsCapital's certificate of formation and bylaws provide for indemnification by PlainsCapital to the fullest extent permitted by the TBOC. Under the certificate of formation, any director who was or is made a party or is threatened to be made a party to or is involved in any threatened, pending or completed action or other proceeding, whether civil, criminal, administrative, arbitrative or investigative, or any appeal in such a proceeding or any inquiry or investigation that could lead to such a proceeding (a "proceeding"), by reason of the fact that he or she, or a person of whom he or she is or was a director of PlainsCapital shall be indemnified by PlainsCapital to the fullest extent permitted by the TBOC against judgments, penalties (including excise and similar taxes and punitive damages), fines, settlements and reasonable expenses (including, without limitation, attorneys' fees) actually incurred by such person in connection with such proceeding. Such indemnification shall continue as to a person who has ceased to serve in the capacity which initially entitled such person to indemnity hereunder. These indemnification rights could involve indemnification for negligence or under theories of strict liability.

HILLTOP

The Hilltop bylaws provide for indemnification and advancement of expenses by Hilltop, to the fullest extent permitted by Maryland law, of Hilltop directors and officers who are made or threatened to be made a party to a proceeding by reason of his or her service in that capacity. The bylaws also permit Hilltop to provide such indemnification and advancement of expenses to any Hilltop employee or agent.

Under Maryland law, directors' and officers' liability to the corporation or its shareholders for money damages may be expanded or limited, except that liability of a director or officer may not be limited: (1) to the extent that it is proved that the person actually received an improper benefit or profit in money, property or services for the amount of the benefit or profit in money, property or services actually received; or (2) to the extent that a judgment or other final adjudication adverse to the person is entered in a proceeding based on a finding in the proceeding that the person's action, or failure to act, was the result of active and deliberate dishonesty and was material to the cause of action adjudicated in the proceeding.

Under Maryland law, a corporation may not indemnify a director or officer if it is established that: (1) the act or omission of the director or officer was material to the matter giving rise to the proceeding; and (A) was committed in bad faith or (B) was the result of active and deliberate dishonesty; or (2) the director or officer actually received an improper personal benefit in money, property or services; or (3) in the case of any criminal proceeding, the director or officer had reasonable cause to believe that the act or omission was unlawful.

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The right to indemnification includes the right to be paid or reimbursed for the reasonable expenses incurred by a director who was, is or is threatened to be made a named defendant or respondent in a proceeding in advance of the final disposition of the proceeding and without any determination as to the person's ultimate entitlement to indemnification; provided, however, that the payment of such expenses incurred by any such person in advance of the final disposition of a proceeding shall be made only upon delivery to PlainsCapital of a written affirmation by such indemnified person of his or her good faith belief that he or she has met the standard of conduct necessary for indemnification and a written undertaking, by or on behalf of such person, to repay all amounts so advanced if it shall ultimately be determined that such indemnified person is not entitled to be indemnified or if such indemnification is prohibited by applicable law.	Under Maryland law, a corporation may not indemnify a director or officer who has been adjudged liable in a suit by or in the right of the corporation or in which the director or officer was adjudged liable to the corporation or on the basis that a personal benefit was improperly received. A court may order indemnification if it determines that the director is fairly and reasonably entitled to indemnification, even though the director did not meet the prescribed standard of conduct, was adjudged liable to the corporation or was adjudged liable on the basis that personal benefit was improperly received; however, indemnification for an adverse judgment in a suit by or in the right of the corporation, or for a judgment of liability on the basis that personal benefit was improperly received, is limited to expenses. Except for a proceeding brought to enforce indemnification or where a resolution of the board of directors or an agreement approved by the board expressly provides otherwise, a corporation may not indemnify a director for a proceeding brought by the director against the corporation.
SHAREHOLDER RIGHTS PLAN	
PlainsCapital does not have a shareholder rights plan currently in effect.	Hilltop does not have a shareholder rights plan currently in effect.
STATE ANTI-TAKEOVER STATUTES AND ARTICLE PROVISIONS	
Business Combinations and Control Share Acquisitions	
Section 21.606 of the TBOC restricts certain business combinations between PlainsCapital and an affiliated shareholder (defined as a shareholder who beneficially owns 20% or more of the voting power of PlainsCapital stock entitled to vote generally in the election of directors) for three years after the shareholder becomes an affiliated shareholder. The restrictions do not apply if the board of directors approved the transaction that caused the shareholder to become an affiliated shareholder or if the business combination is approved by the affirmative vote of at least two-thirds of the voting stock of PlainsCapital that is not beneficially owned by the affiliated shareholder at a meeting of shareholders called for that purpose within six months of the affiliated shareholder acquiring the shares. Although PlainsCapital may elect to exclude itself from the restrictions imposed by section 21.606, its certificate of formation does not currently do so.	Under Maryland law, "business combinations" between a Maryland corporation and an interested shareholder or an affiliate of an interested shareholder are prohibited for five years after the most recent date on which the interested shareholder becomes an interested shareholder. These business combinations include a merger, consolidation, share exchange, or, in circumstances specified in the statute, an asset transfer or issuance or reclassification of equity securities. An interested shareholder is defined as: any person who beneficially owns 10% or more of the voting power of the corporation's shares; or an affiliate or associate of the corporation who, at any time within the two-year period prior to the date in question, was the beneficial owner of 10%or more of the voting power of the then outstanding voting stock of the corporation.

