

STIFEL FINANCIAL CORP  
Form 10-K/A  
May 31, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K/A

Amendment No. 1

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2015

Commission File Number: 001-09305

STIFEL FINANCIAL CORP.

(Exact name of registrant as specified in its charter)

Delaware	43-1273600
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

501 North Broadway, St. Louis, Missouri 63102-2188

(Address of principal executive offices and zip code)

(314) 342-2000

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

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Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, \$0.15 par value per share	New York Stock Exchange Chicago Stock Exchange
Preferred Stock Purchase Rights	New York Stock Exchange Chicago Stock Exchange
5.375% Senior Notes Due 2022	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 ("the Exchange Act") during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company (as defined in Rule 12b-2 of the Exchange Act).

Large accelerated filer

Accelerated filer

Non-accelerated filer  (Do not check if smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The aggregate market value of the registrant's common stock, \$0.15 par value per share, held by non-affiliates of the registrant as of the close of business on June 30, 2015, was \$4.2 billion.<sup>1</sup>

The number of shares outstanding of the registrant's common stock, \$0.15 par value per share, as of the close of business on February 19, 2016, was 67,171,812.

<sup>1</sup>In determining this amount, the registrant assumed that the executive officers and directors of the registrant are affiliates of the registrant. Such assumptions shall not be deemed to be conclusive for any other purposes.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the annual meeting of shareholders, to be filed within 120 days of our fiscal year ended December 31, 2015, are incorporated by reference in Part III hereof.

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Explanatory Note

This Amendment No. 1 (“Amendment”) to the Annual Report on Form 10-K of Stifel Financial Corp. (the “Company”) for the fiscal year ended December 31, 2015, as filed with the Securities and Exchange Commission (“SEC”) on March 1, 2016 (the “Original Form 10-K”), is being filed for the purpose of updating Items 6, 7, and 8 of Part II. In the Original Form 10-K, the Consolidated Statements of Operations, the Consolidated Statements of Comprehensive Income, and Notes to the Consolidated Financial Statements were incorrectly labeled ‘Unaudited.’ Additionally, in this Amendment, we are adjusting the Original Form 10-K for immaterial clerical errors we identified in Management’s Discussion and Analysis of Financial Condition and Results of Operations and Consolidated Statement of Cash Flows and immaterial adjustments to Note 3 and Note 9 to the Consolidated Financial Statements.

Pursuant to Rule 12b-15 under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), this Form 10-K/A also contains currently dated certifications pursuant to Sections 302 and 906 of the Sarbanes-Oxley Act of 2002. This Form 10-K/A also contains a currently dated consent of Ernst & Young LLP, the Company’s independent registered public accounting firm. Accordingly, Item 15 of Part IV has been amended in its entirety to include the currently dated certifications as exhibits.

## STIFEL FINANCIAL CORP.

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## PART I

Certain statements in this report may be considered forward-looking. Statements that are not historical or current facts, including statements about beliefs and expectations, are forward-looking statements. These forward-looking statements cover, among other things, statements made about general economic, political, regulatory, and market conditions, the investment banking and brokerage industries, our objectives and results, and also may include our belief regarding the effect of various legal proceedings, management expectations, our liquidity and funding sources, counterparty credit risk, or other similar matters. Forward-looking statements involve inherent risks and uncertainties, and important factors could cause actual results to differ materially from those anticipated, including those factors discussed below under “Risk Factors” in Item 1A as well as those discussed in “External Factors Impacting Our Business” included in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Part II, Item 7 of this report.

Because of these and other uncertainties, our actual future results may be materially different from the results indicated by these forward-looking statements. In addition, our past results of operations do not necessarily indicate our future results. We undertake no obligation to publicly release any revisions to the forward-looking statements or reflect events or circumstances after the date of this document.

### ITEM 1. BUSINESS

Stifel Financial Corp. is a Delaware corporation and a financial holding company headquartered in St. Louis. We were organized in 1983. Our principal subsidiary is Stifel, Nicolaus & Company, Incorporated (“Stifel”), a full-service retail and institutional wealth management and investment banking firm. Stifel is the successor to a partnership founded in 1890. Our other subsidiaries include Century Securities Associates, Inc. (“CSA”), an independent contractor broker-dealer firm; Keefe, Bruyette & Woods, Inc. (“KBW”), Miller Buckfire & Co. LLC (“Miller Buckfire”), Sterne, Agee & Leach, Inc., and broker-dealer firms; Stifel Nicolaus Europe Limited (“SNEL”), our European subsidiary; Stifel Bank & Trust (“Stifel Bank”), a retail and commercial bank; 1919 Investment Counsel & Trust Company, National Association (“1919 Investment Counsel”), Stifel Trust Company, N.A. (“Stifel Trust”), and Stifel Trust Company Delaware, N.A. (“Stifel Trust Delaware”), our trust companies; and 1919 Investment Counsel, LLC (“1919”) and Ziegler Capital Management, LLC (“ZCM”), asset management firms. Unless the context requires otherwise, the terms “the Company,” “our company,” “we,” and “our,” as used herein, refer to Stifel Financial Corp. and its subsidiaries.

With a 125-year operating history, we have built a diversified business serving private clients, institutional investors, and investment banking clients located across the country. Our principal activities are:

- Private client services, including securities transaction and financial planning services;
- Institutional equity and fixed income sales, trading and research, and municipal finance;
- Investment banking services, including mergers and acquisitions, public offerings, and private placements; and
- Retail and commercial banking, including personal and commercial lending programs.

Our core philosophy is based upon a tradition of trust, understanding, and studied advice. We attract and retain experienced professionals by fostering a culture of entrepreneurial, long-term thinking. We provide our private, institutional, and corporate clients quality, personalized service, with the theory that if we place clients’ needs first, both our clients and our company will prosper. Our unwavering client and employee focus have earned us a reputation as one of the nation’s leading wealth management and investment banking firms.

We have grown our business both organically and through opportunistic acquisitions. Over the past several years, we have grown substantially, primarily by completing and successfully integrating a number of acquisitions, including

our acquisition of the capital markets business of Legg Mason (“LM Capital Markets”) from Citigroup in December 2005 and the following acquisitions:

- Ryan Beck Holdings, Inc. (“Ryan Beck”) and its wholly owned broker-dealer subsidiary, Ryan Beck & Company, Inc. – On February 28, 2007, we closed on the acquisition of Ryan Beck, a full-service brokerage and investment banking firm with a strong private client focus, from BankAtlantic Bancorp, Inc.
- First Service Financial Company (“First Service”) and its wholly owned subsidiary, FirstService Bank – On April 2, 2007, we completed our acquisition of First Service, and its wholly owned subsidiary FirstService Bank, a St. Louis-based Missouri commercial bank. Upon consummation of the acquisition, we became a bank holding company and a financial holding company, subject to the supervision and regulation of The Board of Governors of the Federal Reserve System. First Service now operates as Stifel Bank & Trust.

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- Butler, Wick & Co., Inc. (“Butler Wick”) – On December 31, 2008, we closed on the acquisition of Butler Wick, a privately held broker-dealer which specialized in providing financial advice to individuals, municipalities, and corporate clients.
- UBS Financial Services Inc. (“UBS”) – During the third and fourth quarters of 2009, we acquired 56 branches from the UBS Wealth Management Americas branch network.
- Thomas Weisel Partners Group, Inc. (“TWPG”) – On July 1, 2010, we acquired TWPG, an investment bank focused principally on the growth sectors of the economy, including technology and health care. This acquisition expanded our investment banking presence on the west coast of the United States.
- Stone & Youngberg LLC (“Stone & Youngberg”) – On October 1, 2011, we acquired Stone & Youngberg, a leading financial services firm specializing in municipal finance and fixed income securities. Stone & Youngberg’s comprehensive institutional group expanded our public finance, institutional sales and trading, and bond underwriting, particularly in the Arizona and California markets, and expanded our Private Client Group.
- Miller Buckfire – On December 20, 2012, we acquired Miller Buckfire, an investment banking firm. Miller Buckfire provides a full range of investment banking advisory services, including financial restructuring, mergers and acquisitions, and debt and equity placements.
- KBW – On February 15, 2013, we acquired KBW, an investment banking firm with a focus in the banking, insurance, brokerage, asset management, mortgage banking, real estate, and specialty finance sectors. KBW maintains industry-leading positions in research, corporate finance, mergers and acquisitions, as well as sales and trading in equities and debt securities of financial services companies.
- Fixed Income Sales and Trading Business from Knight Capital – On July 1, 2013, we completed the acquisition of the U.S. institutional fixed income sales and trading business and the hiring of the European institutional fixed income sales and trading team from Knight Capital Group, Inc. The combined teams of sales and trading professionals in the U.S. and Europe cover high-yield and investment-grade corporate bonds, asset-backed and mortgage-backed securities, loan trading, and emerging markets, as well as fixed income research in selected sectors and companies.
- Acacia Federal Savings Bank (“Acacia Federal”) – On October 31, 2013, Stifel Bank completed its acquisition of Acacia Federal Savings Bank, a federally chartered savings institution.
- ZCM – On November 30, 2013, we acquired ZCM, an asset management firm that provides investment solutions for institutions, mutual fund sub-advisory clients, municipalities, pension plans, Taft-Hartley plans, and individual investors.
- De La Rosa – On April 3, 2014, we acquired De La Rosa, a California-based public finance investment banking boutique. The addition of the De La Rosa team is expected to further strengthen our company’s position in a number of key underwriting markets in California.
- Oriel – On July 31, 2014, we completed the acquisition of Oriel, a London-based stockbroking and investment banking firm. The combination of our company and Oriel has created a significant middle-market investment banking group in London, with broad research coverage across most sectors of the economy, equity and debt sales and trading, and investment banking services.
- 1919 Investment Counsel, formerly known as Legg Mason Investment Counsel & Trust Co., National Association – On November 7, 2014, we completed the acquisition of 1919 Investment Counsel, an asset management firm and trust company that provides customized investment advisory and trust services, on a discretionary basis, to individuals, families, and institutions throughout the country.
- Merchant – On December 31, 2014, we acquired Merchant, a public finance investment banking firm headquartered in Montgomery, Alabama, which serves the Southeastern market. The strategic combination of Stifel and Merchant Capital is expected to further strengthen our company’s position in several key underwriting markets in the Southeast.
- Sterne Agee Group, Inc. – On June 5, 2015, we completed the purchase of all of the outstanding shares of common stock of Sterne Agee Group, Inc. (“Sterne Agee”), a financial services firm that offers comprehensive wealth management and investment services to a diverse client base including corporations, municipalities, and individual investors.
- Barclays’ Wealth and Investment Management – On December 4, 2015, we completed the purchase of the Barclays’ Wealth and Investment Management, Americas (“Barclays”) franchise in the U.S.

### Business Segments



We operate in the following segments: Global Wealth Management, Institutional Group, and Other. For a discussion of the financial results of our segments, see Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Segment Analysis.”

## Narrative Description of Business

As of December 31, 2015, we employed over 7,100 associates, including 2,891 financial advisors, of which 719 are independent contractors. As of December 31, 2015, through our broker-dealer subsidiaries, we provide securities-related financial services to over 1.5 million client accounts of customers from the United States and Europe. Our customers include individuals, corporations, municipalities, and institutions. We have customers throughout the United States, with a growing presence in the United Kingdom and Europe. No single client accounts for a material percentage of any segment of our business. Our inventory, which we believe is of modest size and intended to turn over quickly, exists to facilitate order flow and support the investment strategies of our clients. The inventory of securities held to facilitate customer trades and our market-making activities are sensitive to market movements. Furthermore, our balance sheet is highly liquid, without material holdings of securities that are difficult to value or remarket. We believe that our broad platform, fee-based revenues, and strong distribution network position us well to take advantage of current trends within the financial services sector.

## GLOBAL WEALTH MANAGEMENT

We provide securities transaction, brokerage, and investment services to our clients through the consolidated Stifel branch system. We have made significant investments in personnel and technology to grow the Private Client Group over the past ten years.

### Consolidated Stifel Branch System

At December 31, 2015, the Private Client Group had a network of 2,172 financial advisors located in 359 branch offices in 45 states and the District of Columbia. In addition, we have 719 independent contractors.

Our financial advisors provide a broad range of investments and services to our clients, including financial planning services. We offer equity securities; taxable and tax-exempt fixed income securities, including municipal, corporate, and government agency securities; preferred stock; and unit investment trusts. We also offer a broad range of externally managed fee-based products. In addition, we offer insurance and annuity products and investment company shares through agreements with numerous third-party distributors. We encourage our financial advisors to pursue the products and services that best fit their clients' needs and that they feel most comfortable recommending. Our private clients may choose from a traditional, commission-based structure or fee-based money management programs. In most cases, commissions are charged for sales of investment products to clients based on an established commission schedule. In certain cases, varying discounts may be given based on relevant client or trade factors determined by the financial advisor.

Our independent contractors provide the same types of financial products and services to its private clients as does Stifel. Under their contractual arrangements, these independent contractors may also provide accounting services, real estate brokerage, insurance, or other business activities for their own account. Independent contractors are responsible for all of their direct costs and are paid a larger percentage of commissions to compensate them for their added expenses. CSA is an introducing broker-dealer and, as such, clears its transactions through Stifel. Sterne clears its transactions through Sterne Agee Clearing, Inc., a wholly owned subsidiary of our company.

### Customer Financing

Client securities transactions are effected on either a cash or margin basis. When securities are purchased on a margin basis, the customer deposits less than the full cost of the security in their account. We make a loan to the customer for the balance of the purchase price. Such loans are collateralized by the purchased securities. The amounts of the loans are subject to the margin requirements of Regulation T of the Board of Governors of the Federal Reserve System, Financial Industry Regulatory Authority, Inc. ("FINRA") margin requirements, and our internal policies, which usually are more restrictive than Regulation T or FINRA requirements. In permitting customers to purchase securities on

margin, we are subject to the risk of a market decline, which could reduce the value of our collateral below the amount of the customers' indebtedness.

We offer securities-based lending through Stifel Bank, which allows clients to borrow money against the value of qualifying securities for any suitable purpose other than purchasing, trading, or carrying marketable securities or refinancing margin debt. The loan requirements are subject to Regulation U of the Board of Governors of the Federal Reserve System ("Regulation U") and our internal policies, which are typically more restrictive than Regulation U. We establish approved lines and advance rates against qualifying securities and monitor limits daily and, pursuant to such guidelines, require customers to deposit additional collateral or reduce debt positions, when necessary. Factors considered in the review of securities-based lending are the amount of the loan, the degree of concentrated or restricted positions, and the overall evaluation of the portfolio to ensure proper diversification, or, in the case of concentrated positions, appropriate liquidity of the underlying collateral or potential hedging strategies. Underlying collateral for securities-based loans is reviewed with respect to the liquidity of the proposed collateral positions, valuation of securities, historic trading range, volatility analysis, and an evaluation of industry concentrations.

## Asset Management

The Asset Management segment includes the operations of ZCM, 1919 Investment Counsel, Stifel Trust, and Stifel Trust Delaware. Our asset management business offers specialized investment management solutions for institutions, private clients and investment advisors. Revenues for this segment are primarily generated by the investment advisory fees related to asset management services provided for individual and institutional investment portfolios, along with mutual funds. Investment advisory fees are earned on assets held in managed or non-discretionary asset-based programs. These fees are computed based on balances either at the beginning of the quarter, the end of the quarter, or average daily assets. Consistent with industry practice, fees from private client investment portfolios are typically based on asset values at the beginning of the period while institutional fees are typically based on asset values at the end of the period. Asset balances are impacted by both the performance of the market and sales and redemptions of client accounts/funds. Rising markets have historically had a positive impact on investment advisory fee revenues as existing accounts increase in value, and individuals and institutions may commit incremental funds in rising markets. No single client accounts for a material percentage of this segment's total business.

## Stifel Bank

In April 2007, we completed the acquisition of First Service, a St. Louis-based full-service bank, which now operates as Stifel Bank & Trust and is reported in the Global Wealth Management segment. Since the closing of the bank acquisition, we have grown retail and commercial bank assets from \$145.6 million on acquisition date to \$7.3 billion at December 31, 2015. Through Stifel Bank, we offer retail and commercial banking services to private and corporate clients, including personal loan programs, such as fixed and variable mortgage loans, home equity lines of credit, personal loans, loans secured by CDs or savings, and securities-based loans, as well as commercial lending programs, such as small business loans, commercial real estate loans, lines of credit, credit cards, term loans, and inventory and receivables financing, in addition to other banking products. We believe Stifel Bank not only helps us serve our private clients more effectively by offering them a broader range of services, but also enables us to better utilize our private client cash balances held on deposit at Stifel Bank, which is its primary source of funding.

## INSTITUTIONAL GROUP

The Institutional Group segment includes research, equity and fixed income institutional sales and trading, investment banking, public finance, and syndicate.

### Research

Our research department publishes research across multiple industry groups and provides our clients with timely, insightful, and actionable research, aimed at improving investment performance.

### Institutional Sales and Trading

Our equity sales and trading team distributes our proprietary equity research products and communicates our investment recommendations to our client base of institutional investors, executes equity trades, sells the securities of companies for which we act as an underwriter, and makes a market in domestic securities. In our various sales and trading activities, we take a focused approach to serving our clients by maintaining inventory to facilitate order flow and support the investment strategies of our institutional fixed income clients, as opposed to seeking trading profits through proprietary trading. Located in various cities in the United States as well as Geneva, Zurich, London, and Madrid, our equity sales and trading team, serves over 2,200 clients globally.

The fixed income institutional sales and trading group is comprised of taxable and tax-exempt sales departments. Our institutional sales and trading group executes trades with diversification across municipal, corporate, government agency, and mortgage-backed securities.

## Investment Banking

Our investment banking activities include the provision of financial advisory services principally with respect to mergers and acquisitions and the execution of public offerings and private placements of debt and equity securities. The investment banking group focuses on middle-market companies as well as on larger companies in targeted industries where we have particular expertise, which include real estate, financial services, healthcare, aerospace/defense and government services, telecommunications, transportation, energy, business services, consumer services, industrial, technology, and education.

Our syndicate department coordinates marketing, distribution, pricing, and stabilization of our managed equity and debt offerings. In addition, the department coordinates our underwriting participations and selling group opportunities managed by other investment banking firms.

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## Public Finance

Our public finance group acts as an underwriter and dealer in bonds issued by states, cities, and other political subdivisions and acts as manager or participant in offerings managed by other firms.

