2017 COMPANY RUN STRESS TEST UNDER THE DODD-FRANK ACT

PUBLIC DISCLOSURE OF RESULTS

FORWARD-LOOKING STATEMENTS

This document includes “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements anticipated in such statements. Forward-looking statements speak only as of the date they are made and, except as required by law, we do not assume any duty to update forward-looking statements. Such forward-looking statements include, but are not limited to, statements concerning such things as our business strategy, our financial condition, our efforts to make strategic acquisitions, the costs of integration of the operations, our revenue, our liquidity and sources of funding, market trends, operations and business, stock repurchases, dividend payments, expectations concerning mortgage loan origination volume and interest rate compression, expected losses on covered loans and related reimbursements from the Federal Deposit Insurance Corporation (“FDIC”), expected levels of refinancing as a percentage of total loan origination volume, projected losses on mortgage loans originated, loss estimates related to natural disasters, the effects of government regulation applicable to our operations, the appropriateness of our allowance for loan losses and provision for lending losses, the collectability of loans and the outcome of litigation, our other plans, objectives, strategies, expectations and intentions and other statements that are not statements of historical fact, and may be identified by words such as “anticipates,” “believes,” “could,” “estimates,” “expects,” “forecasts,” “goal,” “intends,” “may,” “might,” “plan,” “probable,” “projects,” “seeks,” “should,” “target,” “view” or “would” or the negative of these words and phrases or similar words or phrases. The following factors, among others, could cause actual results to differ from those set forth in the forward-looking statements: (i) the credit risks of loan activities, including our ability to estimate loan losses; (ii) the effects of changes in the level of, and trends in, loan delinquencies and write-offs; (iii) changes in general economic, market and business conditions in areas or markets where we compete, including changes in the price of crude oil; (iv) changes in the interest rate environment; (v) risks associated with concentration in real estate related loans; (vi) risks associated with merger and acquisition integration; (vii) severe catastrophic events in Texas and other areas of the southern United States; (viii) effectiveness of our data security controls in the face of cyber attacks; (ix) the effects of our indebtedness on our ability to manage our business successfully, including the restrictions imposed by the indenture governing our indebtedness; (x) cost and availability of capital; (xi) changes in state and federal laws, regulations or policies affecting one or more of the our business segments, including changes in regulatory fees, deposit insurance premiums, capital requirements and the Dodd-Frank Wall Street Reform and Consumer Protection Act; (xii) changes in key management; (xiii) competition in our banking, broker-dealer, mortgage origination and insurance segments from other banks and financial institutions, as well as investment banking and financial advisory firms, mortgage bankers, asset-based non-bank lenders, government agencies and insurance companies; (xiv) our obligations under loss-share agreements with the FDIC, including the possibility that we may be required to make a “true-up” payment to the FDIC; (xv) failure of our insurance segment reinsurers to pay obligations under reinsurance contracts; and (xvi) our ability to use excess capital in an effective manner. For further discussion of such factors, see the risk factors described in our most recent Annual Report on Form 10-K , and subsequent Quarterly Reports on Form 10-Q and other reports, that we have filed with the Securities and Exchange Commission. All forward-looking statements are qualified in their entirety by this cautionary statement.

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1.1 Introduction

Hilltop Holdings Inc. (HTH) is providing the following document for the purpose of qualitatively supporting its 2017 company-run annual stress test for covered institutions with total consolidated assets of $10 billion to $50 billion as required by the Dodd-Frank Wall Street Reform and Consumer Protection Act (DFA).

Federal Reserve SR 14-3, which was issued in 2014, requires companies and their subsidiary banks with between $10 billion and $50 billion in total consolidated assets to perform stress testing required under the DFA and the stress capital projections for a nine-quarter planning horizon required by the Basel III regulatory capital reforms. Specifically, these stress test projections are based on exposures as of the end of the fourth quarter of the year and the nine-quarter planning horizon begins in the first quarter of the next year and ends on March 31 of the second subsequent year. Banking organizations subject to SR 14-3 must assess the potential impact on capital and liquidity adequacy in a minimum of three macroeconomic scenarios (baseline, adverse, and severely adverse scenarios) provided by the Federal Reserve.

At December 31, 2016, HTH had $12.7 billion in total consolidated assets and the average of total consolidated assets for the four most recent consecutive quarters was $12.5 billion. As a result, HTH is currently subject to the Federal Reserve's capital planning and stress testing requirements. To comply with Dodd-Frank Act Stress Testing ("DFAST") requirements, HTH reported its initial annual DFAST procedures and results in the form of the DFAST FR Y-16 Report to the Federal Reserve Board on July 28, 2017. The annual DFAST covers the financial projections for a nine-quarter planning horizon, from Q4 2016 to Q1 2019, and also reports the actual financial results as of the end of Q4 2016, for a total of ten quarters of information reported.