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	A person is not an interested shareholder under the statute if the board of directors approved in advance the transaction by which he otherwise would have become an interested shareholder. However, in approving a transaction, the board of directors may provide that its approval is subject to compliance, at or after the time of approval, with any terms and conditions determined by the board. After the five-year prohibition, any business combination between the Maryland corporation and an interested shareholder generally must be recommended by the board of directors of the corporation and approved by the affirmative vote of at least: 80% of the votes entitled to be cast by holders of outstanding shares of voting stock of the corporation; and two-thirds of the votes entitled to be cast by holders of voting stock of the corporation other than shares held by the interested shareholder with whom or with whose affiliate the business combination is to be effected or held by an affiliate or associate of the interested shareholder. These super-majority vote requirements do not apply if the corporation's common shareholders receive a minimum price, as defined under Maryland law, for their shares in the form of cash or other consideration in the same form as previously paid by the interested shareholder for its shares. The statute permits the board of directors to adopt a resolution opting out of the application of the statute, and the Hilltop board of directors has adopted such a resolution. In addition, the Hilltop charter contains a provision that requires Hilltop to obtain the shareholder approval before it can opt back into the statute. Maryland law provides that control shares of a Maryland corporation acquired in a control share acquisition have no voting rights except to the extent approved by a vote of at least two-thirds of the votes entitled to be cast on the matter. Shares owned by the acquirer, by officers or by directors who are employees of the corporation are excluded from shares entitled to vote on the matter. Control shares are voting shares of stock which, if aggregated with all other shares of stock owned by the acquirer or in respect of which the acquirer is able to exercise or direct the exercise of voting power (except solely by virtue of a revocable proxy), would entitle the acquirer to exercise voting power in electing directors within one of the following ranges of voting power: one-tenth or more but less than one-third,

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	one-third or more but less than a majority, or
	a majority or more of all voting power. Control shares do not include shares the acquiring person is then entitled to vote as a result of having previously obtained shareholder approval. A control share acquisition means the acquisition of control shares, subject to certain exceptions.
	A person who has made or proposes to make a control share acquisition may compel the board of directors of the corporation to call a special meeting of shareholders to be held within 50 days of demand to consider the voting rights of the shares. The right to compel the calling of a special meeting is subject to the satisfaction of certain conditions, including an undertaking to pay the expenses of the meeting. If no request for a meeting is made, the corporation may itself present the question at any shareholders meeting.
	If voting rights are not approved at the meeting or if the acquiring person does not deliver an acquiring person statement as required by the statute, then the corporation may redeem for fair value any or all of the control shares, except those for which voting rights have previously been approved. The right of the corporation to redeem control shares is subject to certain conditions and limitations. Fair value is determined, without regard to the absence of voting rights for the control shares, as of the date of the last control share acquisition by the acquirer or of any meeting of shareholders at which the voting rights of the shares are considered and not approved. If voting rights for control shares are approved at a shareholders meeting and the acquirer becomes entitled to vote a majority of the shares entitled to vote, all other shareholders may exercise appraisal rights. The fair value of the shares as determined for purposes of appraisal rights may not be less than the highest price per share paid by the acquirer in the control share acquisition.
	The control share acquisition statute does not apply (i) to shares acquired in a merger, consolidation or share exchange if the corporation is a party to the transaction or (ii) to acquisitions approved or exempted by the charter or bylaws of the corporation.
	Hilltop's bylaws contain a provision exempting from the control share acquisition statute any and all acquisitions by any person of shares of Hilltop's stock. In addition, Hilltop's charter contains a provision that requires Hilltop to obtain the approval of our shareholders before it can opt back into the statute.
	The Hilltop charter provides for certain transfer restrictions that, subject to certain exceptions (including board approval), prohibit and void transactions which would create new 5% shareholders

