STIFEL
FINANCIAL

Stifel Financial Corp.

2017 Annual Dodd-Frank Act Stress Test Disclosure

October 2017

Overview and Requirements

SF Financial Corp. ("SF") is a Delaware corporation bank holding company headquartered in St. Louis, Missouri. SF, through its wholly owned subsidiaries, is principally engaged in retail brokerage; securities trading; investment banking; investment advisory; retail, consumer, and commercial banking; and related financial services. Unless otherwise indicated, the terms "we," "us," "our," "the Company" or "our company" in this disclosure refer to SF Financial Corp.

As a bank holding company with total consolidated assets between $10 billion and $50 billion SF is subject to annual company run stress test addressing section 165(i) of the Dodd-Frank Wall Street and Consumer Protection Act ("DFAST") and is required to disclose certain results related to the Supervisory Severely Adverse Scenario ("Severely Adverse Scenario").

The annual DFAST is a forward-looking quantitative evaluation of the impact of stressful economic and financial market condition on the capital adequacy of a banking organization under a set of supervisory scenarios provided by the Federal Reserve Board ("FRB") over a nine quarter planning horizon, beginning January 1, 2017 and ending March 31, 2019. It is designed to test the strength and resilience of SF and whether we have sufficient capital to absorb significant losses in a hypothetical severely stressed economic and market environment.

This disclosure does not represent forecasts of expected results of operations or financial condition, but rather reflects the possible results under the prescribed hypothetical Severely Adverse Scenario.

Severely Adverse Scenario

Based on guidance from the FRB the severely adverse scenario is characterized by a severe global recession that is accompanied by a period of heightened stress in corporate loan markets and commercial real estate markets. In this scenario, the level of U.S. real GDP begins to decline in the first quarter of 2017 and reaches a trough in the second quarter of 2018 that is about 6½ percent below the pre-recession peak. The unemployment rate increases by about 5¼ percentage points, to 10 percent, by the third quarter of 2018. Headline consumer price inflation falls to about 1¼ percent at an annual rate by the second quarter of 2017 and then rises to about 1¾ percent at an annual rate by the middle of 2018.

As a result of the severe decline in real activity, short-term Treasury rates fall and remain near zero through the end of the scenario period. The 10-year Treasury yield drops to ¾ percent in the first quarter of 2017, rising gradually thereafter to around 1½ percent by the first quarter of 2019 and to about 1¾ percent by the first quarter of 2020. Financial conditions in corporate and real estate lending markets are stressed severely. The spread between yields on investment-grade corporate bonds and yields on long-term Treasury securities widens to about 5½ percentage points by the end of 2017, an increase of 3½ percentage points relative to the fourth quarter of 2016. The spread between mortgage rates and 10-year Treasury yields widens to over 3½ percentage points over the same time period.

Asset prices drop sharply in this scenario. Equity prices fall by 50 percent through the end of 2017, accompanied by a surge in equity market volatility, which approaches the levels attained in 2008. House prices and commercial real estate prices also experience large declines, with house prices and commercial real estate prices falling by 25 percent and 35 percent, respectively, through the first quarter of 2019. Additional information on the Severely Adverse Scenario is available on the FRB's website at https://www.federalreserve.gov/publications/files/2017-dfast-methodology-results-20170622.pdf

Risk Management

Our senior management group takes an active role in the risk management process and requires our business units to assist in the identification, assessment, monitoring, and control of various risks. The principal risks involved in our business activities are: market (interest rates and equity prices), credit, operational, and regulatory and legal.

Market Risk – Market risk is the potential for changes in the value of financial instruments owned by our company resulting from changes in interest rates and equity prices.

Credit Risk – Credit risk arises from the potential of loss resulting from of an individual, counterparty, or issuer being unable or unwilling to meet contractual debt obligations

Capital & Liquidity – Capital & Liquidity risk is the potential that an institution will be unable to meet its obligations as they come due because of an inability to liquidate assets or obtain adequate funding or that it cannot easily unwind or offset specific exposures without significantly lowering market prices because of inadequate market depth or market disruptions.

