

## **RISK COMMITTEE CHARTER**

This Risk Committee Charter (the “*Charter*”) sets forth the purpose and membership requirements of the Risk Committee (the “*Committee*”) of the Board of Directors (the “*Board*”) of Hilltop Holdings Inc. (the “*Company*”) and establishes the authority and responsibilities delegated to it by the Board.

### **1. Purpose**

The purpose of the Committee is to provide assistance to the Board in fulfilling its oversight of: (i) the Company’s risk governance structure, (ii) the Company’s risk management and risk assessment guidelines and policies regarding market, credit, operation, liquidity, funding, reputational, regulatory and such other risks as necessary to fulfill the Committee’s duties and responsibilities, (iii) the Company’s risk tolerance, (iv) the Company’s capital, liquidity and funding, and (v) the performance of the Company’s Chief Risk Officer; thus ensuring that there is in place an effective system reasonably designed to evaluate and control such risk throughout the Company.

Risk assessment and risk management are the responsibility of the Company’s management. The Committee’s responsibility in this regard is one of oversight and review.

### **2. Committee Members**

The Committee shall be composed of three or more directors as determined from time to time by resolution of the Board. Each member of the Committee shall not be an executive officer or employee of the Company. All members of the Committee shall have a well-founded understanding of the financial services industry. The members of the Committee shall be appointed for such term or terms as the Board may determine or until the earliest resignation or death of the member. The Board may remove any member from the Committee at any time with or without cause. The chairperson of the Committee (the “*Chairman*”) shall be designated by the Board. Vacancies occurring on the Committee shall be filled by the Board.

### **3. Subcommittees**

The Committee shall have the authority to delegate authority and responsibilities to subcommittees, so long as no subcommittee consists of less than two members.

### **4. Advisers**

The Committee shall have the sole authority to retain, oversee and terminate any consultant to assist in the execution of the Committee’s responsibilities and shall have the sole authority to approve the consultant’s fees and other retention terms. The Committee also shall have the authority to obtain advice from internal or external legal, accounting or other advisers and shall have sole authority to approve such adviser’s fees and other retention terms, subject to any required pre-approval procedures of the Audit Committee.

## **5. Coordination with Management and Other Board Committees**

The Committee shall coordinate its activities with management, as well as the Audit and other committees of the Board, as appropriate, to help ensure that the committees receive the information necessary to permit them to fulfill their duties and responsibilities with respect to oversight of risk management and risk assessment guidelines and policies.

The Chairman or his or her designee shall meet at least annually with the Compensation Committee of the Board to assist that committee in its review of the Company compensation practices with respect to compensation of risk professionals, and the relationship among risk, risk management and compensation in light of Company strategy and risk objectives, including its safety and soundness and the avoidance of compensation practices that would encourage excessive risk.

## **6. Authority and Responsibilities of the Committee**

In carrying out its duties and responsibilities, the Committee's policies and procedures should remain flexible so that it may be in a position to best address, react or respond to changing circumstances or conditions.

### **6.1 Access to Company**

The Committee shall have direct access to, and complete and open communication with, the Company's management, including the Chief Risk Officer, Risk Executive Committee, Internal Audit Executive, and other employees as appropriate, and may obtain advice and assistance from internal legal, risk or other advisors. The Committee has the authority to conduct any investigation deemed appropriate in fulfilling its responsibilities.

### **6.2 Oversight of Chief Risk Officer**

The Committee shall approve the appointment and, when and if appropriate, replacement of the Chief Risk Officer, who shall report directly to the Committee. Further, the Committee will review and evaluate annually the qualifications and performance of the Chief Risk Officer. The Chief Risk Officer will report administratively to the Company's Chief Executive Officer or such other person designed by the Committee.

### **6.3 Risk Management Program**

The Committee shall review with the Chief Risk Officer the sufficiency of the Company's personnel, systems, and processes to identify, assess, and manage risks that could prevent the Company from achieving its business strategy and objectives.

The Committee shall review the scope of work of the Company's Executive Risk Committee and its planned activities with respect to risk management and compliance activities of the Company.

#### **6.4 Policy and Procedures**

The Committee shall review and approve, at least annually, the Company's risk governance structure, risk management and assessment guidelines, and the risk management policies and procedures. The Committee, prior to adoption thereto, as recommended by the Chief Risk Officer, Risk Executive Committee or other members of management, should approve significant modifications or amendments. The Committee shall consider annually the need for an independent third party evaluation of the Company's risk management process.