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	or increase the ownership percentage of existing 5% shareholders of Hilltop. The Hilltop board of directors has resolved that as of the effective time of the merger, such restrictions will no longer be in the best interests of Hilltop and its shareholders, and that such restrictions shall cease to be effective as of the effective time.
DUTIES OF DIRECTORS	
Under the TBOC, the standard of conduct for directors is governed by statute. Generally, directors of Texas corporations are required to discharge the duties of their respective positions in good faith, and with the diligence, care, judgment, and skill which ordinary prudent men would exercise under similar circumstances in like positions.	Under the MGCL, the standard of conduct for directors is governed by statute. The MGCL requires that a director of a Maryland corporation perform his or her duties: (1) in good faith, (2) in a manner the director reasonably believes to be in the interests of the corporation and (3) with the care that an ordinarily prudent person in a like position would use under similar circumstances.

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MARKET PRICES AND DIVIDENDS OF HILLTOP COMMON STOCK

Hilltop common stock is listed on the New York Stock Exchange under the trading symbol "HTH." The common stock of PlainsCapital has not been registered under the Securities Act and is not listed or traded on any exchange or over-the-counter market. The following table sets forth, for the periods indicated, the high and low sales prices of shares of Hilltop common stock as reported on the New York Stock Exchange, and the quarterly cash dividends declared per share of Hilltop and PlainsCapital.

Comparative Market Prices and Dividends

	Hilltop Common Stock			PlainsCapital Common Stock
	High	Low	Dividend	Dividend
2009				
First Quarter	$ 11.95	$ 8.93	$	$ 0.05
Second Quarter	12.53	10.87		0.05
Third Quarter	12.98	11.20		0.05
Fourth Quarter	12.95	11.25		0.05
2010				
First Quarter	$ 12.41	$ 11.29	$	$ 0.05
Second Quarter	12.20	9.90		0.05
Third Quarter	10.77	9.31		0.05
Fourth Quarter	10.52	9.47		0.05
2011				
First Quarter	$ 10.13	$ 9.01	$	$ 0.05
Second Quarter	10.09	8.60		0.05
Third Quarter	9.01	7.12		0.05
Fourth Quarter	8.60	6.88		0.09
2012				
First Quarter	$ 9.10	$ 7.87	$	$ 0.06
Second Quarter	10.89	7.75		0.06
Third Quarter*	10.86	10.21		

* Through August 2, 2012

On May 8, 2012, the last full trading day before the announcement of the merger agreement, the high and low sales prices of shares of Hilltop common stock as reported on the New York Stock Exchange were $8.06 and $7.96, respectively. On August 2, 2012, the last full trading day before the date of this document, the high and low sale prices of shares of Hilltop common stock as reported on the New York Stock Exchange were 10.51 and 10.34, respectively.

As of August 1, 2012, the last date prior to printing this document for which it was practicable to obtain this information, there were approximately 166 registered holders of Hilltop common stock and approximately 980 registered holders of PlainsCapital common stock. Hilltop shareholders and PlainsCapital shareholders are advised to obtain current market quotations for Hilltop common stock before voting. The market price of Hilltop common stock will fluctuate between the date of this document and the effective date of the merger. No assurance can be given concerning the market price of Hilltop common stock before or after the effective date of the merger.

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LEGAL MATTERS

The validity of the Hilltop common stock to be issued in connection with the merger will be passed upon by Wachtell, Lipton, Rosen & Katz. Wachtell, Lipton, Rosen & Katz will also pass upon certain U.S. federal income tax matters for Hilltop. Sullivan & Cromwell LLP will pass upon certain U.S. federal income tax matters for PlainsCapital.