Operational Risk – Operational risk generally refers to the risk of loss resulting from our operations, including, but not limited to, improper or unauthorized execution and processing of transactions, deficiencies in our technology or financial operating systems, and inadequacies or breaches in our control processes.

Compliance/Regulatory – Compliance/Regulatory risk is the risk that a flaw in the design of a business process/product or operations, human error, oversight or indifference can result in failure to conform with laws and regulations at the international, country, state or local levels.

Strategic – Strategic risk is the risk of unsuccessful performance due to potential threats, actions, or events adversely affecting the organization's ability to achieve strategic objectives. This risk is a function of the compatibility of the Firm's strategic goals, the business strategies developed to achieve those goals, the resources deployed against these goals, and the quality of implementation. The resources needed to carry out business strategies are both tangible and intangible. They include communication channels, operating systems, delivery networks, and managerial capacities and capabilities. Strategic risk focuses on more than an analysis of the written strategic plan. It focuses on how plans, systems, and implementation affect the Firm's value. It also incorporates how management analyzes external factors that impact the strategic direction of the Firm.

Reputational – Reputational risk is the potential that negative publicity regarding an institution's business practices, either actual or perceived, will cause a decline in the customer base, costly litigation, or revenue reductions.

Methodology

The Board of Directors ("the Board") has the ultimate oversight responsibilities for the capital plan and is kept informed during the DFAST process in order for them to evaluate, review, and challenge the assumptions made. The Board relies on various committees including Risk Management Corporate Governance Committee ("RMCG"), The Asset-Liability Committee ("ALCO"), and Enterprise Risk Management ("ERM") in order to make well-rounded and informed decisions. The company's CEO and senior management review the capital plan and results associated with DFAST to ensure that it fits with the overall strategy, contingency plans, and SF's vision aligns in various scenarios.

The SF's process for forecasting and stress testing performance results across assets, liabilities and capital are to use the FRB generated scenarios in addition to considering alternative scenarios as appropriate when risks exist that would affect the financial performance or capital adequacy of SF other than those presented in the regulatory scenario guidance. Any management overlay will have to err on the conservative side and to account for any potential model errors or any unknown missed risks.

Summary of results

It is important to note that there were some assumptions related to the income statement projections such as management overlays of revenue and expenses in order to make projections more conservative when management deemed necessary and to err on the conservative side

Pre-Provision Net Revenue ("PPNR") was highest in early periods for the severe adverse scenario as the decrease in net interest and noninterest revenue more than exceeded the decline in non-interest expense. The severe adverse scenario PPNR fell to ($17) Million in Q3 2017 before slowly increasing to a ($12) Million as the decline in loans and leases balances and low interest rate environment impacted net interest. While compensation expenses declined as historically they correlate with revenue, non compensation expense grew due to management overlays and some fixed expenses.

Table 1 - Projected PPNR, PLLL, and Net Income in the Severely Adverse Scenario through Q1 2019 (in millions):

Pre-Provision Net Revenue	$ (99)
Provision for Loan and Lease Losses	118
Realized Gains (Losses) on Securities (AFS / HTM)	(58)
Taxes	(107)
Net Income	$ (168)

Summary - Severe Adverse Scenario

- Overall, net revenue (net revenue: Net Interest Income + Non Interest Income) decreased from $659 Million in Q4 2016 to $429 Million in Q1 2019. Net revenue hit a low of $414 Million before it rebounded slightly.
- Interest Income saw a steady decrease to $79 Million in Q1 2019 from $100 Million actuals in Q1 2017, driven by lower rates as provided for the test scenario and lower loan balances.
- Non Interest Revenue declined due to lower commission and principal transactions. There was also a decrease in investment banking due to lower activity.
- Provision for loan losses increased dramatically in Q1 and Q2 of 2017 before stabilizing as the impact of the deteriorating economic conditions in this scenario are reflected in the Bank's loan portfolio with the credit losses being concentrated in the Commerical and Industrial loan category. We also saw an increase in OTTI as market value and credit rating decline driven by the economic factors in this scenario result in losses in the investment portfolio.
- Non-interest expenses decreased, driven by lower compensation that more than offset the increase in other expenses
- Net Income per quarter averaged a loss of $18.6 Million.