## OTHER SEGMENT

The Other segment includes interest income from stock borrow activities, unallocated interest expense, interest income and gains and losses from investments held, compensation expense associated with the expensing of restricted stock awards with no continuing service requirements as a result of acquisitions completed during 2015, and all unallocated overhead cost associated with the execution of orders; processing of securities transactions; custody of client securities; receipt, identification, and delivery of funds and securities; compliance with regulatory and legal requirements; internal financial accounting and controls; and general administration and acquisition charges.

## BUSINESS CONTINUITY

We have developed a business continuity plan that is designed to permit continued operation of business-critical functions in the event of disruptions to our St. Louis, Missouri headquarters facility. Several critical business applications are supported by our outside vendors who maintain backup capabilities. We periodically participate in testing these backup facilities. Likewise, the business functions that we run internally can be supported without the St. Louis headquarters through a combination of redundant computer facilities in other east and west coast data centers and from certain branch locations that can connect to our third-party securities processing vendor through its primary or redundant facilities. Systems have been designed so that we can route mission-critical processing activity to alternate locations, which can be staffed with relocated personnel as appropriate.

## GROWTH STRATEGY

We believe our strategy for growth will allow us to increase our revenues and to expand our role with clients as a valued partner. In executing our growth strategy, we take advantage of the consolidation among mid-tier firms, which we believe provides us opportunities in our global wealth and institutional group segments. We do not create specific growth or business plans for any particular type of acquisition, focus on specific firms, or geographic expansion, nor do we establish quantitative goals, such as intended numbers of new hires or new office openings; however, our corporate philosophy has always been to be in a position to take advantage of opportunities as they arise, while maintaining sufficient levels of capital. We intend to pursue the following strategies with discipline:

- Further expand our private client footprint in the U.S. We have expanded the number of our private client branches from 39 at December 31, 1997 to 359 at December 31, 2015, and our branch-based financial advisors from 262 to 2,172 over the same period. In addition, assets under management have grown from \$11.7 billion at December 31, 1997 to \$234.1 billion at December 31, 2015. Through organic growth and acquisitions, we have built a strong footprint nationally. Over time, we plan to further expand our domestic private client footprint. We plan on achieving this through recruiting experienced financial advisors with established client relationships and continuing to selectively consider acquisition opportunities as they may arise.
- Further expand our institutional business both domestically and internationally. Our institutional equity business is built upon the premise that high-quality fundamental research is not a commodity. The growth of our business over the last 10 years has been fueled by the effective partnership of our highly rated research and institutional sales and trading teams. We have identified opportunities to expand our research capabilities by taking advantage of market disruptions. As of December 31, 2015, our research department was ranked the second largest research department, as measured by domestic equities under coverage, by StarMine. Our goal is to further monetize our research platform by adding additional institutional sales and trading teams and by placing a greater emphasis on client management.
- Grow our investment banking business. By leveraging our industry expertise, our product knowledge, our research platform, our experienced associates, our capital markets strength, our middle-market focus, and our private client

network, we intend to grow our investment banking business. The merger with TWPG in 2010, our acquisition of Miller Buckfire in 2012, the merger with KBW in 2013, and the acquisitions of De La Rosa and Oriel in 2014, has accelerated the growth of our investment banking business through expanded industry, product, and geographic coverage, including capital raising for startup companies, particularly from the venture community. We believe our position as a middle-market-focused investment bank with broad-based and respected research will allow us to take advantage of opportunities in the middle market and continue to align our investment banking coverage with our research footprint.

·Focus on asset generation within Stifel Bank and offer retail and commercial banking services to our clients. We believe the banking services provided through Stifel Bank strengthen our existing client relationships and help us recruit financial advisors

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seeking to provide a full range of services to their private clients. We intend to increase the sale of banking products and services to our private and corporate clients.

· Establishment of Stifel Trust. During 2011, we received approval from the Office of the Comptroller of the Currency (“OCC”) to form a trust company. Stifel Trust provides a wide range of trust, investment, agency, and custodial services for our individual and corporate clients. We intend to expand our offering of trust services to our private client group clients. We have expanded our trust capabilities with the acquisition of 1919 Investment Counsel during 2014 and Barclays’ Wealth Trust in 2015. These businesses have been merged and operate as Stifel Trust.

· Approach acquisition opportunities with discipline. Over the course of our operating history, we have demonstrated our ability to identify, effect, and integrate attractive acquisition opportunities. We believe the current environment and market dislocation will continue to provide us with the ability to thoughtfully consider acquisitions on an opportunistic basis.

## COMPETITION

We compete with other securities firms, some of which offer their customers a broader range of brokerage services, have substantially greater resources, and may have greater operating efficiencies. In addition, we face increasing competition from other financial institutions, such as commercial banks, online service providers, and other companies offering financial services. The Financial Modernization Act, signed into law in late 1999, lifted restrictions on banks and insurance companies, permitting them to provide financial services once dominated by securities firms. In addition, recent consolidation in the financial services industry may lead to increased competition from larger, more diversified organizations.

As we enter our 125<sup>th</sup> year in business, we continue to rely on the expertise acquired in our market area, our personnel, and our equity capital to operate in the competitive environment.

## REGULATION

### Financial Holding Company Regulation

Under U.S. law, we are a bank holding company that has elected to be a financial holding company under the Bank Holding Company Act of 1956, as amended (“BHCA”). Consequently, our company and its business activities are subject to the supervision, examination, and regulation of the Federal Reserve Board. The BHCA and other federal laws subject bank and financial holding companies to particular restrictions on the types of activities in which they may engage and to a range of supervisory requirements and activities, including regulatory enforcement actions for violations of laws and regulations. Supervision and regulation of bank holding companies, financial holding companies, and their subsidiaries are intended primarily for the protection of depositors and other clients of banking subsidiaries, the deposit insurance fund of the Federal Deposit Insurance Corporation (“FDIC”), and the banking system as a whole, but not for the protection of stockholders or other creditors.

As a financial holding company, we are permitted: (1) to engage in other activities that the Federal Reserve Board, working with the Secretary of the Treasury, determines to be financial in nature, incidental to an activity that is financial in nature, or complementary to a financial activity and that do not pose a substantial risk to the safety and soundness of depository institutions or the financial system generally, or (2) to acquire shares of companies engaged in such activities. We may not, however, directly or indirectly acquire the ownership or control of more than 5% of any class of voting shares, or substantially all of the assets, of a bank holding company or a bank without the prior approval of the Federal Reserve Board.

In order to maintain our status as a financial holding company, we must remain “well capitalized” and “well managed” under applicable regulations. Failure to meet one or more of the requirements would mean, depending on the requirements not met, that we could not undertake new activities, make acquisitions other than those permitted generally for bank holding companies, or continue certain activities.



## Subsidiary Regulation

The securities industry in the United States is subject to extensive regulation under federal and state laws. The Securities and Exchange Commission (“SEC”) is the federal agency charged with the administration of the federal securities laws. Much of the regulation of broker-dealers, however, has been delegated to self-regulatory organizations (“SRO”), principally FINRA and the Municipal Securities Rulemaking Board, and securities exchanges. SROs adopt rules (which are subject to approval by the SEC) that govern the industry and conduct periodic examinations of member broker-dealers. Securities firms are also subject to regulation by state securities commissions in the states in which they are registered. A number of changes have been proposed to the rules and regulations that govern our securities business, and other rules and regulations have been adopted, which may result in changes in the way we conduct our business.

As a result of federal and state registration and SRO memberships, broker-dealers are subject to overlapping schemes of regulation that cover all aspects of their securities businesses. Such regulations cover matters including capital requirements; uses and safekeeping of clients' funds; conduct of directors, officers, and employees; recordkeeping and reporting requirements; supervisory and organizational procedures intended to ensure compliance with securities laws and to prevent improper trading on material nonpublic information; employee-related matters, including qualification and licensing of supervisory and sales personnel; limitations on extensions of credit in securities transactions; clearance and settlement procedures; requirements for the registration, underwriting, sale, and distribution of securities; and rules of the SROs designed to promote high standards of commercial honor and just and equitable principles of trade. A particular focus of the applicable regulations concerns the relationship between broker-dealers and their customers. As a result, many aspects of the broker-dealer customer relationship are subject to regulation, including, in some instances, "suitability" determinations as to certain customer transactions, limitations on the amounts that may be charged to customers, timing of proprietary trading in relation to customers' trades, and disclosures to customers.

Additional legislation, changes in rules promulgated by the SEC and by SROs, and changes in the interpretation or enforcement of existing laws and rules often directly affect the method of operation and profitability of broker-dealers. The SEC and the SROs conduct regular examinations of our broker-dealer subsidiaries and also initiate targeted and other specific inquiries from time to time, which generally include the investigation of issues involving substantial portions of the securities industry. The SEC and the SROs may conduct administrative proceedings, which can result in censures, fines, suspension, or expulsion of a broker-dealer, its officers, or employees. The principal purpose of regulation and discipline of broker-dealers is the protection of customers and the securities markets rather than the protection of creditors and stockholders of broker-dealers.

The SEC is the federal agency charged with administration of the federal securities laws. Financial services firms are also subject to regulation by state securities commissions in those states in which they conduct business. The SEC recently adopted amendments, most of which were effective October 2013, to its financial responsibility rules, including changes to the net capital rule, the customer protection rule, the record-keeping rules and the notification rules applicable to our broker-dealer subsidiaries. We continue to evaluate the impact of these amendments on our broker-dealer subsidiaries; however, based on our current analyses, we do not believe they will have a material adverse effect on any of our broker-dealer subsidiaries.

Our U.S. broker-dealer subsidiaries are subject to the Securities Investor Protection Act and are members of Securities Investor Protection Corporation ("SIPC"), whose primary function is to provide financial protection for the customers of failing brokerage firms. SIPC provides protection for customers up to \$500,000, of which a maximum of \$250,000 may be in cash.

Stifel Bank is a Federal Reserve member Bank, its deposits are insured by the FDIC up to the maximum authorized limit, and it is subject to regulation by the Federal Reserve Bank, as well as the Missouri Division of Finance.

Several of our wholly owned subsidiaries, including Choice Financial Partners, Inc., Thomas Weisel Capital Management LLC, Thomas Weisel Global Growth Partners LLC, ZCM, and 1919 Investment Counsel, are registered as investment advisers with the SEC and, therefore, are subject to its regulation and oversight.

Stifel Trust and Stifel Trust Delaware are subject to regulation by the OCC. This regulation focuses on, among other things, ensuring the safety and soundness of Stifel Trust's fiduciary services.

#### Non-U.S. Regulation

Our non-U.S. subsidiaries are subject to applicable laws and regulations of the jurisdictions in which they operate.

Our European subsidiary, SNEL, is subject to the regulatory supervision and requirements of the Financial Conduct Authority (“FCA”) in the United Kingdom, and is a member of the London Stock Exchange. The FCA exercises broad supervisory and disciplinary powers that include the power to temporarily or permanently revoke authorization to conduct a regulated business upon breach of the relevant regulations, suspend approved persons, and impose fines (where applicable) on both regulated businesses and their approved persons. SNEL operates representative offices in Geneva, Switzerland and Zurich, Switzerland, and has a branch office in Madrid, Spain. In addition to the FCA, these offices are subject to the local regulations of their respective jurisdictions. SNEL holds a number of FCA-passporting rights to engage in Markets in Financial Instruments Directive-related business in Europe.

#### The Dodd-Frank Act

The financial services industry in the U.S. is subject to extensive regulation under federal and state laws. During our fiscal year 2010, the U.S. government enacted financial services reform legislation known as the Dodd-Frank Wall Street Reform & Consumer Protection Act (“Dodd-Frank Act”). Because of the nature of our business and our business practices, we presently do not expect the Dodd-Frank Act to have a significant direct impact on our operations as a whole. However, because some of the implementing regulations have yet to be adopted by various regulatory agencies, the specific impact on some of our businesses remains uncertain.

In July 2013, the OCC, the Federal Reserve Board, and the FDIC released final United States Basel III regulatory capital rules implementing the global regulatory capital reforms of Basel III and certain changes required by the Dodd-Frank Act. The rule increases the quantity and quality of regulatory capital, establishes a capital conservation buffer, and makes selected changes to the calculation of risk-weighted assets. The rule became effective for us on January 1, 2015, subject to a transition period for several aspects of the rule, including the new minimum capital ratio requirements, the capital conservation buffer, and the regulatory capital adjustments and deductions. Based on our current analyses, our company and Stifel Bank are well-capitalized. However, the increased capital requirements could restrict our ability to grow during favorable market conditions or require us to raise additional capital. As a result, our business, results of operations, financial condition, or prospects could be adversely affected. See Item 1A, “Risk Factors,” within this Form 10-K for more information.

In December 2013, U.S. regulators issued final regulations to implement the Volcker Rule. The Volcker Rule will, over time, prohibit “banking entities,” including our company and its affiliates, from engaging in certain prohibited “proprietary trading” activities, as defined in the Volcker Rule, subject to exemptions for underwriting, market-making-related activities, risk-mitigating hedging, and certain other activities. The Volcker Rule will also require banking entities to either restructure or unwind certain investments and relationships with “covered funds,” as defined in the Volcker Rule. Banking entities had until July 21, 2015, to bring all of their activities into conformance with the Volcker Rule, and until July 21, 2016, to bring all of their investments into conformance with the Volcker Rule, in each case, subject to possible extensions. The Volcker Rule requires banking entities to establish comprehensive compliance programs designed to help ensure and monitor compliance with restrictions under the Volcker Rule.

In July 2011, pursuant to the Dodd-Frank Act, the Consumer Financial Protection Bureau (“CFPB”) began operations and was given rulemaking authority for a wide range of consumer protection laws that would apply to all banks and provide broad powers to supervise and enforce consumer protection laws.

Banks with total assets of \$10 billion or less remain subject to the supervisory oversight of their primary federal banking agencies (for us, the Federal Reserve and the OCC) for purposes of compliance with the federal consumer financial laws. However, the CFPB has rule-writing authority for these laws as they apply to all providers of consumer financial products and services. It also has backup enforcement authorities for entities supervised by the federal banking agencies. Further, the CFPB frequently works with federal banking agencies, and new CFPB standards and “best practices” are likely to be adopted by federal banking regulators and ultimately impact smaller banks regardless of their size or primary regulator.

### Capital Requirements

Our company, as a bank and financial holding company, is subject to regulation, including capital requirements, by the Federal Reserve. Stifel Bank is subject to various regulatory capital requirements administered by the Federal Reserve and the Missouri Division of Finance. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on our company's and Stifel Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, our company and Stifel Bank must meet specific capital guidelines that involve quantitative measures of assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. Our company's and Stifel Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors. Quantitative measures established by regulation to ensure capital adequacy require our company and Stifel Bank to maintain minimum amounts and ratios of total and Tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined), and Tier 1 capital (as defined) to average assets (as defined).

Our broker-dealer subsidiaries are subject to the Uniform Net Capital Rule (Rule 15c3-1) promulgated by the SEC. The Uniform Net Capital Rule is designed to measure the general financial integrity and liquidity of a broker-dealer

and the minimum net capital deemed necessary to meet the broker-dealer's continuing commitments to its customers and other broker-dealers. Broker-dealers may be prohibited from expanding their business and declaring cash dividends. A broker-dealer that fails to comply with the Uniform Net Capital Rule may be subject to disciplinary actions by the SEC and SROs, such as FINRA, including censures, fines, suspension, or expulsion. For further discussion of our net capital requirements, see Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources."

#### Public Company Regulation

As a public company whose common stock is listed on the New York Stock Exchange ("NYSE") and the Chicago Stock Exchange ("CHX"), we are subject to corporate governance requirements established by the SEC, NYSE, and CHX, as well as federal and state law. Under the Sarbanes-Oxley Act of 2002 (the "Act"), we are required to meet certain requirements regarding business dealings with members of the Board of Directors, the structure of our Audit and Compensation Committees, ethical standards for our senior financial officers, implementation of an internal control structure and procedures for financial reporting, and additional responsibilities regarding financial statements for our Chief Executive Officer and Chief Financial Officer and their assessment of our internal

controls over financial reporting. Compliance with all aspects of the Act, particularly the provisions related to management's assessment of internal controls, has imposed additional costs on our company, reflecting internal staff and management time, as well as additional audit fees since the Act went into effect.

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## Executive Officers

Information regarding our executive officers and their ages as of February 20, 2016, is as follows:

Name	Age	Position(s)
Ronald J. Kruszewski	57	Co-Chairman of the Board of Directors and Chief Executive Officer
Thomas W. Weisel	74	Co-Chairman of the Board of Directors
James M. Zemlyak	56	President, Chief Financial Officer, and Director
Richard J. Himelfarb	74	Vice Chairman, Senior Vice President, and Director
Thomas B. Michaud	51	Senior Vice President and Director
Thomas P. Mulroy	54	President, Co-Director of Institutional Group, and Director
Victor J. Nesi	55	President, Co-Director of Institutional Group, and Director
Ben A. Plotkin	60	Vice Chairman, Senior Vice President, and Director
David M. Minnick	59	Senior Vice President and General Counsel
Mark P. Fisher	46	Senior Vice President and General Counsel
James M. Marischen	36	Senior Vice President, Chief Risk Officer, and Chief Accounting Officer
David D. Sliney	46	Senior Vice President

Ronald J. Kruszewski has been Chief Executive Officer, and Director of our company and Stifel since September 1997 and Chairman of the Board of Directors of our company and Stifel since April 2001. Prior thereto, Mr. Kruszewski served as Managing Director and Chief Financial Officer of Baird Financial Corporation and Managing Director of Robert W. Baird & Co. Incorporated, a securities broker-dealer firm, from 1993 to September 1997.

Thomas W. Weisel was elected Co-Chairman of the Board of Directors of our company in August 2010 after the completion of the merger between our company and Thomas Weisel Partners Group, Inc. Prior thereto, Mr. Weisel served as Chairman and CEO of Thomas Weisel Partners Group, Inc., a firm he founded, from 1998 to June 2010. Prior to founding Thomas Weisel Partners, Mr. Weisel was a founder, in 1971, of Robertson, Coleman, Siebel & Weisel that became Montgomery Securities in 1978, where he was Chairman and CEO until September 1998. Mr. Weisel served as a director on the NASDAQ Stock Market board of directors from 2002 to 2006.

James M. Zemlyak was named to the Office of the President in June 2014. Mr. Zemlyak has been Chief Financial Officer and Director of our company and Stifel since February 1999. Mr. Zemlyak served as our company's Treasurer from February 1999 to January 2012. Mr. Zemlyak has been Chief Operating Officer of Stifel since August 2002 and Executive Vice President of Stifel since December 1, 2005. Mr. Zemlyak also served as Chief Financial Officer of Stifel from February 1999 to October 2006. Prior to joining our company, Mr. Zemlyak served as Managing Director and Chief Financial Officer of Baird Financial Corporation from 1997 to 1999 and Senior Vice President and Chief Financial Officer of Robert W. Baird & Co. Incorporated from 1994 to 1999.