EXPERTS

The financial statements of Hilltop and Hilltop management's assessment of the effectiveness of internal control over financial reporting (which is included in Management's Report on Internal Control over Financial Reporting) incorporated in this prospectus by reference to Hilltop's Annual Report on Form 10-K for the year ended December 31, 2011 have been so incorporated in reliance on the reports of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

The consolidated financial statements of PlainsCapital Corporation at December 31, 2011 and 2010, and for each of the three years in the period ended December 31, 2011, appearing in this Prospectus and Registration Statement have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their report thereon appearing elsewhere herein, and are included in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

DEADLINES FOR SUBMITTING SHAREHOLDER PROPOSALS AND OTHER MATTERS

PlainsCapital

PlainsCapital will hold an annual meeting in 2013 only if the merger has not already been completed.

Pursuant to rules of the SEC, a shareholder who intends to present a proposal at PlainsCapital's next annual meeting of shareholders and who wishes the proposal to be included in the proxy statement for that meeting must submit the proposal in writing to the attention of the Corporate Secretary of PlainsCapital at 2323 Victory Avenue, Suite 1400, Dallas, Texas 75219. The proposal must be received no later than December 5, 2012.

Shareholders wishing to submit proposals to be presented directly at PlainsCapital's next annual meeting of shareholders instead of by inclusion in next year's proxy statement must follow the submission criteria and deadlines set forth in PlainsCapital's bylaws concerning shareholder proposals. To be timely in connection with PlainsCapital's next annual meeting, a shareholder proposal concerning business other than director nominations must be received by PlainsCapital at its principal executive offices between January 9, 2013 and February 8, 2013. To be timely in connection with PlainsCapital's next annual meeting, a shareholder proposal concerning director nominations must be received by PlainsCapital at its principal executive offices between November 20, 2012 and December 30, 2012.

You may obtain a copy of PlainsCapital's bylaws by writing to the Corporate Secretary of PlainsCapital at the above address. The chairman of the meeting may refuse to bring before a meeting any business not brought in compliance with applicable law and PlainsCapital's bylaws.

Hilltop

Shareholder proposals intended to be presented at Hilltop's 2013 annual meeting of shareholders pursuant to Rule 14a-8 under the Securities Exchange Act of 1934 must be received by Hilltop at its principal executive offices no later than 5:00 p.m., Dallas, Texas time, on January 3, 2013 and must

otherwise comply with the requirements of Rule 14a-8 in order to be considered for inclusion in Hilltop's 2013 proxy statement and proxy.

In order for director nominations and proposals of shareholders made outside the processes of Rule 14a-8 under the Securities Exchange Act of 1934 to be considered "timely" for purposes of Rule 14a-4(c) under the Securities Exchange Act of 1934 and pursuant to Hilltop's current bylaws, the nomination or proposal must be received by Hilltop at its principal executive offices not before December 29, 2012, and not later than 5:00 p.m. Dallas, Texas time, on January 28, 2013; provided, however, that in the event that the date of Hilltop's 2013 annual meeting is not within 30 days before or after June 15, 2013, notice by the shareholder in order to be timely must be received no earlier than the 120th day prior to the date of Hilltop's 2013 annual meeting and not later than 5:00 p.m. Dallas, Texas time, on the 90th day prior to the date of Hilltop's 2013 annual meeting or the tenth day following the day on which public announcement of the date of Hilltop's 2013 annual meeting is first made, whichever is later. Shareholders are advised to review Hilltop's charter and bylaws, which contain additional requirements with respect to advance notice of shareholder proposals and director nominations, copies of which are available without charge upon request to Hilltop's Corporate Secretary.

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WHERE YOU CAN FIND MORE INFORMATION

Hilltop has filed with the SEC a registration statement under the Securities Act that registers the distribution to PlainsCapital shareholders of the shares of Hilltop common stock to be issued in connection with the merger. The registration statement, including the attached exhibits and schedules, contains additional relevant information about Hilltop and Hilltop stock. The rules and regulations of the SEC allow us to omit certain information included in the registration statement from this document.

You may read and copy this information at the Public Reference Room of the SEC at 100 F Street, NE, Room 1580, Washington, D.C. 20549. You may obtain information on the operation of the SEC's Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains an internet website that contains reports, proxy statements and other information about issuers, like Hilltop, who file electronically with the SEC. The address of the site is *www.sec.gov*. The reports and other information filed by Hilltop with the SEC are also available at Hilltop's internet website. The address of the site is *www.hilltop-holdings.com*. We have included the web addresses of the SEC and Hilltop as inactive textual references only. Except as specifically incorporated by reference into this document, information on those websites is not part of this document.

The SEC allows Hilltop to incorporate by reference information in this document. This means that Hilltop can disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is considered to be a part of this document, except for any information that is superseded by information that is included directly in this document.