This document describes HTH's stress testing processes and methodologies and assumed capital actions, with the goal of evaluating and summarizing the impact on capital and liquidity from the Supervisory Scenarios. HTH believes the stress tests employed are appropriate for its risk profile, size, complexity, business mix, and market footprint. **Given the application of quantitative models, significant assumptions, and subject matter expert insights, actual results may vary materially from projections provided in this document.**

1.2 Business Overview

HTH is a financial holding company registered under the Bank Holding Company Act of 1956, as amended (the "Bank Holding Company Act"), that endeavors to build and maintain a strong, diversified Texas-based financial services holding company through both acquisitions and organic growth. Following the acquisition of PlainsCapital Corporation in November 2012 (the "PlainsCapital Merger"), HTH's primary line of business has been to provide business and consumer banking services from offices located throughout Texas through PlainsCapital Bank (the "Bank"). We also provide an array of financial products and services through HilltopSecurities ("HTS"), PrimeLending ("PL") and National Lloyds ("NLC"). HTH further expanded its operations through the assumption of substantially all of the liabilities and acquisition of substantially all of the assets of First National Bank of Edinburg ("FNB"), including former FNB branches, in an FDIC-assisted transaction on September 13, 2013 (the "FNB Transaction") and the acquisition by merger of Southwest Securities ("SWS") for stock and cash consideration on January 1, 2015 (the "SWS Merger"). Through the SWS Merger, SWS's broker-dealer subsidiaries, Southwest Securities, Inc. and SWS Financial Services, Inc., became subsidiaries of Securities Holdings, a wholly owned subsidiary of Hilltop, and SWS's banking subsidiary, Southwest Securities, FSB ("SWS FSB"), was merged into the Bank. On October 5, 2015, Southwest Securities, Inc. and SWS Financial Services, Inc. were renamed "HilltopSecurities Inc." and "HilltopSecurities Independent Network Inc.", respectively. Effective January 1, 2015, in connection with the SWS Merger, HTH modified the organizational structure into four primary operating business units, PlainsCapital, PrimeLending, HilltopSecurities Holdings and NLC. The PlainsCapital unit continues to include the Bank and PrimeLending, while the new Securities Holdings unit includes our broker-dealer operations transferred from the PlainsCapital unit effective January 1, 2015, and two entities acquired in the SWS Merger, HilltopSecurities and HTS Independent Network. On October 22, 2015, the Financial Industry Regulatory Authority ("FINRA") granted approval to combine First Southwest Company ("FSC") and HilltopSecurities, subject to customary conditions. Following this approval, we integrated the back-office systems of FSC and HilltopSecurities and, on January 22, 2016, merged FSC and HilltopSecurities into a combined firm operating under the "HilltopSecurities" name. We use the term "Hilltop Broker-Dealers" to refer to FSC, HilltopSecurities and HTS Independent Network prior to such date and HilltopSecurities and HTS Independent Network after such date. The following includes additional details regarding the financial products and services provided by each of our primary operating business units.

- *PlainsCapital Bank.* PlainsCapital Bank provides traditional banking, wealth and investment management and treasury management services throughout the state of Texas.

- *PrimeLending*. PrimeLending, a wholly owned subsidiary of the Bank, is a residential mortgage originator licensed to originate and close loans in 50 states and the District of Columbia. PrimeLending operates as a retail mortgage operation with limited lending through its affiliated business arrangements.

- *HilltopSecurities Holdings*. HilltopSecurities Holdings is a holding company that provides, through its subsidiaries, investment banking and other related financial services, including municipal advisory, sales, trading and underwriting of taxable and tax-exempt fixed income securities, equity trading, clearing, securities lending, structured finance and retail brokerage services throughout the United States.

- *National Lloyds Corporation.* NLC is a property and casualty insurance holding company that provides, through its subsidiaries, fire and homeowners insurance to low value dwellings and manufactured homes primarily in Texas and other areas of the southern United States.

At December 31, 2016, on a consolidated basis, HTH had total assets of $12.7 billion, total deposits of $7.1 billion, total net loans, including loans held for sale, of $7.8 billion and stockholders' equity of $1.9 billion.

1.3 Supervisory Severely Adverse Scenario

The Severely Adverse scenario is aligned with the Federal Reserve's severely adverse forecast that was released for the 2017 DFAST submission. The scenario represents an extreme economic downturn that is similar to that of the 2008 Financial Crisis. It is important to note that the Supervisory Severely Adverse Scenario is a hypothetical scenario with assumed economic conditions designed by the Federal Reserve specifically to stress capital and assess the strength of the banking organizations under extremely adverse conditions. Accordingly, the quantitative output presented below should not be viewed as an expected outcome forecast.

