

STIFEL

Ronald J. Kruszewski
Chairman and Chief Executive Officer

May 8, 2017

Dear Valued Client:

The financial markets experienced unprecedented events, raising questions about the strength and stability of many institutions. In our opinion, the fundamental cause for this turmoil is the excessive leverage employed by many of the large institutions.

As recent events have shown, absolute size is not an indication of financial strength. At Stifel, we believe an important measure of strength is equity capital relative to size. The following financial ratios illustrate Stifel's financial strength:

- Stifel Financial Corp., our holding company, has a Tier-one capital ratio of 20%, which is 2.4 times the required level. For comparison, the Tier-one capital ratio of many of the large banks is approximately half of the capital levels held at Stifel.
- Stifel, Nicolaus & Company, Incorporated, our broker-dealer, has a net capital ratio of 17% at December 31, 2016, 7 times the required level.
- Stifel Financial Corp. has more than twice the capital, as a percentage of assets, of the major investment banks.
- Finally, it is important to note that holding securities with Stifel is secure. Stifel's clients have the same right as clients of banks/trust companies to reclaim securities free from any general creditor claims, because, in both cases, client securities are not considered assets of the financial institution.

Stifel's strong capital position has allowed us to weather the storm. 2016 marked the 21st consecutive year of record net revenue for Stifel Financial Corp. Our business model, which emphasizes client service, does not rely on the leverage that has impacted many other financial institutions. As part of our efforts to be the Advisor of Choice for today's investor, we have maintained our focus on our core capabilities, which have guided the firm for 127 years, and the end result is a firm that is well positioned for years to come.

Thank you for your continued trust and for allowing us to assist you in pursuing your financial goals.

Sincerely,