This document incorporates by reference the documents listed below that Hilltop previously filed with the SEC. They contain important information about the companies and their financial condition.

Hilltop SEC Filings

(SEC File No. 1-31987; CIK No. 0001265131)	Period or Date Filed
Annual Report on Form 10-K	Year ended December 31, 2011
Definitive Proxy Statement on Schedule 14A	Filed on April 30, 2012
Quarterly Reports on Form 10-Q	Quarter ended March 31, 2012
Current Reports on Form 8-K	Filed on March 14, 2012, May 9, 2012, May 11, 2012 and June 20, 2012

To the extent that any information contained in any report on Form 8-K or any exhibit thereto, was furnished to, rather than filed with the SEC, such information or exhibit is specifically not incorporated by reference.

All documents filed by Hilltop with the SEC under Sections 13(a), 13(c), 14 and 15(d) of the Exchange Act, after the initial filing date of this document and prior to the later of the date the offering is terminated and the date of the special meeting of Hilltop shareholders to consider and vote on the approval of the merger agreement, and are incorporated by reference into this document and are a part of this document from the date of filing. These documents include periodic reports, such as Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, as well as proxy statements.

PlainsCapital is currently not eligible to incorporate in this document by reference any documents that it filed, or may file in the future, with the SEC under Sections 13(a), 13(c), 14 and 15(d) of the Exchange Act.

Except where the context otherwise indicates, Hilltop has supplied all information contained or incorporated by reference in this document relating to Hilltop, as well as all pro forma financial information, and PlainsCapital has supplied all information relating to PlainsCapital.

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Documents incorporated by reference are available from Hilltop without charge, excluding any exhibits to those documents unless the exhibit is specifically incorporated by reference as an exhibit in this document. You can obtain documents incorporated by reference in this document by requesting them in writing or by telephone from Hilltop as follows:

Hilltop Holdings Inc.
200 Crescent Court, Suite 1330
Dallas, Texas 75201
Attention: Investor Relations
Telephone: (214) 855-2177

PlainsCapital's audited consolidated financial statements and related notes for the year ended December 31, 2011 and PlainsCapital's unaudited consolidated financial statements and related notes for the three months ended March 31, 2012 are included in this document beginning on page F-1.

Hilltop shareholders and PlainsCapital shareholders requesting documents should do so by September 13, 2012, in order to receive them before their respective special meetings. **You will not be charged for any of these documents that you request. If you request any incorporated documents from Hilltop, Hilltop will mail them to you by first class mail, or another equally prompt means after it receives your request.**

Neither Hilltop nor PlainsCapital has authorized anyone to give any information or make any representation about the merger or our companies that is different from, or in addition to, that contained in this document or in any of the materials that have been incorporated in this document. Therefore, if anyone does give you information of this sort, you should not rely on it. If you are in a jurisdiction where offers to exchange or sell, or solicitations of offers to exchange or purchase, the securities offered by this document or the solicitation of proxies is unlawful, or if you are a person to whom it is unlawful to direct these types of activities, then the offer presented in this document does not extend to you. The information contained in this document speaks only as of the date of this document unless the information specifically indicates that another date applies.

The representations, warranties and covenants described in this document and included in the merger agreement were made only for purposes of the merger agreement and as of specific dates, are solely for the benefit of Hilltop and PlainsCapital, may be subject to limitations, qualifications or exceptions agreed upon by the parties, including those included in confidential disclosures made for the purposes of, among other things, allocating contractual risk between Hilltop and PlainsCapital rather than establishing matters as facts, and may be subject to standards of materiality that differ from those standards relevant to investors. You should not rely on the representations, warranties, or covenants or any description thereof as characterizations of the actual state of facts or condition of Hilltop, PlainsCapital or any of their respective subsidiaries or affiliates. Moreover, information concerning the subject matter of the representations, warranties, and covenants may change after the date of the merger agreement, which subsequent information may or may not be fully reflected in public disclosures by Hilltop or PlainsCapital. The representations and warranties and other provisions of the merger agreement should not be read alone, but instead should be read only in conjunction with the information provided elsewhere in this joint proxy statement/prospectus and in the documents incorporated by reference into this joint proxy statement/prospectus.

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Financial Statements.