Richard J. Himelfarb has served as Senior Vice President and Director of our company and Executive Vice President and Director of Stifel since December 2005. Mr. Himelfarb was designated Chairman of Investment Banking in July 2009. Prior to that, Mr. Himelfarb served as Executive Vice President and Director of Investment Banking from December 2005 through July 2009. Prior to joining our company, Mr. Himelfarb served as a director of Legg Mason, Inc. from November 1983 and Legg Mason Wood Walker, Inc. from January 2005. Mr. Himelfarb was elected Executive Vice President of Legg Mason and Legg Mason Wood Walker, Inc. in July 1995, having previously served as Senior Vice President from November 1983.

Thomas B. Michaud was elected to the Board of Directors of our company in February 2013 after the completion of the merger between our company and KBW, Inc. Mr. Michaud serves as Senior Vice President of our company and Chairman, Chief Executive Officer, and President of Keefe, Bruyette & Woods, Inc., one of our broker-dealer subsidiaries, since February 15, 2013. Prior thereto, Mr. Michaud served as the Chief Executive Officer and President

of KBW, Inc. since October 2011 and as Vice Chairman and director since its formation in August 2005. He previously served as Chief Operating Officer from August 2005 until October 2011.

Thomas P. Mulroy was named to the Office of the President in June 2014. Mr. Mulroy has served as Co-Director of our Institutional Group since July 2009. Mr. Mulroy has served as Director of our company and Executive Vice President and Director of Stifel since December 2005. Prior to that, Mr. Mulroy served as Director of Equity Capital Markets from December 2005 through July 2009. Mr. Mulroy has responsibility for institutional equity sales, trading, and research. Prior to joining our company, Mr. Mulroy was elected Executive Vice President of Legg Mason, Inc. in July 2002 and of Legg Mason Wood Walker, Inc. in November 2000. Mr. Mulroy became a Senior Vice President of Legg Mason, Inc. in July 2000 and Legg Mason Wood Walker, Inc. in August 1998.



Victor J. Nesi was named to the Office of the President in June 2014. Mr. Nesi has served as Director of Investment Banking and Co-Director of our Institutional Group since July 2009. Mr. Nesi has served as Director of our company since August 2009. Mr. Nesi has responsibility for corporate finance investment banking activities and is Co-Director of our Capital Markets segment. Mr. Nesi has more than 20 years of banking and private equity experience, most recently with Merrill Lynch, where he headed the global private equity business for the telecommunications and media industry. From 2005 to 2007, he directed Merrill Lynch's investment banking group for the Americas region. Prior to joining Merrill Lynch in 1996, Mr. Nesi spent seven years as an investment banker at Salomon Brothers and Goldman Sachs.

Ben A. Plotkin has been Vice Chairman, Senior Vice President, and Director of our company since August 2007 and Executive Vice President of Stifel since February 2007. Mr. Plotkin also served as Chairman and Chief Executive Officer of Ryan Beck & Company, Inc. from 1997 until its acquisition by our company in 2007. Mr. Plotkin was elected Executive Vice President of Ryan Beck in 1990. Mr. Plotkin became a Senior Vice President of Ryan Beck in 1989 and was appointed First Vice President of Ryan Beck in December of 1987. Mr. Plotkin joined Ryan Beck in May of 1987 as a Director and Vice President in the Investment Banking Division.

David M. Minnick has served as Senior Vice President and General Counsel of our company and Stifel since October 2004. Prior thereto, Mr. Minnick served as Vice President and Counsel for A.G. Edwards & Sons, Inc. from August 2002 through October 2004, Senior Regional Attorney for NASD Regulation, Inc. from November 2000 through July 2002, as an attorney in private law practice from September 1998 through November 2000, and as General Counsel and Managing Director of Morgan Keegan & Company, Inc. from October 1990 through August 1998.

Mark P. Fisher has served as Senior Vice President and General Counsel since May 2014. From July 2010 until May 2014, Mr. Fisher was Senior Vice President of our company. Mr. Fisher served as General Counsel of Thomas Weisel Partners Group, Inc. from May 2005 until the merger between our company and Thomas Weisel Partners Group, Inc. in July 2010. From January 1998 until May 2005, Mr. Fisher practiced corporate and securities law at Sullivan & Cromwell LLP.

James M. Marischen has served as Senior Vice President Chief Risk Officer of our company since January 2014. During 2015, Mr. Marischen was named our Chief Accounting Officer. Mr. Marischen served as Executive Vice President and Chief Financial Officer of Stifel Bank & Trust from February 2008 to January 2014. Prior to joining our company in 2008, Mr. Marischen worked in public accounting at KPMG LLP.

David D. Sliney has been a Senior Vice President of our company since May 2003. In 1997, Mr. Sliney began a Strategic Planning and Finance role with Stifel and has served as a Director of Stifel since May 2003. Mr. Sliney is also responsible for our company's Operations and Technology departments. Mr. Sliney joined Stifel in 1992, and between 1992 and 1995, Mr. Sliney worked as a fixed income trader and later assumed responsibility for the firm's Equity Syndicate Department.

#### AVAILABLE INFORMATION

Our internet address is [www.stifel.com](http://www.stifel.com). We make available, free of charge, through a link to the SEC web site, annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to reports filed or furnished pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended, as well as proxy statements, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC.

Additionally, we make available on our web site under "Investor Relations – Corporate Governance," and in print upon request of any shareholder to our Chief Financial Officer, a number of our corporate governance documents. These include: Executive Committee charter, Audit Committee charter, Compensation Committee charter, Risk Management/Corporate Governance Committee charter, Corporate Governance Guidelines, Complaint Reporting

Process, and the Code of Ethics for Employees. Within the time period required by the SEC and the NYSE, we will post on our web site any modifications to any of the available documents. The information on our web site is not incorporated by reference into this report. Our Chief Financial Officer can be contacted at Stifel Financial Corp., One Financial Plaza, 501 North Broadway, St. Louis, Missouri 63102, telephone: (314) 342-2000.

#### ITEM 1A. RISK FACTORS

In addition to the other information set forth in this report, you should carefully consider the following factors which could materially affect our business, financial condition, or future results of operations. Although the risks described below are those that management believes are the most significant, these are not the only risks facing our company. Additional risks and uncertainties not currently known to us or that we currently do not deem to be material also may materially affect our business, financial condition, or future results of operations. We may amend or supplement these risk factors from time to time in other reports we file with the SEC.

## RISKS RELATED TO OUR BUSINESS AND INDUSTRY

Damage to our reputation could damage our businesses.

Maintaining our reputation is critical to our attracting and maintaining customers, investors, and employees. If we fail to deal with, or appear to fail to deal with, various issues that may give rise to reputational risk, we could significantly harm our business prospects. These issues include, but are not limited to, any of the risks discussed in this Item 1A, appropriately dealing with potential conflicts of interest, legal and regulatory requirements, ethical issues, money laundering, privacy, record keeping, sales and trading practices, failure to sell securities we have underwritten at the anticipated price levels, and the proper identification of the legal, reputational, credit, liquidity, and market risks inherent in our products. A failure to deliver appropriate standards of service and quality, or a failure or perceived failure to treat customers and clients fairly, can result in customer dissatisfaction, litigation, and heightened regulatory scrutiny, all of which can lead to lost revenue, higher operating costs, and harm to our reputation. Further, negative publicity regarding us, whether or not true, may also result in harm to our prospects.

We are affected by domestic and international macroeconomic conditions that impact the global financial markets.

We are engaged in various financial services businesses. As such, we are generally affected by domestic and international macroeconomic and political conditions, including levels of economic output, interest and inflation rates, employment levels, consumer confidence levels, and fiscal and monetary policy. These conditions may directly and indirectly impact a number of factors in the global financial markets that may be detrimental to our operating results, including the levels of trading, investing, and origination activity in the securities markets, security valuations, the absolute and relative level and volatility of interest and currency rates, real estate values, the actual and perceived quality of issuers and borrowers, and the supply of and demand for loans and deposits.

At times over the last several years, we have experienced operating cycles during weak and uncertain U.S. and global economic conditions, including low levels of economic output, artificially maintained levels of historically low interest rates, relatively high rates of unemployment, and significant uncertainty with regards to fiscal and monetary policy both domestically and abroad. These conditions led to several factors in the global financial markets that from time to time negatively impacted our net revenue and profitability. While select factors indicate signs of improvement, uncertainty remains. A period of sustained downturns and/or volatility in the securities markets, prolonged continuation of the artificially low level of short-term interest rates, a return to increased dislocations in the credit markets, reductions in the value of real estate, and other negative market factors could significantly impair our revenues and profitability. We could experience a decline in commission revenue from a lower volume of trades we execute for our clients, a decline in fees from reduced portfolio values of securities managed on behalf of our clients, a reduction in revenue from the number and size of transactions in which we provide underwriting, financial advisory, and other services, increased credit provisions and charge-offs, losses sustained from our customers' and market participants' failure to fulfill their settlement obligations, reduced net interest earnings, and other losses. These periods of reduced revenue and other losses could be accompanied by periods of reduced profitability, because certain of our expenses, including but not limited to our interest expense on debt, rent, facilities, and salary expenses, are fixed, and our ability to reduce them over short periods of time is limited.

Future downgrades of the U.S. sovereign credit rating by one or more of the major credit rating agencies could have material adverse impacts on financial markets and economic conditions in the United States and throughout the world and, in turn, could have a material adverse effect on our business, financial condition, and liquidity.

Concerns about the European Union's ("EU") sovereign debt in recent years has caused uncertainty and disruption for financial markets globally. Continued uncertainties loom over the outcome the EU's financial support programs, and the possibility exists that other EU member states may experience similar financial troubles in the future. Any negative impact on economic conditions and global markets from further EU sovereign debt matters could adversely affect our business, financial condition, and liquidity.

Our businesses and earnings are affected by the fiscal and other policies adopted by various regulatory authorities of the United States, non-U.S. governments, and international agencies. The Fed regulates the supply of money and credit in the United States. Fed policies determine, in large part, the cost of funds for lending and investing and the return earned on those loans and investments. The market impact from such policies can also materially decrease the value of certain of our financial assets, most notably debt securities. Changes in Fed policies are beyond our control, and consequently, the impact of these changes on our activities and results of our operations are difficult to predict.

U.S. state and local governments also continue to struggle with budget pressures caused by the ongoing less than optimal economic environment and ongoing concerns regarding municipal issuer credit quality. If these trends continue or worsen, investor concerns could potentially reduce the number and size of transactions in which we participate and, in turn, reduce investment banking revenues. In addition, such factors could adversely affect the value of the municipal securities we hold in our trading securities portfolio.

Lack of liquidity or access to capital could impair our business and financial condition.

Maintaining an appropriate level of liquidity, or the amount of capital that is readily available for investment, spending, or to meet our contractual obligations is essential to our business. Our inability to maintain adequate levels of capital in the form of cash and readily available access to the credit and capital markets could have a significant negative effect on our financial condition. If liquidity from our brokerage or banking operations is inadequate or unavailable, we may be required to scale back or curtail our operations, including limiting our efforts to recruit additional financial advisors or selling assets at prices that may be less favorable to us. Some potential conditions that could negatively affect our liquidity include the inability of our subsidiaries to generate cash in the form of dividends from earnings, changes imposed by regulators to our liquidity or capital requirements in our subsidiaries that may prevent the upstream of dividends in the form of cash to the parent company, limited or no accessibility to credit markets for secured and unsecured borrowings within our primary broker-dealer subsidiary, accessibility to credit markets for secured borrowing and diminished access to the capital markets for our company, and other commitments or restrictions on capital as a result of adverse legal settlements, judgments, or regulatory sanctions.

The availability of outside financing, including access to the credit and capital markets, depends on a variety of factors, such as conditions in the debt and equity markets, the general availability of credit, the volume of securities trading activity, the overall availability of credit to the financial services sector, and our credit rating. Our cost and availability of funding may be adversely affected by illiquid credit markets and wider credit spreads. Additionally, lenders may from time to time curtail, or even cease to provide, funding to borrowers as a result of any future concerns about the stability of the markets generally and the strength of counterparties specifically.

If our credit rating was downgraded, or if rating agencies indicate that a downgrade may occur, our business, financial position, and results of operations could be adversely affected, perceptions of our financial strength could be damaged, and as a result, adversely affect our relationships with clients. Such a reduction in our credit rating could also adversely affect our liquidity and competitive position, increase our incremental borrowing costs, limit our access to the capital markets, trigger obligations under certain financial agreements, or decrease the number of investors, clients, and counterparties willing or permitted to do business with or lend to us, thereby curtailing our business operations and reducing profitability. As such, we may not be able to successfully obtain additional outside financing to fund our operations on favorable terms, or at all. The impact of a credit rating downgrade to a level below investment grade would result in our breaching provisions in our credit agreements, and may result in a request for immediate payment.

Furthermore, as a bank holding company, we may become subject to a prohibition or to limitations on our ability to repurchase our stock. The Federal Reserve and the SEC (via FINRA) have the authority, and under certain circumstances the duty, to prohibit or to limit the payment of dividends by the subsidiaries to us for the subsidiaries they supervise.

See Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources,” in this Form 10-K for additional information on liquidity and how we manage our liquidity risk.

Our ability to attract and retain qualified financial advisors and other associates is critical to the continued success of our business.

Our ability to develop and retain our client base depends on the reputation, judgment, business-generation capabilities, and skills of our employees and financial advisors. As such, to compete effectively, we must attract, retain, and motivate qualified associates, including successful financial advisors, investment bankers, trading professionals, portfolio managers, and other revenue-producing or specialized personnel. Competitive pressures we experience could have an adverse effect on our business, results of operations, financial condition, and liquidity.

We compete directly with national full-domestic commercial banks and investment banking boutique firms that have entered the broker-dealer business, and large international banks are now serving our markets as well. Legislative and regulatory initiatives which eased what were at one time restrictions on the sales of securities and underwriting activities by commercial banks have increased competition. This increased competition could cause our business to suffer.

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The cost of retaining skilled professionals in the financial services industry has escalated considerably. Employers in the industry are increasingly offering guaranteed contracts, upfront payments, and increased compensation. These can be important factors in a current employee's decision to leave us as well as a prospective employee's decision to join us. As competition for skilled professionals in the industry remains intense, we may have to devote significant resources to attracting and retaining qualified personnel. In particular, our financial results may be adversely affected by the costs we incur in connection with any upfront loans or other incentives we may offer to newly recruited financial advisors and other key personnel.

Moreover, companies in our industry whose employees accept positions with competitors frequently claim that those competitors have engaged in unfair hiring practices. We have been subject to several such claims in the past and may be subject to additional claims in the future as we seek to hire qualified personnel, some of whom may currently be working for our competitors. Some of these claims may result in material litigation. We could incur substantial costs in defending ourselves against these claims, regardless of their merits. Such claims could also discourage potential employees who currently work for our competitors from joining us.

We are exposed to market risk.

We are, directly and indirectly, affected by changes in market conditions. Market risk generally represents the risk that values of assets and liabilities or revenues will be adversely affected by changes in market conditions. For example, changes in interest rates could adversely affect our net interest spread, the difference between the yield we earn on our assets and the interest rate we pay for deposits and other sources of funding, which, in turn, impacts our net interest income and earnings. Changes in interest rates could affect the interest earned on assets differently than interest paid on liabilities. In our brokerage operations, a rising interest rate environment generally results in our earning a larger net interest spread. Conversely, in those operations, a falling interest rate environment generally results in our earning a smaller net interest spread. If we are unable to effectively manage our interest rate risk, changes in interest rates could have a material adverse effect on our profitability.

Market risk is inherent in the financial instruments associated with our operations and activities, including trading account assets and liabilities, loans, deposits, securities, short-term borrowings, corporate debt, and derivatives. Market conditions that change from time to time, thereby exposing us to market risk, include fluctuations in interest rates, equity prices, relative exchange rates, and price deterioration or changes in value due to changes in market perception or actual credit quality of an issuer.

In addition, disruptions in the liquidity or transparency of the financial markets may result in our inability to sell, syndicate, or realize the value of security positions, thereby leading to increased concentrations. The inability to reduce our positions in specific securities may not only increase the market and credit risks associated with such positions, but also increase the level of risk-weighted assets on our balance sheet, thereby increasing capital requirements, which could have an adverse effect on our business, results of operations, financial condition, and liquidity.

See Item 7A, "Quantitative and Qualitative Disclosures About Market Risk," in this Form 10-K for additional information regarding our exposure to and approaches to managing market risk.

We are exposed to credit risk.

We are generally exposed to the risk that third parties that owe us money, securities, or other assets do not meet their performance obligations due to bankruptcy, lack of liquidity, operational failure, or other reasons.

We actively buy and sell securities from and to clients and counterparties in the normal course of our broker-dealer businesses, exposing us to credit risk. Although generally collateralized by the underlying security to the transaction, we still face the risk associated with changes in the market value of collateral through settlement date. We also hold

certain securities and derivatives in our trading accounts. Deterioration in the actual or perceived credit quality of the underlying issuers of securities, or the non-performance of issuers and counterparties to certain derivative contracts, could result in trading losses.

We borrow securities from, and lend securities to, other broker-dealers, and may also enter into agreements to repurchase and agreements to resell securities as part of investing and financing activities. A sharp change in the security market values utilized in these transactions may result in losses if counterparties to these transactions fail to honor their commitments.

We manage the risk associated with these transactions by establishing and monitoring credit limits and by monitoring collateral and transaction levels daily. A significant deterioration in the credit quality of one of our counterparties could lead to concerns in the market about the credit quality of other counterparties in the same industry, thereby exacerbating our credit risk exposure. We may require counterparties to deposit additional collateral or substitute collateral pledged. In the case of aged securities failed to receive, we may, under industry regulations, purchase the underlying securities in the market and seek reimbursement for any losses from the counterparty.



Also, we permit our clients to purchase securities on margin. During periods of steep declines in securities prices, the value of the collateral securing client margin loans may fall below the amount of the purchaser's indebtedness. If the clients are unable to provide additional collateral for these margin loans, we may incur losses on those margin transactions. This may cause us to incur additional expenses defending or pursuing claims or litigation related to counterparty or client defaults.

We deposit our cash in depository institutions as a means of maintaining the liquidity necessary to meet our operating needs, and we also facilitate the deposit of cash awaiting investment in depository institutions on behalf of our clients. A failure of a depository institution to return these deposits could severely impact our operating liquidity, could result in significant reputational damage, and adversely impact our financial performance.