#### **6.5 Risk Appetite Statement**

The Committee shall review and approve the Company's risk appetite statement, ensuring it is aligned with the COSO Enterprise Risk Management-Integrated Framework guidance regarding risk appetite. This statement should be integrated into the Company's risk management program to communicate and monitor the risk profile of the organization and to help ensure an appropriate risk culture. The risk appetite statement will define the amount of and type of risk the Company is able and willing to assume in its exposures and business activities given its business strategy and objectives.

#### **6.6 Risk Profile**

The Committee shall review periodically, with the Chief Risk Officer, summary results and reports of the risk management profile as provided through the risk management process. In accordance with the risk management policies and procedures, the Committee shall review and discuss with executive management and the appropriate risk officers all risks meeting or surpassing a materiality threshold approved by the Committee along with management's planned course of action for addressing such risks.

#### **6.7 Risk Tolerances**

The Committee shall oversee and approve annually the Company's establishment of risk tolerance guidelines, management's measurement and comparison of overall risk tolerance to established levels, as well as any material variances from risk guideline ranges, and new business processes that have potential risk impact ratings meeting or surpassing a materiality threshold within the Risk Appetite Statement. In addition, the Committee should review any material issues regarding risk management raised by internal audit that would be rated less than satisfactory or by regulatory reports rated as matters requiring attention.

#### **6.8 Monitoring Functions**

The Committee shall review the annual plans for the Company's monitoring functions (Internal Audit, Compliance, and Loan Review). Further, the Committee shall review the annual assessment of the Company's enterprise risk management process conducted by the internal audit department of the Company.

As appropriate, the Committee, together with the Audit Committee, shall review reports prepared by internal audit relevant to risk management.

The Committee shall periodically review with the Chief Risk Officer, the major risk exposures of the Company and its business units, as described in 1. above, against established risk measurement methodologies and the steps management has taken to manage and control these exposures.

#### **6.9 Other Duties and Responsibilities**

The Committee shall perform such other activities consistent with this Charter, the Company's by-laws, the Company's risk management policies and procedures, and governing law, as the Committee or the Board deems necessary or appropriate.

### **7. Meetings**

#### **7.1 Frequency of Meetings**

The Committee shall meet at least once every fiscal quarter or more frequently as it shall determine is necessary to carry out its duties and responsibilities. The Chairman of the Committee shall report from time to time to the Board on Committee actions and on the fulfillment of the Committee's responsibilities under this Charter. The Committee may establish a schedule for regular meetings of the Committee. The Chairman of the Committee or the Secretary of the Company may call a special meeting at any time as he or she deems advisable, or action may be taken by unanimous written consent when deemed necessary or desirable by the Committee or its Chairman.

The Committee will meet privately in separate executive sessions at least annually with the Chief Risk Officer and other such officers as the committee deems appropriate to discuss any matters that the Committee or individuals believe should be discussed regarding the risk management processes of the Company.

#### **7.2 Minutes**

Minutes of each Committee meeting shall be made and kept to document the discharge by the Committee of its responsibilities.

#### **7.3 Presiding Officer**

The Chairman shall preside at all Committee meetings. If the Chairman is absent at a meeting, a majority of the Committee members present shall appoint a different presiding officer for that meeting.

#### **7.4 Attendance**

The Committee may invite members of management or advisers to attend meetings and provide pertinent information; provided, that the Committee may meet in executive session at its discretion.

### **7.5 Quorum**

A majority of the Committee members shall constitute a quorum for the transaction of any business at any meeting of the Committee. The act of a majority of the members of the Committee present, either in person or by telephone, shall be the act of the Committee.

### **8. Annual Committee Assessment and Evaluation**

The Committee shall conduct an evaluation of the Committee's performance at least annually. The evaluation shall address subjects including the Committee's composition, responsibilities, structure, process and effectiveness. As part of this evaluation, the Committee shall also review the Committee's charter. The Committee shall, as appropriate, make recommendations to management, the Nominating and Corporate Governance Committee, or the full Board as a result of its performance evaluation and review of its charter.

In fulfilling their responsibilities hereunder, it is recognized that members of the Committee are not full-time employees of the Company, it is not the duty or responsibility of the Committee or its members to conduct "field work" or other types of reviews, and each member of the Committee shall be entitled to rely on (i) the integrity of those persons and organizations within and outside the Company from which it receives information, (ii) the accuracy of the information provided to the Committee absent actual knowledge to the contrary (which shall be promptly reported to the Board) and (iii) statements made by management or third parties as to any services provided to the Company

Nothing contained in this Charter is intended to create, or should be construed as creating, any responsibility or liability of the members of the Committee, except to the extent otherwise provided under the applicable laws of Maryland which shall continue to set the legal standard for the conduct of the members of the Committee.

Date: July 29, 2014