



St. Nick Seeing Another Green Christmas in 2004

Southwest Bank of Texas Reviews Reindeerish Performance of Santa's Stock Portfolio

Southwest Bank of Texas and its analyst team provided annual perspective on the U.S. Stock Market, focusing on the performance of companies that fall into the consumer discretionary sector, where Santa would have very special insight.

HOUSTON (Dec. 9, 2004) ... After experiencing a *Miracle on Wall Street* in 2003, Santa's stock portfolio had another bell-ringing performance with a year-to-date return of 26 percent, compared to a return of 41 percent for the same period last year and a decline of 17 percent in 2002.

For the third consecutive year, the Southwest Bank of Texas Investment Management Group tracked the yearly performance of a hypothetical list of stocks St. Nick is likely to hold. His portfolio has again fared much better than the stock market averages, and many of the very special stocks from 2003 have remained on his list of those that have been nice in 2004. As of the first shopping week in December, the Dow Jones 30 Industrials Average has increased just over 1 percent while the Standard & Poor's 500 Index and NASDAQ Index are up 9 percent and 7 percent respectively for calendar year 2004.

"Like any active investor, Santa has slightly reshuffled his portfolio based on evolving business trends, while staying true to his overall core investment philosophy," said Robert Heintz, Senior Vice President and Chief Investment Officer for Southwest Bank of Texas N.A. "He was especially wise this year to diversify his concentrated holdings by reinvesting some of his previous gains in a mix of iShares exchange traded index funds for the S&P 500 Large Cap, S&P 400 MidCap and S&P 600 Small Cap."

Santa is in a unique position to know early in the year which companies are going to see an increase in demand for their products. The standout stock performer in 2004 was Apple Computer that is up more than 200 percent and is a new addition to Santa's bag. The huge return reflects the recent popularity of the Apple iPod and the company's upgraded iMac line.

The second best performer in Santa's portfolio this year was Midway Games, up 174 percent after a challenging decline of 19 percent in 2003. Added Heintz, "Midway's performance

adds credibility to thinking longer-term when it comes to stock-market investing. Santa saw the potential for interactive entertainment software and held on to this stock.”

A frequent purchaser of reindeer and sleigh supplies, Santa continues to own shares of Petsmart and Tractor Supply Company. “Petsmart specializes in serving the diverse needs of pet owners, and Santa certainly fits that category,” added Heintz. “The company’s strong performance may be attributed to its move toward higher-margin products in pet services, which are increasing as a percentage of sales. The company is also rapidly expanding and should add around 50 stores by early 2005.”

For the year, Petsmart is up 49 percent while Tractor Supply is down 12 percent after posting solid returns in 2002 and 2003. Tractor Supply’s performance is due to delayed sales for fall and winter goods due to warmer weather, believes Heintz.

Santa’s toy companies remain perennial picks in his bag. However, the toy industry experienced some decline attributed to volatility in toy fads, with Mattel and Hasbro declining 2 and 9 percent respectively. One bright spot was Toys R Us, up 60 percent for the year due to the appeal of a potential spin off of Babies R Us and takeover speculation, noted Heintz.

The consumer electronic sector continues to trend up, up and away for Santa, a sign that DVD players and high definition televisions are on many of the Wish Lists that Santa has received. For the year, Circuit City is up 61 percent. The company’s strong return can be attributed to rising same store sales and gross margins. Best Buy is up 10 percent due to an increase in same store sales and continuing strong demand for home theatre items and MP3 players.

While there is a sharp increase in demand for luxury goods, the high-end luxury front continues to post mixed results. Neiman Marcus is up 25 percent while Tiffany & Company declined by 30 percent. Sales remain strong for each company in the United States, but Tiffany continues to lose ground in Japan, its second most important market.

Santa also continues to recognize the importance of a classic business suit and dressing up for the holidays. Joseph A. Bank Clothiers is up 44 percent due to continued improvements in merchandise sourcing and lower store opening costs. Men’s Warehouse is up 30 percent, an increase attributed to a trend toward formal apparel and the company’s success at gaining market share.

Balancing his sweet tooth with the need for a healthier lifestyle, Santa did his best to support the popular South Beach diet by adding shares of Hershey Foods this year, which is up 39 percent due to new products and a line of sugar free products that have been popular in 2004.

Santa’s investments in iShares for the S&P 500 Large Cap, S&P 400 MidCap and S&P 600 Small Cap provided steady returns. Each seeks to track the performance of the diversified market index it corresponds to, and provided average returns of 13 percent with smaller capitalization stocks leading the herd.

“Santa’s been a good boy this year by learning the value of diversification,” added Heintz. “He’s no longer as dependent as he was on individual stocks, though the ones he has picked continue to give him reason to believe that *It’s a Wonderful Life*.”

In no way is this information intended to be used to predict the future performance of the companies mentioned, implied or otherwise.

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