We also incur credit risk by lending to businesses and individuals, including but not limited to, commercial and industrial loans, commercial and residential mortgage loans, home equity lines of credit, and margin and non-purpose loans collateralized by securities. We incur credit risk through our investments, which include mortgage-backed securities, collateralized mortgage obligations, auction rate securities, and other municipal securities.

The credit quality of Stifel Bank's loans and investment portfolios can have a significant impact on earnings and overall financial performance. Our credit risk and credit losses can increase if our loans or investments are concentrated among borrowers or issuers engaged in the same or similar activities, industries, geographies, or to borrowers or issuers who, as a group, may be uniquely or disproportionately affected by economic or market conditions. The deterioration of an individually large exposure, for example due to a natural disaster, act of terrorism, severe weather event, or economic event, could lead to additional loan loss provisions and/or charge-offs, or credit impairment of our investments, and subsequently have a material impact on our net income and regulatory capital.

Declines in the real estate market or sustained economic downturns may cause us to write down the value of some of the loans in Stifel Bank's portfolio, foreclose on certain real estate properties, or write down the value of some of our available-for-sale securities portfolio. Credit quality generally may also be affected by adverse changes in the financial performance or condition of our debtors or deterioration in the strength of the U.S. economy.

See Item 7A, "Quantitative and Qualitative Disclosures About Market Risk," in this Form 10-K for additional information regarding our exposure to and approaches to managing credit risk.

Our business depends on fees earned from the management of client accounts by our primary broker-dealer and asset management subsidiaries.

We have grown our asset management business in recent years, including with the acquisitions of ZCM in 2013 and 1919 Investment Counsel in 2014, which has increased the risks associated with this business relative to our overall operations. Asset management fees are primarily comprised of base management fees. Management fees are primarily based on assets under management. Assets under management balances are impacted by net inflow/outflow of client assets and changes in market values. Below-market investment performance by our funds and portfolio managers could result in a loss of managed accounts and could result in reputational damage that might make it more difficult to attract new investors and thus further impact our business and financial condition. If we were to experience the loss of managed accounts, our fee revenue would decline. In addition, in periods of declining market values, our asset values under management may resultantly decline, which would negatively impact our fee revenues.

Our underwriting, market-making, trading, and other business activities place our capital at risk.

We may incur losses and be subject to reputational harm to the extent that, for any reason, we are unable to sell securities that we have underwritten at the anticipated price levels. As an underwriter, we also are subject to heightened standards regarding liability for material misstatements or omissions in prospectuses and other offering documents relating to offerings we underwrite. As a market-maker, we may own positions in specific securities, and

these undiversified holdings concentrate the risk of market fluctuations and may result in greater losses than would be the case if our holdings were more diversified. While it is not typical, from time to time and as part of our underwriting processes, we may carry significant positions in securities of a single issuer or issuers engaged in a specific industry. Sudden changes in the value of these positions could impact our financial results.

We have made and may continue to make principal investments in private equity funds and other illiquid investments, which are typically private limited partnership interests and securities that are not publicly traded. There is risk that we may be unable to realize our investment objectives by sale or other disposition at attractive prices or that we may otherwise be unable to complete a desirable exit strategy. In particular, these risks could arise from changes in the financial condition or prospects of the portfolio companies in which investments are made, changes in economic conditions, or changes in laws, regulations, fiscal policies, or political conditions. It could take a substantial period of time to identify attractive investment opportunities and then to realize the cash value of such

investments through resale. Even if a private equity investment proves to be profitable, it may be several years or longer before any profits can be realized in cash.

The soundness of other financial institutions and intermediaries affects us.

We face the risk of operational failure, termination, or capacity constraints of any of the clearing agents, exchanges, clearing houses, or other financial intermediaries that we use to facilitate our securities transactions. As a result of the consolidation over the years among clearing agents, exchanges, and clearing houses, our exposure to certain financial intermediaries has increased and could affect our ability to find adequate and cost-effective alternatives should the need arise. Any failure, termination, or constraint of these intermediaries could adversely affect our ability to execute transactions, serve our clients, and manage our exposure to risk.

Our ability to engage in routine trading and funding transactions could be adversely affected by the actions and commercial soundness of other financial institutions. Financial services institutions are interrelated as a result of trading, clearing, funding, counterparty, or other relationships. We have exposure to many different industries and counterparties, and we routinely execute transactions with counterparties in the financial industry, including brokers and dealers, commercial banks, investment banks, mutual and hedge funds, and other institutional clients. Furthermore, although we do not hold any EU sovereign debt, we may do business with and be exposed to financial institutions that have been affected by the EU sovereign debt circumstances. As a result, defaults by, or even rumors or questions about the financial condition of, one or more financial services institutions, or the financial services industry generally, have historically led to market-wide liquidity problems and could lead to losses or defaults by us or by other institutions. Many of these transactions expose us to credit risk in the event of default of our counterparty or client. In addition, our credit risk may be exacerbated when the collateral held by us cannot be realized or is liquidated at prices not sufficient to recover the full amount of the loan or derivative exposure due us. Although we have not suffered any material or significant losses as a result of the failure of any financial counterparty, any such losses in the future may have a material adverse effect on our results of operations.

We have experienced increased pricing pressures in areas of our business, which may impair our future revenue and profitability.

Our business continues to experience increased pricing pressures on trading margins and commissions in fixed income and equity trading. In the fixed income market, regulatory requirements have resulted in greater price transparency, leading to increased price competition and decreased trading margins. In the equity market, we have experienced increased pricing pressure from institutional clients to reduce commissions, and this pressure has been augmented by the increased use of electronic and direct market access trading, which has created additional competitive downward pressure on trading margins. We believe that price competition and pricing pressures in these and other areas will continue as institutional investors continue to reduce the amounts they are willing to pay, including by reducing the number of brokerage firms they use, and some of our competitors seek to obtain market share by reducing fees, commissions, or margins.

Growth of our business could increase costs and regulatory risks.

Integrating acquired businesses, providing a platform for new businesses, and partnering with other firms involve a number of risks and present financial, managerial, and operational challenges. We may incur significant expenses in connection with further expansion of our existing businesses, or recruitment of financial advisors, or in connection with strategic acquisitions or investments, if and to the extent they arise from time to time. Our overall profitability would be negatively affected if investments and expenses associated with such growth are not matched or exceeded by the revenues that are derived from such investment or growth.

Expansion may also create a need for additional compliance, documentation, risk management, and internal control procedures, and often involves the hiring of additional personnel to monitor such procedures. To the extent such

procedures are not adequate to appropriately monitor any new or expanded business, we could be exposed to a material loss or regulatory sanction.

Moreover, to the extent we pursue strategic acquisitions, we may be unable to complete such acquisitions on acceptable terms, or be unable to successfully integrate the operations of any acquired business into our existing business. Such acquisitions could be of significant size and/or complexity. This effort, together with difficulties we may encounter in integrating an acquired business, could have an adverse effect on our business, financial condition, and results of operations. In addition, we may need to raise equity capital or borrow to finance such acquisitions, which could dilute our shareholders or increase our leverage. Any such borrowings might not be available on terms as favorable to us as our current borrowings, or perhaps at all.

The rapid growth of Stifel Bank may expose us to increased credit risk, operational risk, regulatory risk, and sensitivity to market interest rates along with increased regulation, examinations, and supervision by regulators.

We have experienced rapid growth in the investment portfolio, which includes available-for-sale and held-to-maturity securities, and the loan portfolio of Stifel Bank, which is funded by customer deposits. Although our stock-secured loans are collateralized by assets held in brokerage accounts, we are exposed to some credit and operational risk associated with these loans. We describe some of the

integration-related operational risks associated with our recent acquisitions above, which includes many of the same risks related to the growth of Stifel Bank. With the increase in deposits and resulting liquidity, we have been able to expand our investment portfolio, primarily with government agency securities. In addition, Stifel Bank has significantly grown its commercial lending business. Although we believe we have conservative underwriting policies in place, there are inherent risks associated with the mortgage banking business. For further discussion of our segments, including our Stifel Bank reporting unit, see Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Segment Analysis.”

As a result of the high percentage of our assets and liabilities that are in the form of interest-bearing or interest-related instruments, we are more sensitive to changes in interest rates, in the shape of the yield curve, or in relative spreads between market interest rates.

The monetary, tax, and other policies of the government and its agencies, including the Federal Reserve, have a significant impact on interest rates and overall financial market performance. An important function of the Federal Reserve is to regulate the national supply of bank credit and market interest rates. The actions of the Federal Reserve influence the rates of interest that we charge on loans and that we pay on borrowings and interest-bearing deposits, which may also affect the value of our on-balance sheet and off-balance sheet financial instruments. We cannot predict the nature or timing of future changes in monetary, tax, and other policies or the effect that they may have on our activities and results of operations.

In addition, Stifel Bank is heavily regulated at the state and federal level. This regulation is to protect depositors, federal deposit insurance funds, consumers, and the banking system as a whole, but not our shareholders. Federal and state regulations can significantly restrict our businesses, and we are subject to various regulatory actions, which could include fines, penalties, or other sanctions for violations of laws and regulatory rules if we are ultimately found to be out of compliance.

We face intense competition.

We are engaged in intensely competitive businesses. We compete on the basis of a number of factors, including the quality of our financial advisors and associates, our products and services, pricing (such as execution pricing and fee levels), location, and reputation in relevant markets. Over time, there has been substantial consolidation and convergence among companies in the financial services industry, which has significantly increased the capital base and geographic reach of our competitors. See the section entitled “Competition” of Item 1 of this Form 10-K for additional information about our competitors.

We compete directly with national full-service broker-dealers, investment banking firms, and commercial banks, and to a lesser extent, with discount brokers and dealers and investment advisors. In addition, we face competition from more recent entrants into the market and increased use of alternative sales channels by other firms. We also compete indirectly for investment assets with insurance companies, real estate firms, hedge funds, and others. This competition could cause our business to suffer.

To remain competitive, our future success also depends, in part, on our ability to develop and enhance our products and services. In addition, the continued development of internet, networking, or telecommunication technologies or other technological changes could require us to incur substantial expenditures to enhance or adapt our services or infrastructure. An inability to develop new products and services, or enhance existing offerings, could have a material adverse effect on our profitability.

We are exposed to operational risk.

Our diverse operations expose us to risk of loss resulting from inadequate or failed internal processes, people, and systems external events, including technological or connectivity failures either at the exchanges in which we do

business or between our data centers, operations processing sites, or our branches. Our businesses depend on our ability to process and monitor, on a daily basis, a large number of complex transactions across numerous and diverse markets. The inability of our systems to accommodate an increasing volume of transactions could also constrain our ability to expand our businesses. Our financial, accounting, data processing, or other operating systems and facilities may fail to operate properly or become disabled as a result of events that are wholly or partially beyond our control, adversely affecting our ability to process these transactions or provide these services. Operational risk exists in every activity, function, or unit of our business, and can take the form of internal or external fraud, employment and hiring practices, an error in meeting a professional obligation, or failure to meet corporate fiduciary standards. It is not always possible to deter employee misconduct, and the precautions we take to detect and prevent this activity may not be effective in all cases. If our employees engage in misconduct, our businesses would be adversely affected. Operational risk also exists in the event of business disruption, system failures, or failed transaction processing. Third parties with which we do business could also be a source of operational risk, including with respect to breakdowns or failures of the systems or misconduct by the employees of such parties. In addition, as we change processes or introduce new products and services, we may not fully appreciate or identify new operational risks that may arise from such changes. Increasing use of automated technology has the potential to amplify risks from manual or system processing errors, including outsourced operations.

Our business contingency plan in place is intended to ensure we have the ability to recover our critical business functions and supporting assets, including staff and technology, in the event of a business interruption. Despite the diligence we have applied to the development and testing of our plans, due to unforeseen factors, our ability to conduct business may, in any case, be adversely affected by a disruption involving physical site access, catastrophic events, including weather-related events, events involving electrical, environmental, or communications malfunctions, as well as events impacting services provided by others that we rely upon which could impact our employees or third parties with whom we conduct business.

See Item 7A, “Quantitative and Qualitative Disclosures About Market Risk,” in this Form 10-K for additional information regarding our exposure to and approaches to managing operational risk.

Our businesses depend on technology.

Our businesses rely extensively on electronic data processing and communications systems. In addition to better serving clients, the effective use of technology increases efficiency and enables us to reduce costs. Adapting or developing our technology systems to meet new regulatory requirements, client needs, and competitive demands is critical for our business. Introduction of new technology presents challenges on a regular basis. There are significant technical and financial costs and risks in the development of new or enhanced applications, including the risk that we might be unable to effectively use new technologies or adapt our applications to emerging industry standards.

Our continued success depends, in part, upon our ability to successfully maintain and upgrade the capability of our systems, our ability to address the needs of our clients by using technology to provide products and services that satisfy their demands, and our ability to retain skilled information technology employees. Failure of our systems, which could result from events beyond our control, or an inability to effectively upgrade those systems or implement new technology-driven products or services, could result in financial losses, liability to clients, violations of applicable privacy and other laws, and regulatory sanctions.

Customer, public, and regulatory expectations regarding operational and information security have increased. Thus, our operational systems and infrastructure must continue to be safeguarded and monitored for potential failures, disruptions, and breakdowns. Our operations rely on the secure processing, storage, and transmission of confidential and other information in our computer systems and networks. Although cyber security incidents among financial services firms are on the rise, to date, we have not experienced any material losses relating to cyber-attacks or other information security breaches; however, there can be no assurance that we will not suffer such losses in the future. Notwithstanding that we take protective measures and endeavor to modify them as circumstances warrant, our computer systems, software, and networks may be vulnerable to human error, natural disasters, power loss, spam attacks, unauthorized access, distributed denial of service attacks, computer viruses, and other malicious code and other events that could have a security impact. If one or more of these events occur, this could jeopardize our, or our clients’ or counterparties’, confidential and other information processed, stored in, and transmitted through our computer systems and networks, or otherwise cause interruptions or malfunctions in our, our clients’, our counterparties’, or third parties’ operations. We may be required to expend significant additional resources to modify our protective measures, to investigate and remediate vulnerabilities or other exposures, or to make required notifications, and we may be subject to litigation and financial losses that are either not insured or are not fully covered through any insurance we maintain. A technological breakdown could also interfere with our ability to comply with financial reporting and other regulatory requirements, exposing us to potential disciplinary action by regulators.

Extraordinary trading volumes beyond reasonably foreseeable spikes in volumes could cause our computer systems to operate at an unacceptably slow speed or even fail. While we have made investments to maintain the reliability and scalability of our systems and maintain hardware to address extraordinary volumes, there can be no assurance that our systems will be sufficient to handle truly extraordinary and unforeseen circumstances. Systems failures and delays could occur and could cause, among other things, unanticipated disruptions in service to our clients or slower system

response time, resulting in transactions not being processed as quickly as our clients desire, resulting in client dissatisfaction.

See Item 7A, “Quantitative and Qualitative Disclosures About Market Risk,” in this Form 10-K for additional information regarding our exposure to and approaches to managing these types of operational risk.

We are exposed to risks of legal proceedings, which may result in significant losses to us that we cannot recover. Claimants in these proceedings may be customers, employees, or regulatory agencies, among others, seeking damages for mistakes, errors, negligence, or acts of fraud by our employees.

Many aspects of our business involve substantial risks of liability, arising in the normal course of business. Participants in the financial services industry face an increasing amount of litigation and arbitration proceedings. Dissatisfied clients regularly make claims against broker-dealers and their employees for, among others, negligence, fraud, unauthorized trading, suitability, churning, failure to supervise, breach of fiduciary duty, employee errors, intentional misconduct, unauthorized transactions by financial advisors or traders, improper recruiting activity, and failures in the processing of securities transactions. The risks associated with potential



litigation often may be difficult to assess or quantify, and the existence and magnitude of potential claims often remain unknown for substantial periods of time.

These types of claims expose us to the risk of significant loss. Acts of fraud are difficult to detect and deter, and while we believe our supervisory procedures are reasonably designed to detect and prevent violations of applicable laws, rules, and regulations, we cannot assure investors that our risk management procedures and controls will prevent losses from fraudulent activity. In our role as underwriter and selling agent, we may be liable if there are material misstatements or omissions of material information in prospectuses and other communications regarding underwritten offerings of securities. At any point in time, the aggregate amount of existing claims against us could be material. While we do not expect the outcome of any existing claims against us to have a material adverse impact on our business, financial condition, or results of operations, we cannot assure you that these types of proceedings will not materially and adversely affect our company. We do not carry insurance that would cover payments regarding these liabilities, except for insurance against certain fraudulent acts of our employees. In addition, our bylaws provide for the indemnification of our officers, directors, and employees to the maximum extent permitted under Delaware law. In the future, we may be the subject of indemnification assertions under these documents by our officers, directors, or employees who have or may become defendants in litigation. These claims for indemnification may subject us to substantial risks of potential liability.

In highly volatile markets, the volume of claims and amount of damages sought in litigation and regulatory proceedings against financial institutions has historically increased. These risks include potential liability under securities or other laws for alleged materially false or misleading statements made in connection with securities offerings and other transactions, issues related to the suitability of our investment advice based on our clients' investment objectives (including auction rate securities), the inability to sell or redeem securities in a timely manner during adverse market conditions, contractual issues, employment claims, and potential liability for other advice we provide to participants in strategic transactions. Substantial legal liability could have a material adverse financial effect or cause us significant reputational harm, which, in turn, could seriously harm our business and our prospects.

In addition to the foregoing financial costs and risks associated with potential liability, the costs of defending individual litigation and claims continue to increase over time. The amount of outside attorneys' fees incurred in connection with the defense of litigation and claims could be substantial and might materially and adversely affect our results of operations.

See Item 3, "Legal Proceedings," in this Form 10-K for a discussion of our legal matters and Item 7A, "Quantitative and Qualitative Disclosures About Market Risk," in this Form 10-K for a discussion regarding our approach to managing legal risk.

The preparation of the consolidated financial statements requires the use of estimates that may vary from actual results, and new accounting standards could adversely affect future reported results.

The preparation of the consolidated financial statements in conformity with U.S. generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Such estimates and assumptions may require management to make difficult, subjective, and complex judgments about matters that are inherently uncertain.

Our financial instruments, including certain trading assets and liabilities, available-for-sale securities, investments, including certain loans, intangible assets, and private equity investments, among other items, require management to make a determination of their fair value in order to prepare our consolidated financial statements. Where quoted market prices are not available, we may make fair value determinations based on internally developed models or other means, which ultimately rely to some degree on our judgment. Some of these instruments and other assets and liabilities may have no direct observable inputs, making their valuation particularly subjective, being based on

significant estimation and judgment. In addition, sudden illiquidity in markets or declines in prices of certain securities may make it more difficult to value certain items, which may lead to the possibility that such valuations will be subject to further change or adjustment and could lead to declines in our earnings in subsequent periods.

