

Our Story

Forty years ago, Don Buchholz and the late Allen B. Cobb, launched a new business called MidSouthwest Securities. Their goal was to build something that would last.

The business was incorporated on April 24, 1972, and soon thereafter was approved by the Securities and Exchange Commission and accepted as a New York Stock Exchange (NYSE) member firm. The partners invested a major portion of their personal net worth in the company and used their skills and experience to balance the substantial risk of a start-up operation. Today, the business is one of the largest NYSE member firms in the Southwest.

Southwest Securities ("Mid" was dropped from the name in 1979) was one of the first broker/dealers (perhaps the first) to enter the fully disclosed securities clearing business. In the 1970s, the firm became the "back office" for a number of other brokerage houses, and clearing developed as a core

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40th ANNIVERSARY
1972 · 2012
SWS GROUP

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40 Years ...
& Just Getting Started

April 24,
1972

Also in 1972:
Following the re-election of President Richard Nixon, the Dow Jones Industrial Average exceeded 1,000 points for the first time.

Clearing Services

- **Then:** MidSouthwest Securities, Inc. is incorporated and becomes one of the first broker-dealers to enter the fully disclosed securities clearing business.
- **Now:** Clearing Services remains a core business for Southwest Securities. We serve correspondents in 31 states and Canada, with many relationships going back a decade or more.
- **Just Getting Started:** We maintain an innovative approach to meeting our customers' needs, reaching out to correspondents and incorporating their ideas to deliver the products and services they want. Southwest Securities is focused on continuously enhancing our customer relationships and providing individualized solutions to help our clearing correspondents build their businesses.

1974 Retail - Private Client Group

Also in 1974:
A host of bearish economic news, including rising inflation, and military conflicts in Vietnam and the Middle East, kicks off a market plunge.

- **Then:** SWS launches its full-service retail advisory business when one of the firm's first clearing correspondents becomes Private Client Group (PCG) offices in Lufkin and Nacogdoches, Texas.
- **Now:** The Private Client Group has grown to include over 200 employees in offices throughout Texas, as well as Oklahoma, Nevada and California.
- **Just Getting Started:** SWS continues its focus on recruiting experienced advisers and growing the PCG business across the country. We are presented with significant opportunities in each of the major markets we serve and hope to renew our efforts in untapped markets, as well.

1978 Institutional - Corporate Finance

Also in 1978:
The market landscape is changed when the Steiger Amendment is introduced, reducing the capital gains tax.

- **Then:** MidSouthwest Securities, Inc. purchases Beta Capital Group, which becomes the firm's Corporate Finance division.
- **Now:** Our team of Corporate Finance professionals brings decades of hands-on experience to serve both publicly-held and private companies.
- **Just Getting Started:** Our Corporate Finance business has seen growth in recent years and has added key experienced personnel to the team. Our staff of investment banking professionals continues to build on Southwest Securities' reputation for providing in-depth, trustworthy and effective guidance for companies undertaking their most important strategic initiatives.

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Our Story

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business.

As the firm developed fully disclosed clearing services, it also made strategic acquisitions and added complementary lines of business. Southwest Securities began its corporate finance operation in 1978, acquired another local brokerage firm in 1984, and entered the public and municipal finance and underwriting business in 1987. In the early '90s, the company also acquired trust and money management firms.

Through an initial public offering in October 1991, Southwest Securities became the primary subsidiary of Southwest Securities Group, Inc., a publicly held parent company. Mr. Buchholz was chief executive of both companies until 1994.

In 1995, SWS acquired a local brokerage that specialized in fixed income securities. This acquisition substantially expanded Southwest Securities' fixed income business and brought additional management talent to the firm.

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40 Years ...
& Just Getting Started

1979

- MidSouthwest Securities officially becomes **Southwest Securities, Inc.** when the firm purchases the Southwest name from an Austin brokerage firm and files the change with the State of Texas.

1984

- **Southwest Securities Group, Inc.** is formed as a holding company.

1986

Also in 1986: Changes in tax law and a firming bond market fuel an intense pace of corporate restructurings and acquisitions.

Retail - SWS Financial Services

- **Then:** Broker Transaction Services is licensed as a broker-dealer subsidiary, later changing its name to SWS Financial Services. This is SWS's full-service independent adviser platform.
- **Now:** SWS Financial Services has grown into a network of approximately 300 independent advisers serving clients across the country.
- **Just Getting Started:** SWS Financial Services represents broad capacity for growth and is expected to drive a significant portion of future expansion in our retail segment. As these advisers provide their own physical office locations, we are not limited by geography when pursuing immediate expansion opportunities.

1987

Also in 1987: October 19 becomes known as Black Monday as stock markets crash around the world, with the Dow falling by 508 points.

Institutional - Municipal Finance

- **Then:** Southwest Securities welcomes 29 former members of the Schneider Bernet & Hickman bond department to launch SWS's public finance and municipal securities underwriting business.
- **Now:** SWS has become a recognized leader in Municipal Finance in Texas and throughout the nation. This division has grown to include 17 offices in 10 states from coast to coast.
- **Just Getting Started:** Our Municipal Finance division plans to continue building this important line of business and expanding on the success demonstrated through the years. The depth of experience and expertise of our professionals serves as a solid foundation for the continued growth of this business.

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Our Story (Continued)

On October 6, 1997, the company's common stock was listed on the NYSE, where it continues to trade today under the symbol "SWS."