Macroeconomic Outlook:

The Severely Adverse scenario represents a severe recession accompanied by a period of heightened stress in both residential and commercial real estate markets. This recession is meant to similarly reflect the experience of the Financial Crisis. Real Gross Domestic Product begins to decline 1Q17, contracting -5.1%, and reaching its low point in 2Q17, down -7.5%. The unemployment rate rises steadily, peaking at approximately 10% by the third quarter of 2018. Residential home prices are projected to decline by 25% and commercial real estate prices are projected to decline by 35% over the forecasted period.

Rate Outlook:

As a result of the severe decline in real economic activity, 3 month Treasury rates fall and remain near zero through the end of the scenario period, while the 10 year Treasury yield immediately drops to 0.75% before gradually rising back to 1.5% by the end of the forecast. Additionally, mortgage rates remain elevated throughout the forecast which has a negative impact on national mortgage origination volumes.

Credit Outlook:

The credit outlook declines severely in this scenario, as measured by the BBB corporate spread over the 10 year Treasury yields. As of Q4 2016, the BBB spread to the 10 year Treasury was 190 bps, but in the scenario the spread widens to between 180 bps and 540 bps. The widest spread occurred in Q3 2017 with a spread of 540 bps. This spread widening is indicative of a negative credit outlook in which corporations will experience difficulty financing their capital needs as credit becomes less available and correspondingly more expensive.

HTH Impact:

Under the Severely Adverse scenario, HTH's balance sheet experiences a slight contraction of $340 million or 2.7% in total assets throughout the nine-quarter time horizon. Cumulative pre-provision net revenue (PPNR) over a nine-quarter period equates to approximately $212 million. With elevated credit losses of $232 million and provision expenses of $282 million, HTH experiences a cumulative net loss in earnings of approximately $50 million.

1.4 Material Risks Considered

HTH has established capital limits and thresholds aligned with its risk appetite and risk profile as well as expectations of stakeholders, providing specific targets for the level and composition of capital. As part of its Capital Planning and Enterprise Risk Management frameworks, HTH ensures that maintaining its internal capital limits and thresholds will allow it to continue normal operations under stressful economic conditions. The 2017 DFAST analysis is an integral part of this process.

The Company's stress testing process is designed to provide an evaluation of the impact of adverse economic scenarios on our Level I risks, as described below. For DFAST purposes, how the risk type is stressed is also provided in the descriptions.

Credit Risk

There is extensive coverage of credit risk in the HTH stress testing process as impairments stemming from loan losses are one of the major reasons for declining capital ratios. The specific methodology used for this area is provided in a separate section.

Market Risk

HTH has extensively modeled market risk related to the loan book, the securities portfolio, deposits, and borrowings.

Liquidity Risk

Liquidity risk represents the inability to fund obligations and new business activities at a reasonable cost and in a timely manner. HTH recognizes the importance of liquidity and performs liquidity stress testing as part of our normal course of business. Within the DFAST scenarios, HTH assesses the liquidity profile of the corporation in addition to the cost profile of various sources of liquidity and includes any material incremental borrowing costs within the forecast.

Operational Risk

Operational risk is included as a management estimated component of the larger PPNR process.

Strategic Risk

This risk type was considered by the Company but it generally falls outside of the scope of the DFA Stress Test. Strategic risk also includes reputational risk, which is defined as the risk that earnings, capital, franchise value, or enterprise value will be materially less than anticipated as a result of negative public opinion. This risk type is also reviewed outside of the context of DFAST.

1.5 Methodologies

HTH considers stress testing as a key part of its Capital Planning and Enterprise Risk Management process - supporting the company's strategic vision and regulatory responsibilities by providing the Board and senior management with analyses to reflect the company's aggregate risks, and the potential impact of macro- and microeconomic factors on its financial condition.

The HTH stress testing framework is designed to allow the company to use insights from the stress-testing processes to inform the Board and executive management of decision making with regard to risk management and strategic business issues. To ensure this functionality, the stress testing program serves a number of purposes:

- Models the implications of scenarios for both the macro economy and financial markets - by entity and product level;
- Takes a comprehensive view of balance sheets and income statements, including banking and trading books, as well as off-balance sheet items;
- Forecasts capital and liquidity outcomes that include both balance sheet and operating performance; and
- Makes actionable recommendations on the company's core risk profile, financial and capital planning, and broader business strategy.