Our accounting policies and methods are fundamental to how we record and report our financial condition and results of operations. From time to time, the Financial Accounting Standards Board (“FASB”) and the SEC change the financial accounting and reporting standards that govern the preparation of our financial statements. In addition, accounting standard setters and those who interpret the accounting standards may change or even reverse their previous interpretations or positions on how these standards should be applied. These changes can be hard to predict and can materially impact how we record and report our financial condition and results of operations. In some cases, we could be required to apply a new or revised standard retroactively, resulting in our restating prior period financial statements. For a further discussion of some of our significant accounting policies and standards, see the “Critical Accounting Estimates” discussion within Item 7, and Note 2 of the Notes to Consolidated Financial Statements, in this Form 10-K.

Our risk management policies and procedures may leave us exposed to unidentified or unanticipated risk.

We seek to manage, monitor, and control our market, credit, capital, liquidity, operational, legal, and regulatory risk through operational and compliance reporting systems, internal controls, management review processes, and other mechanisms; however, there can be no assurance that our procedures will be fully effective. Further, our risk management methods may not effectively predict future risk exposures, which could be significantly greater than the historical measures indicate. In addition, some of our risk management methods are based on an evaluation of information regarding markets, clients, and other matters that are based on assumptions that may no longer be accurate. A failure to adequately manage our growth, or to effectively manage our risk, could materially and adversely affect our business and financial condition. Our risk management processes include addressing potential conflicts of interest that arise in our business. We have procedures and controls in place to address conflicts of interest. Management of potential conflicts of interest has become increasingly complex as we expand our business activities through more numerous transactions, obligations, and interests with and among our clients. The failure to adequately address, or the perceived failure to adequately address, conflicts of interest could affect our reputation, the willingness of clients to transact business with us, or give rise to litigation or regulatory actions. Therefore, there can be no assurance that conflicts of interest will not arise in the future that could cause material harm to us.

For more information on how we monitor and manage market and certain other risks, see Item 7A, “Quantitative and Qualitative Disclosures About Market Risk,” in this Form 10-K.

We are exposed to risk from international markets.

We do business in other parts of the world and, as a result, are exposed to a number of risks, including economic, market, litigation, and regulatory risks, in non-U.S. markets. Our businesses and revenues derived from non-U.S. operations are subject to risk of loss from currency fluctuations, social or political instability, changes in governmental policies or policies of central banks, downgrades in the credit ratings of sovereign countries, expropriation, nationalization, confiscation of assets, and unfavorable legislative and political developments. Action or inaction in any of these operations, including failure to follow proper practices with respect to regulatory compliance and/or corporate governance, could harm our operations and/or our reputation. We also invest or trade in the securities of corporations located in non-U.S. jurisdictions. Revenues from the trading of non-U.S. securities also may be subject to negative fluctuations as a result of the above factors. The impact of these fluctuations could be magnified, because generally non-U.S. trading markets are smaller, less liquid, and more volatile than U.S. trading markets. Additionally, a political, economic, or financial disruption in a country or region could adversely impact our business and increase volatility in financial markets generally.

#### RISKS RELATED TO OUR REGULATORY ENVIRONMENT

Changes in regulations resulting from either the Dodd-Frank Act or any new regulations may affect our businesses.

The market and economic conditions over the past several years have led to legislation and numerous and continuing proposals for changes in the regulation of the financial services industry, including significant additional legislation and regulation in the U.S. and abroad. The Dodd-Frank Act enacted sweeping changes in the supervision and regulation of the financial industry designed to provide for greater oversight of financial industry participants, reduce risk in banking practices and in securities and derivatives trading, enhance public company corporate governance practices and executive compensation disclosures, and provide for greater protections to individual consumers and investors. Certain elements of the Dodd-Frank Act became effective immediately, while the details of some provisions remain subject to implementing regulations that are yet to be adopted by various applicable regulatory agencies. The ultimate impact that the Dodd-Frank Act will have on us, the financial industry, and the economy cannot be known until all such implementing regulations called for under the Dodd-Frank Act have been finalized and implemented.

The Dodd-Frank Act may impact the manner in which we market our products and services, manage our business and operations and interact with regulators, all of which, while not currently anticipated to, could materially impact our results of operations, financial condition, and liquidity. Certain provisions of the Dodd-Frank Act that have or may

impact our business include, but are not limited to: the establishment of a fiduciary standard for broker-dealers, regulatory oversight of incentive compensation, the imposition of capital requirements on financial holding companies, and to a lesser extent, greater oversight over derivatives trading and restrictions on proprietary trading. There is also increased regulatory scrutiny (and related compliance costs) as we continue to grow and surpass certain thresholds outlined in the Dodd-Frank Act. These include but are not limited to Stifel Bank's oversight by the CFPB.

In addition, the Volcker Rule provision of the Dodd-Frank Act will have an impact on us, including potentially limiting various aspects of our business. We are continuing our review of activities that may be affected by the Volcker Rule, including our trading operations and asset management activities, and are taking steps to establish the necessary compliance programs to comply with the Volcker Rule. Given the complexity of the new framework, the full impact of the Volcker Rule is still uncertain, and will ultimately depend on the interpretation and implementation by the five regulatory agencies responsible for its oversight.

To the extent the Dodd-Frank Act impacts the operations, financial condition, liquidity, and capital requirements of unaffiliated financial institutions with whom we transact business, those institutions may seek to pass on increased costs, reduce their capacity to transact, or otherwise present inefficiencies in their interactions with us.

The SEC adopted amendments, most of which were effective March 2014, to its financial responsibility rules, including changes to the net capital rule, the customer protection rule, the record-keeping rules, and the notification rules applicable to our broker-dealer subsidiaries. These amended rules do not have a material adverse effect on any of our broker-dealer subsidiaries.

The Basel III capital standards will impose additional capital and other requirements on us that could decrease our competitiveness and profitability.

In July 2013, the OCC, the FRB, and the FDIC released final U.S. Basel III regulatory capital rules implementing the global regulatory capital reforms of Basel III and certain changes required by the Dodd-Frank Act. The rule increases the quantity and quality of regulatory capital, establishes a capital conservation buffer, and makes selected changes to the calculation of risk-weighted assets. The rule became effective for us January 1, 2015, subject to a transition period for several aspects of the rule, including the new minimum capital ratio requirements, the capital conservation buffer, and the regulatory capital adjustments and deductions. Based on our current analyses, our company and Stifel Bank has met all capital adequacy requirements under the final rules. However, the increased capital requirements could restrict our ability to grow during favorable market conditions or require us to raise additional capital. As a result, our business, results of operations, financial condition, or prospects could be adversely affected.

Failure to comply with regulatory capital requirements primarily applicable to our company, Stifel Bank, or our broker-dealer subsidiaries would significantly harm our business.

Our company and Stifel Bank are subject to various regulatory and capital requirements administered by the federal banking regulators. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, our company and Stifel Bank must meet specific capital guidelines that involve quantitative measures of our company and Stifel Bank's assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. Our company's and Stifel Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components of our capital, risk weightings of assets, off-balance sheet transactions, and other factors. Quantitative measures established by regulation to ensure capital adequacy require our company and Stifel Bank to maintain minimum amounts and ratios of Total and Tier I Capital to risk-weighted assets and Tier I Capital to adjusted assets (as defined in the regulations). Failure to meet minimum capital requirements can trigger certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could harm either our company or Stifel Bank's operations and our financial condition.

Additionally, as a holding company, we depend on dividends, distributions, and other payments from our subsidiaries to fund payments of our obligations, including, among others, debt service. We are subject to the SEC's uniform net capital rule (Rule 15c3-1) and the net capital rule of FINRA, which may limit our ability to make withdrawals of capital from our broker-dealer subsidiaries. The uniform net capital rule sets the minimum level of net capital a broker-dealer must maintain and also requires that a portion of its assets be relatively liquid. FINRA may prohibit a member firm from expanding its business or paying cash dividends if resulting net capital falls below its requirements. Regulatory capital requirements applicable to some of our significant subsidiaries may impede access to funds our company needs to make payments on any such obligations.

See Note 20 of the Notes to Consolidated Financial Statements in this Form 10-K for further information on regulations and capital requirements.

We operate in a highly regulated industry in which future developments could adversely affect our business and financial condition.

The securities industry is subject to extensive regulation, and broker-dealers and investment advisors are subject to regulations covering all aspects of the securities business, including but not limited to, sales and trading methods, trade practices among broker-dealers, use and safekeeping of customers' funds and securities, capital structure of securities firms, anti-money laundering efforts, record keeping, and the conduct of directors, officers, and employees. If laws or regulations are violated, we could be subject to one or more of the following: civil liability, criminal liability, sanctions which could include the revocation of our subsidiaries' registrations as investment advisors or broker-dealers, the revocation of the licenses of our financial advisors, censures, fines, or a temporary suspension or permanent bar from conducting business. Any of those events could have a material adverse effect on our business, financial condition, and prospects.

We are subject to financial holding company regulatory reporting requirements, including the maintenance of certain risk-based regulatory capital levels that could impact various capital allocation decisions of one or more of our businesses. However, due to our

strong current capital position, we do not anticipate that these capital level requirements will have any negative impact on our future business activities. See the section entitled “Business – Regulation” of Item 1 of this Form 10-K for additional information.

As a financial holding company, we are regulated by the Federal Reserve. Stifel Bank is regulated by the Federal Reserve and the Missouri Division of Finance. This oversight includes, but is not limited to, scrutiny with respect to affiliate transactions and compliance with consumer regulations. The economic and political environment over the past several years has caused increased focus on the regulation of the financial services industry, including many proposals for new rules. Any new rules issued by our regulators could affect us in substantial and unpredictable ways and could have an adverse effect on our business, financial condition, and results of operations. We also may be adversely affected as a result of changes in federal, state, or foreign tax laws, or by changes in the interpretation or enforcement of existing laws and regulations.

The SEC has proposed certain measures that would establish a new framework to replace the requirements of Rule 12b-1 under the Investment Company Act of 1940 with respect to how mutual funds collect and pay fees to cover the costs of selling and marketing their shares. Any adoption of such measures would be phased in over a number of years. These measures are neither final nor undergoing implementation throughout the financial services industry. The impact of changes such as those currently proposed cannot be predicted at this time. As this regulatory trend continues, it could adversely affect our operations and, in turn, our financial results.

Asset management businesses have experienced a number of highly publicized regulatory inquiries, which have resulted in increased scrutiny within the industry and new rules and regulations for mutual funds, investment advisors, and broker-dealers. As some of our wholly owned subsidiaries are registered as investment advisors with the SEC, increased regulatory scrutiny and rulemaking initiatives may result in augmented operational and compliance costs, or the assessment of significant fines or penalties against our asset management business, and may otherwise limit our ability to engage in certain activities. It is not possible to determine the extent of the impact of any new laws, regulations, or initiatives that may be proposed, or whether any of the proposals will become law. Conformance with any new laws or regulations could make compliance more difficult and expensive and affect the manner in which we conduct business. For example, pursuant to the Dodd-Frank Act, the SEC was charged with considering whether broker-dealers should be subject to a standard of care similar to the fiduciary standard applicable to registered investment advisors. It is not clear whether the SEC will determine that a heightened standard of conduct is appropriate for broker-dealers; however, any such standard, if mandated, would likely require us to review our product and service offerings and implement certain changes, as well as require that we incur additional regulatory costs in order to ensure compliance.

In addition, the U.S. and foreign governments have recently taken regulatory actions impacting the investment management industry, and may continue to take further actions, including expanding current or enacting new standards, requirements, and rules that may be applicable to us and our subsidiaries. For example, several states and municipalities in the United States have recently adopted “pay-to-play” rules, which could limit our ability to charge advisory fees. Such “pay-to-play” rules could affect the profitability of that portion of our business. Additionally, the use of “soft dollars,” where a portion of commissions paid to broker-dealers in connection with the execution of trades also pays for research and other services provided to advisors, is periodically reexamined and may in the future be limited or modified. A substantial portion of the research relied on by our investment management business in the investment decision-making process is generated internally by our investment analysts and external research, including external research paid for with soft dollars. This external research generally is used for information-gathering or verification purposes and includes broker-provided research as well as third-party provided databases and research services. If the use of soft dollars is limited, we may have to bear some of these additional costs. Furthermore, new regulations regarding the management of hedge funds and the use of certain investment products may impact our investment management business and result in increased costs. For example, many regulators around the world adopted disclosure and reporting requirements relating to the hedge fund businesses or other businesses, and changes to the laws, rules, and regulations in the United States related to the over-the-counter swaps and derivatives markets require additional

registration, recordkeeping, and reporting obligations.

See the section entitled “Business – Regulation” within Item 1 of this Form 10-K for additional information regarding our regulatory environment and Item 7A, “Quantitative and Qualitative Disclosures About Market Risk,” in this Form 10-K regarding our approaches to managing regulatory risk. Regulatory actions brought against us may result in judgments, settlements, fines, penalties, or other results adverse to us, which could have a material adverse effect on our business, financial condition, or results of operations.

#### RISKS RELATED TO OUR COMMON STOCK

The market price of our common stock may continue to be volatile.

The market price of our common stock has been, and is likely to continue to be, volatile and subject to fluctuations. Stocks of financial institutions have, from time to time, experienced significant downward pressure in connection with economic conditions or events and may again experience such pressures in the future. Changes in the stock market generally or as it concerns our industry, as well as geopolitical, economic, and business factors unrelated to us, may also affect our stock price. Significant declines in the market price of our common stock or failure of the market price to increase could harm our ability to recruit and retain key employees, including those



who have joined us from companies we have acquired, reduce our access to debt or equity capital, and otherwise harm our business or financial condition. In addition, we may not be able to use our common stock effectively as consideration in connection with future acquisitions.

Our current shareholders may experience dilution in their holdings if we issue additional shares of common stock as a result of future offerings or acquisitions where we use our common stock.

As part of our business strategy, we may seek opportunities for growth through strategic acquisitions in which we may consider issuing equity securities as part of the consideration. Additionally, we may obtain additional capital through the public sale of debt or equity securities. If we sell equity securities, the value of our common stock could experience dilution. Furthermore, these securities could have rights, preferences, and privileges more favorable than those of the common stock. Moreover, if we issue additional shares of common stock in connection with equity compensation, future acquisitions, or as a result of financing, an investor's ownership interest in our company will be diluted.

The issuance of any additional shares of common stock or securities convertible into or exchangeable for common stock or that represent the right to receive common stock, or the exercise of such securities, could be substantially dilutive to holders of our common stock. Holders of our shares of common stock have no preemptive rights that entitle holders to purchase their pro rata share of any offering of shares of any class or series, and therefore, such sales or offerings could result in increased dilution to our shareholders. The market price of our common stock could decline as a result of sales or issuance of shares of our common stock or securities convertible into or exchangeable for common stock.

Provisions in our certificate of incorporation and bylaws and of Delaware law may prevent or delay an acquisition of our company, which could decrease the market value of our common stock.

Our articles of incorporation and bylaws and Delaware law contain provisions that are intended to deter abusive takeover tactics by making them unacceptably expensive to prospective acquirors and to encourage prospective acquirors to negotiate with our board of directors rather than to attempt a hostile takeover. Delaware law also imposes some restrictions on mergers and other business combinations between us and any holder of 15% or more of our outstanding common stock. We believe these provisions protect our shareholders from coercive or otherwise unfair takeover tactics by requiring potential acquirors to negotiate with our board of directors and by providing our board of directors with more time to assess any acquisition proposal. These provisions are not intended to make our company immune from takeovers. However, these provisions apply even if the offer may be considered beneficial by some shareholders and could delay or prevent an acquisition that our board of directors determines is not in the best interests of our company and our shareholders.

#### ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

#### ITEM 2. PROPERTIES

The following table sets forth the location, approximate square footage, and use of each of the principal properties used by our company during the year ended December 31, 2015. We own our executive offices in St. Louis, Missouri. We lease or sublease a majority of these properties under operating leases. Such leases expire at various times through 2026.

Location	Approximate Square Footage	Use
St. Louis, Missouri <sup>1</sup>	434,000	Headquarters and administrative offices of Stifel, Global Wealth Management operations (including CSA), and Institutional Group operations
New York, New York	310,000	Global Wealth Management and Institutional Group operations
Baltimore, Maryland	111,000	Institutional Group operations and Administrative offices
Birmingham, Alabama	80,600	Global Wealth Management and Institutional Group operations
Chicago, Illinois	82,500	Global Wealth Management and Institutional Group operations
San Francisco, California	76,000	Global Wealth Management and Institutional Group operations
Florham Park, New Jersey	74,000	Global Wealth Management and Institutional Group operations

<sup>1</sup> As of December 31, 2015, we occupy approximately 237,000 square feet of the available space in the building, and we anticipate taking additional space over time.

We also maintain operations in 402 leased offices in various locations throughout the United States and in certain foreign countries, primarily for our broker-dealer business. We lease 359 private client offices. In addition, Stifel Bank leases one location for its administrative offices and operations. Stifel Trust and Stifel Trust Delaware both lease one location for their operations. Our Institutional Group segment leases 40 offices in the United States and certain foreign locations. We believe that, at the present time, the space available to us in the facilities under our current leases and co-location arrangements are suitable and adequate to meet our needs and that such facilities have sufficient productive capacity and are appropriately utilized.

Leases for the branch offices of our independent contractor firms are the responsibility of the respective independent financial advisors.

See Note 18 of the Notes to Consolidated Financial Statements for further information regarding our lease obligations.

### ITEM 3. LEGAL PROCEEDINGS

Our company and its subsidiaries are named in and subject to various proceedings and claims arising primarily from our securities business activities, including lawsuits, arbitration claims, class actions, and regulatory matters. Some of these claims seek substantial compensatory, punitive, or indeterminate damages. Our company and its subsidiaries are also involved in other reviews, investigations, and proceedings by governmental and self-regulatory organizations regarding our business, which may result in adverse judgments, settlements, fines, penalties, injunctions, and other relief. We are contesting the allegations in these claims, and we believe that there are meritorious defenses in each of these lawsuits, arbitrations, and regulatory investigations. In view of the number and diversity of claims against our company, the number of jurisdictions in which litigation is pending, and the inherent difficulty of predicting the outcome of litigation and other claims, we cannot state with certainty what the eventual outcome of pending litigation or other claims will be.