As used in the audited consolidated financial statements and unaudited consolidated interim financial statements that follow, unless the context otherwise indicates, the references to "we," "us," "our" or "PlainsCapital" refer to PlainsCapital Corporation, a Texas corporation, and its consolidated subsidiaries as a whole, references to our "Company" refer to PlainsCapital Corporation, a Texas corporation and not its subsidiaries, references to the "Bank" refer to PlainsCapital Bank, a Texas banking association (a wholly owned subsidiary of PlainsCapital Corporation), references to "First Southwest" refer to First Southwest Holdings, LLC, a Delaware limited liability company (a wholly owned subsidiary of the Bank), and its subsidiaries as a whole, references to "FSC" refer to First Southwest Company, a Delaware corporation (a wholly owned subsidiary of First Southwest), and references to "PrimeLending" refer to PrimeLending, a PlainsCapital Company, a Texas corporation (a wholly owned subsidiary of the Bank, and its subsidiaries as a whole.

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Consolidated financial statements

PlainsCapital Corporation and subsidiaries

Years ended December 31, 2011, 2010 and 2009

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
PlainsCapital Corporation

We have audited the accompanying consolidated balance sheets of PlainsCapital Corporation and subsidiaries (the Company) as of December 31, 2011 and 2010, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2011. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of PlainsCapital Corporation and subsidiaries at December 31, 2011 and 2010, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2011, in conformity with U.S. generally accepted accounting principles.

We also have examined, in accordance with attestation standards established by the American Institute of Certified Public Accountants, management's assertion that the Company maintained effective internal control over financial reporting as of December 31, 2011, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 16, 2012 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Dallas, Texas
March 16, 2012

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PlainsCapital Corporation and Subsidiaries

Consolidated Balance Sheets

December 31,

	2011	2010
	(In thousands)	
Assets		
Cash and due from banks	$ 344,647	$ 332,208
Federal funds sold and securities purchased under agreements to resell	3,347	154,501
Loans held for sale	776,372	477,711
Securities		
Trading, at fair market value	58,957	18,931
Available for sale, amortized cost $594,287 and $614,588, respectively	601,086	613,236
Held to maturity, fair market value $188,736 and $228,730, respectively	179,710	232,913
	839,753	865,080
Loans, net of unearned income	3,351,167	3,138,170
Allowance for loan losses	(67,495)	(65,169)
Loans, net	3,283,672	3,073,001
Broker-dealer and clearing organization receivables	111,690	45,768
Fee award receivable	18,002	19,222
Investment in unconsolidated subsidiaries	2,012	2,012
Premises and equipment, net	92,906	80,183
Accrued interest receivable	16,175	16,615
Other real estate owned	30,254	23,968
Goodwill, net	35,880	35,880
Other intangible assets, net	11,385	13,441
Other assets	133,925	173,815
Total assets	$ 5,700,020	$ 5,313,405
Liabilities and Shareholders' Equity		
Deposits		
Noninterest-bearing	$ 328,858	$ 256,372
Interest-bearing	3,917,348	3,662,087
Total deposits	4,246,206	3,918,459
Broker-dealer and clearing organization payables	186,483	72,830
Short-term borrowings	476,439	582,134
Capital lease obligations	12,121	11,693
Notes payable	54,966	63,776
Junior subordinated debentures	67,012	67,012
Other liabilities	137,509	150,225
Total liabilities	5,180,736	4,866,129
Commitments and contingencies		
Shareholders' equity		
PlainsCapital Corporation shareholders' equity		
Preferred stock, $1.00 par value per share, authorized 50,000,000 shares;		
Series A, 0 and 87,631 shares issued		84,481
Series B, 0 and 4,382 shares issued		4,712
Series C, 114,068 and 0 shares issued	114,068	
Original Common Stock, $0.001 par value per share, authorized 100,000,000 and 50,000,000 shares, respectively; 31,920,732 and 31,780,828 shares issued, respectively	32	32
Common Stock, $0.001 par value per share, authorized 150,000,000 shares; 0 shares issued		
Surplus	156,123	153,289

Retained earnings	244,291	206,786
Accumulated other comprehensive income (loss)	4,587	(281)
	519,101	449,019
Unearned ESOP shares (190,254 and 232,381 shares, respectively)	(2,070)	(2,528)
Total PlainsCapital Corporation shareholders' equity	517,031	446,491
Noncontrolling interest	2,253	785
Total shareholders' equity	519,284	447,276
Total liabilities and shareholders' equity	$ 5,700,020	$ 5,313,405&nb