Our stress testing framework is predicated on the idea that risk appetite, stress testing, and strategic planning must be part of an integrated process. The company's risk appetite is the foundation of the stress testing framework. The HTH Risk Appetite:

1. **Directly impacts strategic and operational planning:** It is not as meaningful to analyze the implications of a stress test, or to plan capital and liquidity levels, without first reconciling the risk / return expectations of the business, including growth and profitability targets.
2. **Reflects the portfolio of risks across HTH:** Risk appetite is a Board-approved objective that reflects both the commitment to and the priority of sound risk management that permeates the entire organization (each employee is a risk manager).
3. **Should remain relatively stable over time:** The portfolio of risks that HTH will take on over time will evolve with business conditions and growth opportunities. However,

maintaining a Moderate Risk Appetite across business cycles and including ongoing growth initiatives is a priority for HTH's management.

When reviewing its risk appetite, HTH runs a series of stress and scenario tests on the existing book of business and quantifies risk against specific metrics or thresholds. In turn, once established, the risk appetite becomes the key guidepost for the company's wider, ongoing stress testing program. HTH's capital planning process is also dependent upon both a clear risk appetite statement and a thorough program of forward-looking stress testing. Capital planning quantifies the level of risk the company could assume in pursuit of its business strategy, and how much capital may be consumed across the planning horizon in light of forward-looking stress case scenarios. A key output of the stress testing process is a quantification of the capital threshold the company should use when assessing the impact and acceptability of each adverse scenario. As shown in the Capital Assessment section of this document, when a Base case or Stress case scenario reflects significant deterioration in HTH's capital or liquidity levels, it will be addressed on a scaled basis through planned remediation up to and potentially requiring a Board-recommended plan, timeline and regular progress updates.

HTH's stress testing framework employs qualitative and quantitative modeling techniques to consider potential stress outcomes to the balance sheet and capital levels, including impacts of interest rate risk, balance sheet composition, levels of pre-provision net revenue (PPNR), charge-offs and allowance for loan and lease losses (ALLL).

Loan Balances

HTH utilized top-down statistical models for the three most material loan segments, Commercial and Industrial (C&I), Commercial Real Estate (CRE), and Other Construction and Land Loans (Other Construction). These models produced ending balances for each of the predetermined macroeconomic scenarios provided by the FRB for the nine quarter projection. Additionally qualitative assessments via management estimates were considered for establishing ending balances for the remainder of the portfolio.

Deposit Balances

HTH implemented statistical ending balance models for Retail Deposits, Interest-bearing Deposits, Noninterest-bearing Deposits and Money Market Deposit Accounts (MMDAs). These models utilized peer data to establish ending balances for each of the predetermined macroeconomic scenarios provided by the Fed for the nine-quarter projection. Additionally, qualitative assessments via management estimates were considered for establishing ending balances for the remainder of the portfolio

Credit Losses

Consistent with the Loan Balance models, HTH utilized top-down statistical models for the three most material loan segments, C&I, CRE and Other Construction. These models produced charge-off rates for each of the predetermined macroeconomic scenarios provided by the Fed for the nine quarter projection. Additionally, qualitative assessments via management estimates and overlays were considered for establishing final charge-off rates for the portfolio.

Non-Interest Income and Expenses

Given the structure of HTH, non-interest income and expense are important elements to consider in overall performance in stress environments. HTH utilizes subject matter expert judgement, trend analysis, and historical relationships to determine potential future performance based on the supervisory scenarios.

1.6 Results Summary

HTH's 2017 DFAST ending and minimum capital ratios for all capital measures are within defined HTH Capital Policy limits and comfortably in excess of well-capitalized levels in the Severely Adverse scenario.

	Actual	Stress Capital Ratios	
Regulatory Ratio	Dec-16	Minimum	Mar-19
Leverage Ratio	13.5%	12.3%	12.3%
Common Equity Tier 1 (CET1)	18.3%	17.0%	17.0%
Tier 1 Risk Based Capital	18.9%	17.6%	17.6%
Total Risk Based Capital	19.3%	18.7%	18.7%

The table below shows the impact of the Severely Adverse upon HTH's income statement and balance sheet over the 2017 DFAST nine-quarter projection horizon ending March 31, 2019.

Credit Components		Cumulative 9 Quarter
($000s)		Severely Adverse
Charge-Offs	$	232,009
Provision	$	282,357
Maximum ALLL*	$	115,108
Maximum ALLL (% of Loans)		2.1%

*Allowance for loan and lease losses

Income Components		Cumulative 9 Quarter
($000s)		Severely Adverse
PPNR	$	211,813
Provision	$	282,357
Net Income	$	(49,657)

The Severely Adverse scenario balance sheet declines by $340 million or 2.7% in total assets throughout the nine-quarter time horizon. The reduction in the size of the balance sheet was driven by a decrease of mortgage funded volumes as mortgage rates in the scenario remain at elevated levels causing national originations to decline. Cumulative Pre-provision net revenue (PPNR) equates to $212 million. Credit losses of $232 million result in $282 million of provision expense over nine quarters. Cumulative net income/loss is ($50) million over the forecast periods.