Table 2: Projected Loan and Lease Losses under the FRB 's Severely Adverse Scenario through Q1 2019 (in millions):

	Losses	Portfolio Loss Rate
Total Loan and Lease Losses	$ 122	1.90%

Explanation of the significant causes that changed regulatory capital ratios

The Company has a targeted capital risk appetite above the regulatory well capitalized standards. The Company's intent to maintain a Tier 1 Leverage Ratio and Risk Based Capital Ratio that maintains a sufficient capital cushion to ensure the Company will not fall to less than "well-capitalized" even in the event of economic decline. The Company risk weighted capital to risk weighted asset ratio is 20.85% as of December 2016 which is higher than the 8% that is set for well capitalized firms. In the Severe Adverse scenario, SF ratios remained above the current minimum required by the FRB.

Table 3: Actual and Projected Capital Ratios under the FRB's Severely Adverse Scenario through Q1 2019:

	Actual	Projected		
	December 31, 2016	March 31, 2019	Minimum	Minimum Period
Tier 1 Leverage Ratio	10.21%	9.18%	9.18%	March 31, 2019
Common Equity Tier 1 Risk-based Capital Ratio	18.01%	16.27%	14.66%	December 31, 2017
Tier 1 Risk-based Capital Ratio	20.27%	18.77%	16.76%	December 31, 2017
Total Risk-based Capital Ratio	19.56%	19.23%	17.24%	December 31, 2017

- The DFAST results demonstrate that the Company has sufficient capital to maintain a well-capitalized level throughout the Severely Adverse Scenario.
- The Company experiences a net loss in the severe adverse scenario that can be absorbed by the firm without taking drastic measures.
- During the Severely Adverse Scenario period all projected capital rations remained above the well capitalized standards set by the FRB.
- Tier 1 capital ratio decreased from 20.27% in Q4 2016 to 18.77% in Q1 2019

Summary

The results of the Company's annual DFAST indicate the Company will have sufficient capital to successfully navigate a severe and protracted economic downturn and will maintain regulatory capital levels that exceed regulatory capital minimums throughout the course of the Severely Adverse scenario and no capital actions were required. The Company considers the possible emergence of the FRB's Severely Adverse scenario to be unlikely, and it expects the economic scenario that does materialize over the course of the forecast horizon to be more positive than the Severely Adverse scenario that was modeled. In the event regulatory capital ratios do deviate from Board expectations, senior management has developed strategies to raise regulatory capital ratios levels back within Board approved limits.

Company Information

Stifel Financial Corp. (NYSE: SF) is a financial services holding company headquartered in St. Louis, Missouri, that conducts its banking, securities, and financial services business through several wholly owned subsidiaries. Stifel's broker-dealer clients are served in the United States through Stifel, Nicolaus & Company, Incorporated; Keefe, Bruyette & Woods, Inc.; Miller Buckfire & Co., LLC; and Century Securities Associates, Inc. and through Stifel Nicolaus Europe Limited and Keefe, Bruyette & Woods Limited in the United Kingdom and Europe. The Company's broker-dealer affiliates provide securities brokerage, investment banking, trading, investment advisory, and related financial services to individual investors, professional money managers, businesses, and municipalities. Stifel Bank & Trust offers a full range of consumer and commercial lending solutions. Stifel Trust Company, N.A. offers trust and related services. To learn more about Stifel, please visit the Company's web site at www.stifel.com.

Forward-Looking Statements

Certain statements made in this disclosure document may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding our VaR-based models. Forward-looking statements are subject to risks and uncertainties that could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements. Those results or outcomes could occur as a result of a number of factors, some of which are beyond our control. Factors that could result in our actual results differing materially from those described in forward-looking can be found in the "risk factors" section of our Form 10-K for the year ended December 31, 2016 and updated in subsequent Form 10-Q's and our other filings with the SEC, which are available on www.stifel.com and www.sec.gov. We expressly disclaim any obligation to update any forward-looking statements in the event it later turns out to be inaccurate, whether as a result of new information, future events, or otherwise.