In April 2000, SWS acquired First Savings Bank of Arlington, Texas (now Southwest Securities, FSB) adding a full range of personal and commercial banking services to the SWS portfolio. At the 2001 Annual Meeting of Shareholders, the parent company adopted the name, SWS Group, Inc.

A new management team began leading the company in the fall of 2010 when James H. Ross was named President and CEO of SWS Group. Under his leadership, SWS Group has focused on continuing to grow its broker-dealer business lines – clearing, retail and institutional – while strengthening its commercial banking subsidiary, Southwest Securities, FSB.

Today, the company's principal broker-dealer subsidiary, Southwest Securities, Inc., provides a full complement of securities brokerage, institu-

(more)



40 Years ...
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1991 Institutional - Securities Lending

Also in 1991: After closing above 3,000 for the first time earlier in the year, the Dow ends 1991 by closing at a record high of 3,168.83 on December 31.

- **Then:** Securities Lending is established as a new business line when Southwest Securities acquires the clearing business of Weber Hall.
- **Now:** Securities Lending is a core business that we continue to expand.
- **Just Getting Started:** Regulation has changed the landscape of securities lending, but we continue to adapt our business and help our customers adapt, as well. While we offer a full range of securities lending services to our counterparties, Southwest Securities specializes in facilitating transactions in hard-to-borrow securities.

- ### 1991
- **Southwest Securities Group, Inc.**, the holding company formed in 1984, becomes a publicly traded corporation as the result of an initial public offering of stock. Southwest Securities, Inc. becomes the holding company's principal subsidiary. The company's common stock begins trading on the Nasdaq National Market System.

1995 Institutional - Fixed Income

Also in 1995: The stock market surprises even diehard optimists on Wall Street with a powerful advance, propelling the Dow past 4,000 and then 5,000 for the first time.

- **Then:** Southwest Securities announces an agreement to acquire Barre & Company, Inc., which becomes the firm's Fixed Income trading business.
- **Now:** Over the years, our Fixed Income division has produced record profits and charted a path of consistent growth.
- **Just Getting Started:** Southwest Securities' Fixed Income division continues to build solid, long-term client relationships and pursues planned growth strategies with that goal in mind. Our use of innovative technology and our commitment to the highest standards of customer service create a formula for continued success in this line of business.

- ### 1997
- **Southwest Securities Group, Inc.** is listed on the New York Stock Exchange and begins trading for the first time under the symbol SWS.

Our Story (Continued)

tional and investment banking services in addition to clearing services. The company's Investment Management Group administers a broad range of products supporting SWS's advisory and wealth management services. Southwest Securities, Inc., a member of the NYSE, FINRA and SIPC, is also a registered investment advisor.

Other wholly owned subsidiaries of SWS Group include:

SWS Financial Services, Inc., is a registered investment advisor and broker/dealer, serving investors through independent registered representatives. SWS Financial Services is a member of FINRA and SIPC.

Southwest Securities, FSB, is a billion-dollar-plus federal savings bank with offices in several North Texas locations, as well as Austin, Houston and El Paso. The bank also has locations in Ruidoso and Albuquerque, New Mexico.

Southwest Insurance Agency is a subsidiary offering life, disability income and long-term care insurance, as well as annuity products.

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1998 ◀ Institutional - Portfolio Trading

Also in 1998: The merger of Citigroup and Travelers is approved, sparking a change in the financial services industry allowing consumers to have one-stop shopping for credit cards, brokerage services and insurance under one roof.

- **Then:** As a result of employee innovation and teamwork, SWS begins offering portfolio trading services to institutional clients.
- **Now:** Portfolio trading professionals use algorithmic-based execution and customized processes to trade baskets of orders for institutional customers. We work closely with customers to provide the best trading strategy and top-notch execution and service.
- **Just Getting Started:** Strengthening our relationships with customers continues to be the primary focus and a key component to success in our portfolio trading group. Our emphasis on adding foreign securities execution to our product offering is reaping a growing share of institutional business. We expect to build on that success with continued dedication to achieving our customers' objectives.

2000 ◀ Banking

Also in 2000: The speculative dot-com bubble reaches its peak on March 10 with the NASDAQ reaching 5,132 in intraday trading.

- **Then:** SWS acquires First Savings Bank of Arlington, Texas, adding a full range of personal and commercial banking services to the SWS portfolio. The bank is later renamed Southwest Securities, FSB.
- **Now:** Southwest Securities, FSB is one of the largest commercial banks headquartered in the Dallas-Fort Worth area. With locations throughout Texas, as well as in New Mexico, the bank also conducts business nationwide through its mortgage purchase department.
- **Just Getting Started:** Commercial real estate values were hard hit by the recent economic downturn, but Southwest Securities, FSB is being positioned to capitalize on opportunities presented by an economic recovery. In late 2010, the bank began repositioning its balance sheet and diversifying its loan portfolio in order to strengthen its potential in the years ahead. At the same time, we continue to build on the deep customer relationships we have developed in each market we serve.

2001 ◀ ■ Stockholders vote at their annual meeting to change the company's name to **SWS Group, Inc.**

2011 ◀ ■ **SWS Group, Inc.** completes a \$100 million capital raise with Hilltop Holdings Inc. and Oak Hill Capital Partners, paving the way for future growth.

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