We have established reserves for potential losses that are probable and reasonably estimable that may result from pending and potential legal actions, investigations, and regulatory proceedings. In many cases, however, it is inherently difficult to determine whether any loss is probable or even possible or to estimate the amount or range of any potential loss, particularly where proceedings may be in relatively early stages or where plaintiffs are seeking substantial or indeterminate damages. Matters frequently need to be more developed before a loss or range of loss can reasonably be estimated.

In our opinion, based on currently available information, review with outside legal counsel, and consideration of amounts provided for in our consolidated financial statements with respect to these matters, including the matters described below, the ultimate resolution of these matters will not have a material adverse impact on our financial position and results of operations. However, resolution of one or more of these matters may have a material effect on the results of operations in any future period, depending upon the ultimate resolution of those matters and depending upon the level of income for such period. For matters where a reserve has not been established and for which we believe a loss is reasonably possible, as well as for matters where a reserve has been recorded but for which an exposure to loss in excess of the amount accrued is reasonably possible, based on currently available information, we believe that such losses will not have a material effect on our consolidated financial statements.

SEC/Wisconsin Lawsuit

A civil lawsuit was filed against our company by the SEC in connection with our role in the sale of collateralized debt obligations (“CDOs”) investments to five Southeastern Wisconsin school districts (the “school districts”) in U.S. District Court for the Eastern District of Wisconsin on August 10, 2011. The SEC has asserted claims under Section 15c(1) (A), Section 10b and Rule 10b-5 of the Exchange Act and Sections 17a(1), 17a(2), and 17a(3) of the Securities Act. The claims are based upon both alleged misrepresentations and omissions in connection with the sale of the CDOs to the school districts, as well as the allegedly unsuitable nature of the CDOs. We answered, denied the substantive allegations of the amended complaint, and asserted various affirmative defenses. In January 2016, the parties filed motions for summary judgment and are awaiting the court’s rulings on those motions. The lawsuit had been set for trial commencing on April 11, 2016, but the Court has postponed the trial to commence on September 12, 2016. While there can be no assurance that we will be successful, we intend to vigorously defend the SEC’s claims.

#### EDC Bond Issuance Matter

We have been named, along with other parties, in a lawsuit filed in Wisconsin state court asserting various claims by LDF Acquisition LLC (“LDF”), a special purpose vehicle created by Saybrook Tax Exempt Investors LLC (collectively “Saybrook”) and by the Lac Du Flambeau Band of Lake Superior Chippewa Indians and its Lake of the Torches Economic Development Corporation (the “Tribe”) in which, among other things, Saybrook seeks repayment from the Tribe for the proceeds from a \$50 Million 2008 bond offering (“the bonds”) and in which the Tribe seeks to avoid repayment, as well as other claims against us and others. We were the initial purchaser of the bonds, which were immediately sold to LDF. The claims asserted against Stifel are for breaches of implied warranties of validity and title, securities fraud, and statutory misrepresentation under Wisconsin state law, intentional and negligent misrepresentations relating to those matters. Saybrook seeks rescissory relief as well as restitutionary damages, including the

amounts paid for the bonds, plus costs. The claims are set for trial commencing on October 11, 2016. While there can be no assurance that we will be successful, we intend to vigorously defend the SEC's claims.

Broyles, et al. v. Cantor Fitzgerald & Co. et al. Matter

Our Company, Stifel, and Stone & Youngberg, LLC ("Stone & Youngberg") are named in an Amended Complaint filed in U.S. District Court for the Middle District of Louisiana alleging fraud on the part of Stone & Youngberg in the formation of the Collybus CDO manufactured by Cantor Fitzgerald & Co. ("Cantor") and purchased by Commonwealth Advisors (CA) on behalf of several CA funds, as well as in connection with other transactions in the CA funds with CA. The original Complaint named Cantor, CA, and CA's CEO, Walter Morales. The CA funds filed a Chapter 11 bankruptcy petition, which stayed the original lawsuit until the reorganization plan was entered by the court in the fall of 2013. Shortly thereafter, the CA funds filed their first Amended Complaint, which has been amended several times since then. The claims are set for trial commencing on November 28, 2016. While there can be no assurance that we will be successful, we intend to vigorously defend the claims. We have established reserves supported by purchase price consideration the Company has withheld pursuant to the terms of the acquisition of Stone & Youngberg in 2011, which at this time, we believe are adequate.

#### ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

## PART II

## ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES

## Market Information

Our common stock is traded on the New York Stock Exchange and Chicago Stock Exchange under the symbol "SF." The closing sale price of our common stock as reported on the New York Stock Exchange on February 19, 2016, was \$31.18. As of that date, our common stock was held by approximately 24,100 shareholders. The following table sets forth for the periods indicated the high and low trades for our common stock:

	2015		2014	
	High	Low	High	Low
First quarter	\$57.75	\$45.96	\$51.59	\$43.11
Second quarter	\$59.93	\$51.98	\$50.66	\$43.57
Third quarter	\$58.71	\$41.53	\$49.74	\$44.43
Fourth quarter	\$47.17	\$40.52	\$52.15	\$41.47

We did not pay cash dividends during 2015 or 2014. The payment of dividends on our common stock is subject to several factors, including operating results, financial requirements of our company, and the availability of funds from our subsidiaries. See Note 20 of the Notes to Consolidated Financial Statements for more information on the capital restrictions placed on our broker-dealer subsidiaries and Stifel Bank.

## Securities Authorized for Issuance Under Equity Compensation Plans

Information about securities authorized for issuance under our equity compensation plans is contained in Item 12, "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters."

## Issuer Purchases of Equity Securities

The following tables sets forth information with respect to purchases made by or on behalf of Stifel Financial Corp. or any "affiliated purchaser" (as defined in Rule 10b-10(a)(3) under the Securities Exchange Act of 1934, as amended), of our common stock during the quarter ended December 31, 2015.

Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as	Maximum Number of Shares That May
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			Part of Publically	Yet be Purchased
			Announced Plans	Under the Plan or
				Program
October 1 - 31, 2015	300,000	42.15	300,000	1,769,235
November 1 - 30, 2015	—	—	—	6,769,235
December 1 - 31, 2015	924,000	42.48	924,000	5,845,235
	1,224,000	42.40	1,224,000	

We have an ongoing authorization from the Board of Directors to repurchase our common stock in the open market or in negotiated transactions. On November 3, 2015, the Board of Directors authorized the repurchase of an additional 5.0 million shares. At December 31, 2015, the maximum number of shares that may yet be purchased under this plan was 5.8 million. On February 17, 2016, the Board of Directors authorized the repurchase of an additional 5.0 million shares.

## Stock Performance Graph

## Five-Year Shareholder Return Comparison

The graph below compares the cumulative stockholder return on our common stock with the cumulative total return of a Peer Group Index, the Standard & Poor's 500 Index ("S&P 500"), and the NYSE ARCA Securities Broker-Dealer Index for the five-year period ended December 31, 2015. The NYSE ARCA Securities Broker-Dealer Index consists of eighteen firms in the brokerage sector. The Broker-Dealer Index includes our company. The stock price information shown on the graph below is not necessarily indicative of future price performance.

The material in this report is not deemed "filed" with the SEC and is not to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, whether made before or after the date hereof and irrespective of any general incorporation language in any such filings.

The following table and graph assume that \$100.00 was invested on December 31, 2010, in our common stock, the Peer Group Index, the S&P 500 Index, and the NYSE ARCA Securities Broker-Dealer Index, with reinvestment of dividends.

	2011	2012	2013	2014	2015
Stifel Financial Corp.	\$77	\$77	\$116	\$123	\$102
Peer Group	\$56	\$78	\$111	\$127	\$114
S&P 500 Index	\$102	\$118	\$157	\$178	\$181
NYSE ARCA Securities Broker-Dealer Index	\$69	\$78	\$132	\$152	\$147

## \*Compound Annual Growth Rate

The Peer Group Index consists of the following companies that serve the same markets as us and which compete with us in one or more markets:

FBR & Co.	Raymond James Financial, Inc.
Oppenheimer Holdings, Inc.	SWS Group, Inc.
JMP Group, Inc.	Stifel Financial Corp.
Piper Jaffray Companies	Morgan Stanley
Goldman Sachs Group, Inc.	



## ITEM 6. SELECTED FINANCIAL DATA

The following selected consolidated financial data (presented in thousands, except per share amounts) is derived from our consolidated financial statements. This data should be read in conjunction with the consolidated financial statements and notes thereto and with Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations."

	Year Ended December 31,				
	2015	2014	2013	2012	2011
<b>Revenues:</b>					
Commissions	\$749,536	\$674,418	\$640,287	\$518,803	\$550,903
Principal transactions	389,319	409,823	408,954	380,160	334,282
Investment banking	503,052	578,689	457,736	292,686	195,506
Asset management and service fees	493,761	386,001	305,639	257,981	228,831
Interest	179,101	185,969	142,539	108,705	89,199
Other income	62,224	14,785	64,659	69,148	19,651
Total revenues	2,376,993	2,249,685	2,019,814	1,627,483	1,418,372
Interest expense	45,399	41,261	46,368	33,370	25,304
Net revenues	2,331,594	2,208,424	1,973,446	1,594,113	1,393,068
<b>Non-interest expenses:</b>					
Compensation and benefits	1,568,862	1,403,932	1,311,386	1,010,140	887,210
Occupancy and equipment rental	207,465	169,040	158,268	128,365	119,944
Communications and office supplies	130,678	106,926	99,726	79,406	74,037
Commissions and floor brokerage	42,518	36,555	37,225	29,610	25,423
Other operating expenses	240,504	201,177	181,612	116,845	148,305
Total non-interest expenses	2,190,027	1,917,630	1,788,217	1,364,366	1,254,919
Income from continuing operations before income					
tax expense	141,567	290,794	185,229	229,747	138,149
Provision for income taxes	49,231	111,664	12,322	84,451	53,880
Income from continuing operations	92,336	179,130	172,907	145,296	84,269
<b>Discontinued operations:</b>					
Loss from discontinued operations, net of tax	—	(3,063 )	(10,894 )	(6,723 )	(135 )
Net income	\$92,336	\$176,067	\$162,013	\$138,573	\$84,134
<b>Earnings per basic common share:</b>					
Income from continuing operations	\$1.35	\$2.69	\$2.72	\$2.71	\$1.61
Loss from discontinued operations	-	(0.04 )	(0.17 )	(0.12 )	—
Earnings per basic common share	\$1.35	\$2.65	\$2.55	\$2.59	\$1.61
<b>Earnings per diluted common share:</b>					
Income from continuing operations	\$1.18	\$2.35	\$2.35	\$2.31	\$1.34
Loss from discontinued operations	-	(0.04 )	(0.15 )	(0.11 )	—
Earnings per diluted common share	\$1.18	\$2.31	\$2.20	\$2.20	\$1.34
<b>Weighted-average number of common shares outstanding:</b>					
Basic	68,543	66,472	63,568	53,563	52,418
Diluted	78,554	76,376	73,504	62,937	63,058

Financial Condition					
Total assets	\$13,335,915	\$9,518,151	\$9,008,870	\$6,966,140	\$4,951,900
Long-term obligations	\$832,500	\$707,500	\$410,631	\$471,810	\$89,457
Shareholders' equity	\$2,492,416	\$2,322,038	\$2,058,849	\$1,494,661	\$1,302,105

Our Canadian subsidiary, Stifel Nicolaus Canada, Inc. ("SN Canada") has ceased business operations as of September 30, 2013. The results of SN Canada, previously reported in the Institutional Group segment, are classified as discontinued operations for all periods presented.

The following items should be considered when comparing the data from year to year: 1) litigation-related expenses in 2011 associated with the civil lawsuit and related regulatory investigation in connection with the ongoing matter with five Southeastern Wisconsin school districts; 2) the acquisition of Stone & Youngberg on October 1, 2011; 3) the gains recognized on our investment in Knight Capital Group, Inc. during 2012; 4) the merger with KBW on February 15, 2013; 5) the acquisitions of the U.S. institutional fixed income sales and trading business and the hiring of the European institutional fixed income sales and trading team from Knight Capital Group in July 2013; 6) the expensing of stock awards issued as retention as part of the acquisitions of the KBW and Knight Capital Fixed Income business during 2013; 7) the recognition of a U.S. tax benefit in connection with discontinuing the business operations of SN Canada during the third quarter of 2013; 8) the acquisitions of De La Rosa, Oriel, and 1919 Investment Counsel during 2014 and the expensing of stock awards issued as retention as part of the Oriel and 1919 Investment Counsel acquisitions in 2014; and 9) the expensing of stock awards issued as retention as part of the acquisition of Sterne during 2015. See Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” made part hereof, for a discussion of these items and other items that may affect the comparability of data from year to year.

## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of the financial condition and results of operations of our company should be read in conjunction with the Consolidated Financial Statements and Notes thereto included in this Annual Report on Form 10-K for the year ended December 31, 2015.

Unless otherwise indicated, the terms "we," "us," "our," or "our company" in this report refer to Stifel Financial Corp. and its wholly owned subsidiaries.

### Executive Summary

We operate as a financial services and bank holding company. We have built a diversified business serving private clients, institutional investors, and investment banking clients located across the country. Our principal activities are: (i) private client services, including securities transaction and financial planning services; (ii) institutional equity and fixed income sales, trading, and research, and municipal finance; (iii) investment banking services, including mergers and acquisitions, public offerings, and private placements; and (iv) retail and commercial banking, including personal and commercial lending programs.

Our core philosophy is based upon a tradition of trust, understanding, and studied advice. We attract and retain experienced professionals by fostering a culture of entrepreneurial, long-term thinking. We provide our private, institutional, and corporate clients quality, personalized service, with the theory that if we place clients' needs first, both our clients and our company will prosper. Our unwavering client and employee focus have earned us a reputation as one of the nation's leading wealth management and investment banking firms. We have grown our business both organically and through opportunistic acquisitions.

We plan to maintain our focus on revenue growth with a continued appreciation for the development of quality client relationships. Within our private client business, our efforts will be focused on recruiting experienced financial advisors with established client relationships. Within our capital markets business, our focus continues to be on providing quality client management and product diversification. In executing our growth strategy, we will continue to seek out opportunities that allow us to take advantage of the consolidation among middle-market firms, whereby allowing us to increase market share in our private client and institutional group businesses.

Stifel Financial Corp., 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. We have offices throughout the United States and in several European cities. Our principal customers are individual investors, corporations, municipalities, and institutions.

We plan to maintain our focus on revenue growth with a continued focus on developing quality relationships with our clients. Within our private client business, our efforts will be focused on recruiting experienced financial advisors with established client relationships. Within our institutional group business, our focus continues to be on providing quality client management and product diversification. In executing our growth strategy, we take advantage of the consolidation among middle-market firms, which we believe provides us opportunities in our Global Wealth Management and Institutional Group businesses.

Our ability to attract and retain highly skilled and productive employees is critical to the success of our business. Accordingly, compensation and benefits comprise the largest component of our expenses, and our performance is dependent upon our ability to attract, develop, and retain highly skilled employees who are motivated and committed to providing the highest quality of service and guidance to our clients.

On January 15, 2015 (the “redemption date”), we redeemed 100% of our company’s outstanding 6.70% Senior Notes due 2022. The redemption price was equal to the sum of the principal amount of the Notes outstanding and accrued and unpaid interest on the Notes up to, but not including, the redemption date.

On June 5, 2015, we completed the purchase of all of the outstanding shares of common stock of Sterne Agee Group, Inc. (“Sterne Agee”), a financial services firm that offers comprehensive wealth management and investment services to a diverse client base including corporations, municipalities, and individual investors. The purchase was completed pursuant to the merger agreement dated February 23, 2015. We issued 1.4 million shares related to the purchase of Sterne Agee Group, Inc.

Upon the close of the acquisition, certain employees were granted restricted stocks units of our company as retention. The fair value of the awards issued as retention was \$23.8 million. The fair value of the awards is based upon the closing price of our company’s common stock on the date of grant. There are no continuing service requirements associated with these restricted stock units, and accordingly, they were expensed at date of grant. This charge is included in compensation and benefits in the consolidated statement

of operations for the year ended December 31, 2015. In addition, we have paid \$33.8 million in the form of notes to associates for retention. These notes will be forgiven by a charge to compensation and benefits over a five- to ten-year period if the individual satisfies certain conditions, usually based on continued employment and certain performance standards.

On December 1, 2015, we sold, in a registered underwritten public offering, \$300.0 million in aggregate principal amount of 3.50% senior notes due December 2020 (the “2015 Notes”). Interest on the 2015 Notes is payable semi-annually in arrears. We may redeem the 2015 Notes in whole or in part, at our option, at a redemption price equal to 100% of their principal amount, plus a “make-whole” premium and accrued and unpaid interest, if any, to the date of redemption. Proceeds from the 2015 Notes issuance of \$297.0 million, after discounts, commissions, and expenses, were used for general corporate purposes.

On December 4, 2015, we completed the purchase of the Barclays' Wealth and Investment Management, Americas (“Barclays”), franchise in the U.S. The Company paid purchase consideration that was funded with cash from operations. As part of that transaction, Stifel Bank, a wholly owned subsidiary of the Company, acquired approximately \$600.0 million of bank loans, at fair value, from Barclays. The fair values for those loans were estimated using discounted cash flow analyses using interest rates currently being offered for loans with similar terms.

#### Results for the year ended December 31, 2015

For the year ended December 31, 2015, net revenues from continuing operations increased 5.6% to a record \$2.33 billion compared to \$2.21 billion during the comparable period in 2014. Net income, including continuing and discontinued operations, decreased 47.6% to \$92.3 million, or \$1.18 per diluted common share, for the year ended December 31, 2015, compared to \$176.1 million, or \$2.31 per diluted common share, in 2014. Net income from continuing operations decreased 48.5% to \$92.3 million, or \$1.18 per diluted common share, for the year ended December 31, 2015, compared to \$179.1 million, or \$2.35 per diluted common share, in 2014.

Our revenue growth for the year ended December 31, 2015, was primarily attributable to growth in asset management and service fees as a result of increased assets under management, an increase in brokerage revenues, and an increase in other revenues. The increase in revenue growth over the comparable period in 2014 was offset by a decline in investment banking revenues, and net interest income. In addition, our revenue growth was positively impacted by the acquisitions of Sterne and Barclays during 2015.

#### External Factors Impacting Our Business

Performance in the financial services industry in which we operate is highly correlated to the overall strength of economic conditions and financial market activity. Overall market conditions are a product of many factors, which are beyond our control and mostly unpredictable. These factors may affect the financial decisions made by investors, including their level of participation in the financial markets. In turn, these decisions may affect our business results. With respect to financial market activity, our profitability is sensitive to a variety of factors, including the demand for investment banking services as reflected by the number and size of equity and debt financings and merger and acquisition transactions, the volatility of the equity and fixed income markets, the level and shape of various yield curves, the volume and value of trading in securities, and the value of our customers’ assets under management. The municipal underwriting market is challenging as state and local governments reduce their debt levels. Investors are showing a lack of demand for longer-dated municipals and are reluctant to take on credit or liquidity risks. Investor confidence has been dampened by continued uncertainty surrounding the U.S. fiscal and debt ceiling, the debt concerns in Europe, and sluggish employment growth.

Our overall financial results continue to be highly and directly correlated to the direction and activity levels of the United States equity and fixed income markets. At December 31, 2015, the key indicators of the markets’ performance, the S&P 500 and Dow Jones Industrial Average, closed 0.7% and 2.2% lower than their December 31, 2014, closing

prices, respectively. The NASDAQ closed 5.7% higher than its December 31, 2014, closing price.

As a participant in the financial services industry, we are subject to complicated and extensive regulation of our business. The recent economic and political environment has led to legislative and regulatory initiatives, both enacted and proposed, that could substantially intensify the regulation of the financial services industry and may significantly impact us.

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## RESULTS OF OPERATIONS

The following table presents consolidated financial information for the periods indicated (in thousands, except percentages):

	For the Year Ended December 31,			Change		As a Percentage of		
				2015		Net Revenues		
	2015	2014	2013	vs. 2014	vs. 2013	for the Year Ended December 31,		
						2015	2014	2013
<b>Revenues:</b>								
Commissions	\$749,536	\$674,418	\$640,287	11.1	5.3	32.1 %	30.5 %	32.4 %
Principal transactions	389,319	409,823	408,954	(5.0 )	0.2	16.7	18.6	20.7
Investment banking	503,052	578,689	457,736	(13.1 )	26.4	21.6	26.2	23.2
Asset management and service fees	493,761	386,001	305,639	27.9	26.3	21.2	17.5	15.5
Interest	179,101	185,969	142,539	(3.7 )	30.5	7.7	8.4	7.2
Other income	62,224	14,785	64,659	320.9	(77.1)	2.6	0.7	3.3
Total revenues	2,376,993	2,249,685	2,019,814	5.7	11.4	101.9	101.9	102.3
Interest expense	45,399	41,261	46,368	10.0	(11.0)	1.9	1.9	2.3
Net revenues	2,331,594	2,208,424	1,973,446	5.6	11.9	100.0	100.0	100.0
<b>Non-interest expenses:</b>								
Compensation and benefits	1,568,862	1,403,932	1,311,386	11.7	7.1	67.3	63.6	66.5
Occupancy and equipment rental	207,465	169,040	158,268	22.7	6.8	8.9	7.6	8.0
Communication and office supplies	130,678	106,926	99,726	22.2	7.2	5.6	4.8	5.0
Commissions and floor brokerage	42,518	36,555	37,225	16.3	(1.8 )	1.8	1.7	1.9
Other operating expenses	240,504	201,177	181,612	19.5	10.8	10.3	9.1	9.2
Total non-interest expenses	2,190,027	1,917,630	1,788,217	14.2	7.2	93.9	86.8	90.6
Income from continuing operations before income taxes	141,567	290,794	185,229	(51.3 )	57.0	6.1	13.2	9.4
Provision for income taxes	49,231	111,664	12,322	(55.9 )	*	2.1	5.1	0.6
Income from continuing operations	\$92,336	\$179,130	\$172,907	(48.5 )	3.6	4.0 %	8.1 %	8.8 %
<b>Discontinued operations:</b>								
Loss from discontinued operations, net of tax	-	(3,063 )	(10,894 )	(100.0)	(71.9)	—	(0.1 )	(0.5 )
Net income	\$92,336	\$176,067	\$162,013	(47.6 )	8.7	4.0 %	8.0 %	8.3 %



\*Percentage not meaningful.

## NET REVENUES

The following table presents consolidated net revenues for the periods indicated (in thousands, except percentages):

	For the Year Ended December 31,			Percentage Change	
	2015	2014	2013	2015 vs. 2014	2014 vs. 2013
<b>Revenues:</b>					
Commissions	\$749,536	\$674,418	\$640,287	11.1 %	5.3 %
Principal transactions	389,319	409,823	408,954	(5.0 )	0.2
<b>Investment banking:</b>					
Capital raising	307,571	305,198	256,012	0.8	19.2
Advisory	195,481	273,491	201,724	(28.5 )	35.6
	503,052	578,689	457,736	(13.1 )	26.4
Asset management and service fees	493,761	386,001	305,639	27.9	26.3
Net interest	133,702	144,708	96,171	(7.6 )	50.5
Other income	62,224	14,785	64,659	320.9	(77.1)
<b>Total net revenues</b>	<b>\$2,331,594</b>	<b>\$2,208,424</b>	<b>\$1,973,446</b>	<b>5.6 %</b>	<b>11.9 %</b>

## Year Ended December 31, 2015 Compared With Year Ended December 31, 2014

Except as noted in the following discussion of variances, the underlying reasons for the increase in revenue can be attributed principally to the increased number of private client group offices and financial advisors in our Global Wealth Management segment and the increased number of revenue producers in our Institutional Group segment, and the acquisitions of Sterne on June 5, 2015 and, to a lesser extent, Barclays on December 4, 2015. The results of operations for Sterne and Barclays are included in our results prospectively from the date of their respective acquisitions.

**Commissions** – Commission revenues are primarily generated from agency transactions in OTC and listed equity securities, insurance products, and options. In addition, commission revenues also include distribution fees for promoting and distributing mutual funds.

For the year ended December 31, 2015, commission revenues increased 11.1% to \$749.5 million from \$674.4 million in 2014. The increase is primarily attributable to an increase in mutual fund and equity transactions.

**Principal transactions** – For the year ended December 31, 2015, principal transactions revenues decreased 5.0% to \$389.3 million from \$409.8 million in 2014. The decrease from 2014 is primarily attributable to lower institutional equity brokerage revenues as a result of lower volumes. The decrease is partially offset by the revenues generated by the Sterne fixed income business acquired in June 2015.

**Investment banking** – Investment banking revenues include: (i) capital-raising revenues representing fees earned from the underwriting of debt and equity securities, and (ii) strategic advisory fees related to corporate debt and equity offerings, municipal debt offerings, merger and acquisitions, private placements, and other investment banking advisory fees.

For the year ended December 31, 2015, investment banking revenues decreased 13.1%, to \$503.1 million from \$578.7 million in 2014. The decrease is primarily attributable to a decrease in advisory fees, partially offset by an increase in capital-raising revenues.

Capital-raising revenues increased 0.8% to \$307.6 million for the year ended December 31, 2015, from \$305.2 million in 2014. For the year ended December 31, 2015, equity capital-raising revenues decreased 23.7% to \$177.5 million from \$232.5 million in 2014. For the year ended December 31, 2015, fixed income capital-raising revenues increased 78.8% to \$130.1 million from \$72.7 million in 2014.

Strategic advisory fees decreased 28.5% to \$195.5 million for the year ended December 31, 2015, from \$273.5 million in 2014. The decrease is primarily attributable to a decrease in the number of completed advisory transactions during 2015, as well as a decline in the number of larger transactions that were completed in 2014.

Asset management and service fees – Asset management and service fees include fees for asset-based financial services provided to individuals and institutional clients. Investment advisory fees are charged based on the value of assets in fee-based accounts. Asset management and service fees are affected by changes in the balances of client assets due to market fluctuations and levels of net new client assets.

For the year ended December 31, 2015, asset management and service fee revenues increased 27.9% to \$493.8 million from \$386.0 million in 2014. The increase is primarily a result of an increase in the number and value of fee-based accounts. The growth of asset management and service fee revenues from the prior year were also attributable to contribution from the acquisitions of 1919 in November 2014 and Sterne in June 2015. See “Asset management and service fees” in the Global Wealth Management segment discussion for information on the changes in asset management and service fees revenues.

Other income – For the year ended December 31, 2015, other income increased 320.9% to \$62.2 million from \$14.8 million during 2014. Other income primarily includes gain on the sale of a portion of the Acacia loan portfolio, investment gains, and loan originations fees from Stifel Bank.

#### Year Ended December 31, 2014 Compared With Year Ended December 31, 2013

Except as noted in the following discussion of variances, the underlying reasons for the increase in revenue can be attributed principally to the increased number of private client group offices and financial advisors in our Global Wealth Management segment and the increased number of revenue producers in our Institutional Group segment, and the acquisitions of De La Rosa on April 3, 2014, Oriel on July 31, 2014, and 1919 Investment Counsel on November 7, 2014. The results of operations for De La Rosa, Oriel, and 1919 Investment Counsel are included in our results prospectively from the date of their respective acquisitions.

Commissions – For the year ended December 31, 2014, commission revenues increased 5.3% to \$674.4 million from \$640.3 million in 2013. The increase is primarily attributable to an increase in mutual fund and equity transactions.

Principal transactions – For the year ended December 31, 2014, principal transactions revenues increased 0.2% to \$409.8 million from \$409.0 million in 2013. The increase from 2013 is primarily attributable to higher institutional brokerage revenues as a result of higher volumes. The increase is also attributable to the revenues generated by the fixed income business acquired from Knight Capital in July 2013.

Investment banking – For the year ended December 31, 2014, investment banking revenues increased 26.4%, to \$578.7 million from \$457.7 million in 2013. The increase is primarily attributable to an increase in advisory fees and equity capital-raising revenues.

Capital-raising revenues increased 19.2% to \$305.2 million for the year ended December 31, 2014, from \$256.0 million in 2013. During the year ended December 31, 2014, equity capital-raising revenues increased 26.8% to \$232.5 million from \$183.3 million in 2013. For the year ended December 31, 2014, fixed income capital-raising revenues increased 0.1% to \$72.7 million.

Strategic advisory fees increased 35.6% to \$273.5 million for the year ended December 31, 2014, from \$201.7 million in 2013. The increase is primarily attributable to an increase in the number of completed advisory transactions during 2014.

Asset management and service fees – For the year ended December 31, 2014, asset management and service fee revenues increased 26.3% to \$386.0 million from \$305.6 million in 2013. The increase is primarily a result of an increase in the number and value of fee-based accounts. See “Asset management and service fees” in the Global Wealth Management segment discussion for information on the changes in asset management and service fees revenues.

Other income – For the year ended December 31, 2014, other income decreased 77.1% to \$14.8 million from \$64.7 million in 2013. Other income primarily includes investment gains, including gains on our private equity investments, and loan originations fees from Stifel Bank.



## NET INTEREST INCOME

The following tables present average balance data and operating interest revenue and expense data, as well as related interest yields for the periods indicated (in thousands, except rates):

	For the Year Ended December 31, 2015		December 31, 2014		December 31, 2013				
	Interest	Average	Interest	Average	Interest	Average	Interest	Average	
	Average Balance	Income/ Expense	Interest Rate	Average Balance	Income/ Expense	Interest Rate	Average Balance	Income/ Expense	Interest Rate
Interest-earning assets:									
Margin balances (Stifel)	\$540,889	\$22,421	4.15 %	\$481,210	\$19,095	3.97 %	\$462,897	\$18,222	3.94 %
Interest-earning assets (Stifel Bank) *	5,163,610	136,841	2.65 %	4,981,789	143,146	2.87 %	4,224,407	101,489	2.42 %
Other (Stifel)		19,839			23,728			22,828	
Total interest revenue		\$179,101			\$185,969			\$142,539	
Interest-bearing liabilities:									
Short-term borrowings (Stifel)	\$45,492	\$569	1.25 %	\$97,815	\$1,092	1.12 %	\$252,948	\$3,176	1.26 %
Interest-bearing liabilities (Stifel Bank) *	4,794,750	7,813	0.16 %	4,644,753	7,926	0.17 %	3,967,402	11,775	0.30 %
Stock loan (Stifel)	62,771	125	0.20 %	45,758	76	0.17 %	91,194	152	0.17 %
Senior notes (Stifel Financial Corp.)	482,671	25,695	5.32 %	460,178	26,617	5.78 %	325,000	20,648	6.35 %
Interest-bearing liabilities (Capital Trusts)	82,500	1,729	2.10 %	82,500	1,687	2.04 %	82,500	1,729	2.10 %
Other (Stifel)		9,468			3,863			8,888	
		\$45,399			\$41,261			\$46,368	

Total interest expense			
Net interest income	\$ 133,702	\$ 144,708	\$ 96,171

\*See Distribution of Assets, Liabilities, and Shareholders' Equity; Interest Rates and Interest Rate Differential table included in "Results of Operations – Global Wealth Management" for additional information on Stifel Bank's average balances and interest income and expense.

Year Ended December 31, 2015 Compared With Year Ended December 31, 2014

Net interest income – Net interest income is the difference between interest earned on interest-earning assets and interest paid on funding sources. Net interest income is affected by changes in the volume and mix of these assets and liabilities, as well as by fluctuations in interest rates and portfolio management strategies. For the year ended December 31, 2015, net interest income decreased 7.6% to \$133.7 million from \$144.7 million in 2014.

For the year ended December 31, 2015, interest revenue decreased 3.7% to \$179.1 million from \$186.0 million in 2014, principally as a result of a \$6.3 million decrease in interest revenue generated from interest-earning assets of Stifel Bank due to a decline in interest rates. The average interest-earning assets of Stifel Bank increased to \$5.2 billion during the year ended December 31, 2015, compared to \$5.0 billion during 2014 at average interest rates of 2.65% and 2.87%, respectively.

For the year ended December 31, 2015, interest expense increased 10.0% to \$45.4 million from \$41.3 million in 2014. The increase is primarily attributable to an increase in interest expense associated with our July 2014 issuance of \$300.0 million of 4.250% senior notes, offset by the reduction of interest paid as a result of the redemption of the \$175.0 million 6.70% senior notes in January 2015 and a decline in interest expense paid on the interest-bearing liabilities of Stifel Bank.

Year Ended December 31, 2014 Compared With Year Ended December 31, 2013

Net interest income – For the year ended December 31, 2014, net interest income increased 50.4% to \$144.7 million from \$96.2 million in 2013.

For the year ended December 31, 2014, interest revenue increased 30.5% to \$186.0 million from \$142.5 million in 2013, principally as a result of a \$41.7 million increase in interest revenue generated from the growth in interest-earning assets of Stifel Bank. The average interest-earning assets of Stifel Bank increased to \$5.0 billion during the year ended December 31, 2014, compared to \$4.2 billion in 2013 at average interest rates of 2.87% and 2.42%, respectively.

For the year ended December 31, 2014, interest expense decreased 11.0% to \$41.3 million from \$46.4 million in 2013. The decrease is primarily attributable to a decline in interest expense paid on the interest-bearing liabilities of Stifel Bank and the payoff of our non-recourse debt during the fourth quarter of 2013, partially offset by the interest expense associated with our July 2014 issuance of \$300.0 million of 4.250% senior notes.

#### NON-INTEREST EXPENSES

The following table presents consolidated non-interest expenses for the periods indicated (in thousands, except percentages):

	For the Year Ended December 31,			Percentage Change	
	2015	2014	2013	2015	2014
				vs. 2014	vs. 2013
<b>Non-interest expenses:</b>					
Compensation and benefits	\$1,568,862	\$1,403,932	\$1,311,386	11.7%	7.1%
Occupancy and equipment rental	207,465	169,040	158,268	22.7	6.8
Communications and office supplies	130,678	106,926	99,726	22.2	7.2
Commissions and floor brokerage	42,518	36,555	37,225	16.3	(1.8)
Other operating expenses	240,504	201,177	181,612	19.5	10.8
<b>Total non-interest expenses</b>	<b>\$2,190,027</b>	<b>\$1,917,630</b>	<b>\$1,788,217</b>	<b>14.2%</b>	<b>7.2%</b>

#### Year Ended December 31, 2015 Compared With Year Ended December 31, 2014

Except as noted in the following discussion of variances, the underlying reasons for the increase in non-interest expenses can be attributed principally to our continued expansion, both organically and through our acquisitions, and increased administrative overhead to support the growth in our segments.

**Compensation and benefits** – Compensation and benefits expenses, which are the largest component of our expenses, include salaries, bonuses, transition pay, benefits, amortization of stock-based compensation, employment taxes, and other employee-related costs. A significant portion of compensation expense is comprised of production-based variable compensation, including discretionary bonuses, which fluctuates in proportion to the level of business activity, increasing with higher revenues and operating profits. Other compensation costs, including base salaries, stock-based compensation amortization, and benefits, are more fixed in nature.

For the year ended December 31, 2015, compensation and benefits expense increased 11.7% to \$1.57 billion from \$1.40 billion in 2014. The increase is principally due to the following: 1) increased variable compensation as a result of increased revenue production; 2) an increase in fixed compensation for additional administrative support staff; and



3) increased headcount.

Compensation and benefits expense for the year ended December 31, 2015, includes a non-cash charge of \$23.8 million (pre-tax) related to the expensing of certain restricted stock awards granted to employees of Sterne, at the closing date of the acquisitions. There were no continuing service requirements associated with these restricted stock awards, and accordingly, they were expensed on the date of grant.

Compensation and benefits expense as a percentage of net revenues was 67.3% for the year ended December 31, 2015, compared to 63.6% for the year ended December 31, 2014.

A portion of compensation and benefits expenses includes transition pay, principally in the form of upfront notes, signing bonuses, and retention awards in connection with our continuing expansion efforts, of \$115.5 million (5.0% of net revenues) for the year ended December 31, 2015, compared to \$104.2 million (4.7% of net revenues) in 2014. The upfront notes are amortized over a five- to ten-year period.

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Occupancy and equipment rental – For the year ended December 31, 2015, occupancy and equipment rental expense increased 22.7% to \$207.5 million from \$169.0 million in 2014. The increase is primarily due to the increase in rent and depreciation expense due to an increase in office locations. As of December 31, 2015, we have 402 locations compared to 367 at December 31, 2014.

Communications and office supplies – Communications expense includes costs for telecommunication and data transmission, primarily for obtaining third-party market data information. For the year ended December 31, 2015, communications and office supplies expense increased 22.2% to \$130.7 million from \$106.9 million in 2014. The increase is primarily attributable to our growth from our acquisitions and the addition of revenue producers and support staff.

Commissions and floor brokerage – For the year ended December 31, 2015, commissions and floor brokerage expense increased 16.3% to \$42.5 million from \$36.6 million in 2014. The increase is primarily attributable to an increase in trade execution costs.

Other operating expenses – Other operating expenses primarily include license and registration fees, litigation-related expenses, which consist of amounts we reserve and/or payout for legal and regulatory matters, travel and entertainment, promotional, and professional service expenses.

For the year ended December 31, 2015, other operating expenses increased 19.5% to \$240.5 million from \$201.2 million in 2014. The increase is primarily attributable to an increase in legal expenses, professional service fees in connection with our acquisition and regulatory compliance enhancement measures, travel and promotion, and license fees.

Provision for income taxes – For the year ended December 31, 2015, our provision for income taxes was \$49.2 million, representing an effective tax rate of 34.8%, compared to \$111.7 million in 2014, representing an effective tax rate of 38.4%. The provision for income taxes for the year ended December 31, 2015, was impacted by the recognition of a U.S. tax benefit due to a realized loss on our investment in Sterne UK Ltd.

#### Year Ended December 31, 2014 Compared With Year Ended December 31, 2013

Except as noted in the following discussion of variances, the underlying reasons for the increase in non-interest expenses can be attributed principally to our continued expansion, both organically and through our acquisitions, and increased administrative overhead to support the growth in our segments.

Compensation and benefits – For the year ended December 31, 2014, compensation and benefits expense increased 7.1% to \$1.40 billion from \$1.31 billion in 2013. The increase is principally due to the following: 1) increased variable compensation as a result of increased revenue production and profitability; 2) an increase in fixed compensation for the additional administrative support staff; and 3) increased headcount.

Compensation and benefits expense for the year ended December 31, 2014, includes a non-cash charge of \$17.9 million (pre-tax) related to the expensing of certain restricted stock awards granted to employees of Oriel and 1919 Investment Counsel at the respective closing dates of those acquisitions. There were no continuing service requirements associated with these restricted stock awards, and accordingly, they were expensed on the date of grant.

Compensation and benefits expense as a percentage of net revenues was 63.6% for the year ended December 31, 2014, compared to 66.5% for the year ended December 31, 2013.

Compensation and benefits expenses includes transition pay, principally in the form of upfront notes, signing bonuses, and retention awards in connection with our continuing expansion efforts, of \$104.2 million (4.7% of net revenues) for the year ended December 31, 2014, compared to \$91.5 million (4.6% of net revenues) in 2013. The upfront notes

are amortized over a five- to ten-year period.

Occupancy and equipment rental – For the year ended December 31, 2014, occupancy and equipment rental expense increased 6.8% to \$169.0 million from \$158.3 million in 2013. The increase is primarily due to the increase in rent and depreciation expense due to an increase in office locations. As of December 31, 2014, we have 367 locations compared to 357 at December 31, 2013.

Communications and office supplies – For the year ended December 31, 2014, communications and office supplies expense increased 7.2% to \$106.9 million from \$99.7 million in 2013. The increase is primarily attributable to our growth from our acquisitions and the addition of revenue producers and support staff.

Commissions and floor brokerage – For the year ended December 31, 2014, commissions and floor brokerage expense decreased 1.8% to \$36.6 million from \$37.2 million in 2013. The decrease is primarily attributable to a decrease in trade execution costs.

Other operating expenses – For the year ended December 31, 2014, other operating expenses increased 10.8% to \$201.2 million from \$181.6 million during in 2013. The increase is primarily attributable to an increase in legal expenses, professional service fees in connection with our acquisition and regulatory compliance enhancement measures, travel and promotion, and license fees.

Provision for income taxes – For the year ended December 31, 2014, our provision for income taxes was \$111.7 million, representing an effective tax rate of 38.4%, compared to \$12.3 million in 2013, representing an effective tax rate of 6.7%. The provision for income taxes for the year ended December 31, 2014, was impacted by the decrease in the valuation allowance related to certain state credits and foreign net operating losses that we have determined to be more likely than not realizable. The provision for income taxes for the year ended December 31, 2014, was impacted by the U.S. tax benefit arising out of our company's investment in SN Canada.

## DISCONTINUED OPERATIONS

SN Canada ceased business operations as of September 30, 2013. The results of SN Canada, previously reported in the Institutional Group segment, are classified as discontinued operations for all periods presented.

(in thousands)	Year Ended December	
	2014	2013
Net revenues	\$(121)	\$11,794
Restructuring expense	— 217	6,881
Operating expenses	— 3,924	15,697
Total non-interest expenses	— 4,141	22,578
Loss from discontinued operations before		
income taxes	— (4,262)	(10,784)
Income tax expense/(benefit)	(1,199)	110
Loss from discontinued operations, net of tax	\$—\$(3,063)	\$(10,894)

See Note 4 to our consolidated financial statements for further discussion of our discontinued operations.

## SEGMENT PERFORMANCE FROM CONTINUING OPERATIONS

Our reportable segments include Global Wealth Management, Institutional Group, and Other.

Our Global Wealth Management segment consists of two businesses, the Private Client Group and Stifel Bank. The Private Client Group includes branch offices and independent contractor offices of our broker-dealer subsidiaries located throughout the United States. These branches provide securities brokerage services, including the sale of equities, mutual funds, fixed income products, and insurance, as well as offering banking products to their private clients through Stifel Bank, which provides residential, consumer, and commercial lending, as well as FDIC-insured deposit accounts to customers of our broker-dealer subsidiaries and to the general public.

The success of our Global Wealth Management segment is dependent upon the quality of our products, services, financial advisors, and support personnel, including our ability to attract, retain, and motivate a sufficient number of these associates. We face competition for qualified associates from major financial services companies, including other brokerage firms, insurance companies, banking institutions, and discount brokerage firms. Segment revenue growth, operating income, and segment pre-tax operating margin are used to evaluate and measure segment

performance by our management team in deciding how to allocate resources and in assessing performance.

The Institutional Group segment includes institutional sales and trading. It provides securities brokerage, trading, and research services to institutions with an emphasis on the sale of equity and fixed income products. This segment also includes the management of and participation in underwritings for both corporate and public finance (exclusive of sales credits generated through the private client group, which are included in the Global Wealth Management segment), merger and acquisition, and financial advisory services.

The success of our Institutional Group segment is dependent upon the quality of our personnel, the quality and selection of our investment products and services, pricing (such as execution pricing and fee levels), and reputation. Segment operating income and segment pre-tax operating margin are used to evaluate and measure segment performance by our management team in deciding how to allocate resources and in assessing performance.

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The Other segment includes interest income from stock borrow activities, unallocated interest expense, interest income and gains and losses from investments held, and all unallocated overhead cost associated with the execution of orders; processing of securities transactions; custody of client securities; receipt, identification, and delivery of funds and securities; compliance with regulatory and legal requirements; internal financial accounting and controls; and general administration.

Results of Operations – Global Wealth Management

The following table presents consolidated financial information for the Global Wealth Management segment for the periods indicated (in thousands, except percentages):

	For the Year Ended December 31,			Change		As a Percentage of		
	2015	2014	2013	2015 vs. 2014	2014 vs. 2013	Net Revenues		
						for the Year Ended		
						December 31,		
	2015	2014	2013	2015 vs. 2014	2014 vs. 2013	2015	2014	2013
<b>Revenues:</b>								
Commissions	\$504,206	\$453,730	\$428,610	11.1 %	5.9 %	36.6 %	36.8 %	38.4 %
Principal transactions	148,475	184,476	204,194	(19.5 )	(9.7 )	10.8	15.0	18.3
Asset management and service fees	492,814	385,182	304,541	27.9	26.5	35.8	31.2	27.3
Interest	164,793	166,402	122,413	(1.0 )	35.9	12.0	13.5	10.9
Investment banking	43,687	45,768	49,921	(4.5 )	(8.3 )	3.2	3.7	4.4
Other income	33,742	8,801	25,165	283.4	(65.0)	2.4	0.7	2.3
Total revenues	1,387,717	1,244,359	1,134,844	11.5	9.7	100.8	100.9	101.6
Interest expense	10,404	11,708	17,665	(11.1 )	(33.7)	0.8	0.9	1.6
Net revenues	1,377,313	1,232,651	1,117,179	11.7	10.3	100.0	100.0	100.0
<b>Non-interest expenses:</b>								
Compensation and benefits	781,573	703,679	648,681	11.1	8.5	56.7	57.1	58.1
Occupancy and equipment rental	82,015	71,526	65,686	14.7	8.9	6.0	5.8	5.8
Communication and office supplies	46,825	38,779	36,897	20.7	5.1	3.4	3.2	3.3
Commissions and floor brokerage	17,431	13,913	15,185	25.3	(8.4 )	1.3	1.1	1.4
Other operating expenses	67,343	57,776	51,158	16.6	12.9	4.9	4.7	4.6
Total non-interest expenses	995,187	885,673	817,607	12.4	8.3	72.3	71.9	73.2
Income before income taxes	\$382,126	\$346,978	\$299,572	10.1 %	15.8 %	27.7 %	28.1 %	26.8 %

	December 31,		
	2015	2014	2013
Branch offices (actual)	361	330	316
Financial advisors (actual)	2,172	1,965	1,934
Independent contractors (actual)	719	138	143

Year Ended December 31, 2015 Compared With Year Ended December 31, 2014

## NET REVENUES

For the year ended December 31, 2015, Global Wealth Management net revenues increased 11.7% to a record \$1.38 billion from \$1.23 billion in 2014. The increase in net revenues for the year ended December 31, 2015, over 2014, is primarily attributable to growth in asset management and service fees, as a result of the acquisitions of 1919 in November 2014 and Sterne in June 2015; an increase in commission revenues; and an increase in other income. The increase in net revenues was partially offset by a decline in principal transaction revenues and investment banking revenues.

**Commissions** – For the year ended December 31, 2015, commission revenues increased 11.1% to \$504.2 million from \$453.7 million in 2014. The increase is primarily attributable to an increase in agency transactions in equities, mutual funds, and insurance products, partially offset by lower trading volumes impacting the environment for both us and the industry.

**Principal transactions** – For the year ended December 31, 2015, principal transactions revenues decreased 19.5% to \$148.5 million from \$184.5 million in 2014. The decrease is primarily attributable to a decrease in fixed income products as a result of lower trading volumes and the current, low interest rate environment.

**Asset management and service fees** – For the year ended December 31, 2015, asset management and service fees increased 27.9% to \$492.8 million from \$385.2 million in 2014. The increase is primarily a result of an increase in assets under management in our fee-based accounts. Fee-based account revenues are billed in arrears based on values as of the prior period end. The value of assets in fee-based accounts at December 31, 2015 increased 20.9% to \$42.2 billion from \$34.9 billion at December 31, 2014, of which 52.9% is attributable to net inflows and 47.1% is attributable to market appreciation. The number of fee-based accounts at December 31, 2015, increased 19.4% from December 31, 2014.

**Interest revenue** – For the year ended December 31, 2015, interest revenue decreased 1.0% to \$164.8 million from \$166.4 million in 2014. The decrease is primarily due lower interest rates on interest-earning assets of Stifel Bank. See “Net Interest Income – Stifel Bank” below for a further discussion of the changes in net revenues.

**Investment banking** – Investment banking, which represents sales credits for investment banking underwritings, decreased 4.5% to \$43.7 million for the year ended December 31, 2015, from \$45.8 million in 2014. The decrease is primarily attributable to a decrease in corporate equity sales credits from 2014.

**Other income** – For the year ended December 31, 2015, other income increased 283.4% to \$33.7 million from \$8.8 million in 2014. The increase is primarily attributable to the sale of a portion of the Acacia loan portfolio and an increase in mortgage fees from loan originations at Stifel Bank, partially offset by investment losses.

**Interest expense** – For the year ended December 31, 2015, interest expense decreased 11.1% to \$10.4 million from \$11.7 million in 2014. The decrease is primarily attributable to lower interest expense on the interest-bearing liabilities of Stifel Bank, which is driven by the run-off of the time deposits from the Acacia acquisition and amortization of the notional value of our interest rate derivatives.

## NON-INTEREST EXPENSES

For the year ended December 31, 2015, Global Wealth Management non-interest expenses increased 12.4% to \$995.2 million from \$885.7 million in 2014.



The fluctuations in non-interest expenses, discussed below, were primarily attributable to the continued growth of our Private Client Group. As of December 31, 2015, we have 362 branch offices compared to 330 at December 31, 2014. In addition, since December 31, 2014, we have added 329 financial advisors and 454 support staff.

Compensation and benefits – For the year ended December 31, 2015, compensation and benefits expense increased 11.1% to \$781.6 million from \$703.7 million in 2014. The increase is principally due to increased variable compensation as a result of increased production due to the growth in financial advisors and fixed compensation for the additional administrative support staff. Compensation and benefits expense as a percentage of net revenues was 56.7% for the year ended December 31, 2015, compared to 57.1% in 2014.

A portion of compensation and benefits expenses includes transition pay, principally in the form of upfront notes, signing bonuses, and retention awards in connection with our continuing expansion efforts, of \$60.7 million (4.4% of net revenues) for the year ended December 31, 2015, compared to \$65.5 million (5.3% of net revenues) in 2014. The upfront notes are amortized over a five- to ten-year period.

Occupancy and equipment rental – For the year ended December 31, 2015, occupancy and equipment rental expense increased 14.7% to \$82.0 million from \$71.5 million in 2014. The increase is primarily due to the increase in office locations.

Communications and office supplies – For the year ended December 31, 2015, communications and office supplies expense increased 20.7% to \$46.8 million from \$38.8 million in 2014. The increase is primarily attributable to higher office supplies expense as a result of the continued expansion of the segment.

Commissions and floor brokerage – For the year ended December 31, 2015, commissions and floor brokerage expense increased 25.3% to \$17.4 million from \$13.9 million in 2014. The increase is primarily attributable to an increase in clearing fees.

Other operating expenses – For the year ended December 31, 2015, other operating expenses increased 16.6% to \$67.3 million from \$57.8 million in 2014. The increase in other operating expenses is primarily attributable to an increase in legal expenses and professional service fees.

#### INCOME BEFORE INCOME TAXES

For the year ended December 31, 2015, income before income taxes increased 10.1% to \$382.1 million from \$347.0 million in 2014. Profit margins (income before income taxes as a percent of net revenues) were impacted by an increase in operating expenses.

Year Ended December 31, 2014 Compared With Year Ended December 31, 2013

#### NET REVENUES

For the year ended December 31, 2014, Global Wealth Management net revenues increased 10.3% to \$1.23 billion from \$1.12 billion in 2013. The increase in net revenues for the year ended December 31, 2014, over 2013, is primarily attributable to growth in asset management and service fees; increased net interest revenues; and an increase in commission revenues. The increase in net revenues was partially offset by a decline in principal transaction revenues, other income, and investment banking revenues.

Commissions – For the year ended December 31, 2014, commission revenues increased 5.9% to \$453.7 million from \$428.6 million in 2013. The increase is primarily attributable to an increase in agency transactions in equities, mutual funds, and insurance products, partially offset by lower trading volumes impacting the environment for both us and the industry.

Principal transactions – For the year ended December 31, 2014, principal transactions revenues decreased 9.7% to \$184.5 million from \$204.2 million in 2013. The decrease is primarily attributable to a decrease in fixed income products as a result of lower trading volumes and the current, low interest rate environment.

Asset management and service fees – For the year ended December 31, 2014, asset management and service fees increased 26.5% to \$385.2 million from \$304.5 million in 2013. The increase is primarily a result of an increase in assets under management in our fee-based accounts. Fee-based account revenues are billed in arrears based on values as of the prior period end. The value of assets in fee-based accounts increased 20.4% to 34.9 billion from 29.0 billion at December 31, 2013, of which 52.9% is attributable to net inflows and 47.1% is attributable to market appreciation. The number of fee-based accounts at December 31, 2014, increased 15.4% from December 31, 2013.

Interest – For the year ended December 31, 2014, interest revenue increased 35.9% to \$166.4 million from \$122.4 million in 2013. The increase is primarily due to the growth of the interest-earning assets of Stifel Bank. This growth is driven by an increase in the loan portfolio, which has higher yields and increased interest rates on our investment

portfolio. See “Net Interest Income – Stifel Bank” below for a further discussion of the changes in net revenues.

Investment banking – Investment banking decreased 8.3% to \$45.8 million for the year ended December 31, 2014, from \$49.9 million in 2013. The decrease is primarily attributable to a decrease in corporate equity sales credits from 2014.

Other income – For the year ended December 31, 2014, other income decreased 65.0% to \$8.8 million from \$25.2 million 2013. The decrease from 2013 is primarily attributable to a decrease in mortgage fees from loan originations at Stifel Bank and investment losses.

Interest expense – For the year ended December 31, 2014, interest expense decreased 33.7% to \$11.7 million from \$17.7 million in 2013. The decrease is primarily attributable to lower interest expense on the interest-bearing liabilities of Stifel Bank, which is driven by the run-off of the time deposits from the Acacia Federal acquisition and amortization of the notional value of our interest rate derivatives.

## NON-INTEREST EXPENSES

For the year ended December 31, 2014, Global Wealth Management non-interest expenses increased 8.3% to \$885.7 million from \$817.6 million in 2013.

The fluctuations in non-interest expenses, discussed below, were primarily attributable to the continued growth of our Private Client Group. As of December 31, 2014, we have 330 branch offices compared to 316 at December 31, 2013. In addition, since December 31, 2013, we have added 123 financial advisors and 332 support staff.

Compensation and benefits – For the year ended December 31, 2014, compensation and benefits expense increased 8.5% to \$703.7 million from \$648.7 million in 2013. The increase is principally due to increased variable compensation as a result of increased production due to the growth in the number of financial advisors and fixed compensation for the additional administrative support staff. Compensation and benefits expense as a percentage of net revenues was 57.1% for the year ended December 31, 2014, compared to 58.1% for the year ended December 31, 2013.

Transition pay was \$65.5 million (5.3% of net revenues) for the year ended December 31, 2014, compared to \$65.8 million (5.9% of net revenues) for the year ended December 31, 2013.

Occupancy and equipment rental – For the year ended December 31, 2014, occupancy and equipment rental expense increased 8.9% to \$71.5 million from \$65.7 million in 2013. The increase is primarily due to the increase in office locations.

Communications and office supplies – For the year ended December 31, 2014, communications and office supplies expense increased 5.1% to \$38.8 million from \$36.9 million in 2013. The increase is primarily attributable to higher office supplies expense as a result of the continued expansion of the segment.

Commissions and floor brokerage – For the year ended December 31, 2014, commissions and floor brokerage expense decreased 8.4% to \$13.9 million from \$15.2 million in 2013. The decrease is primarily attributable to a decrease in clearing fees.

Other operating expenses – For the year ended December 31, 2014, other operating expenses increased 12.9% to \$57.8 million from \$51.2 million in 2013. The increase in other operating expenses is primarily attributable to an increase in legal expenses and professional service fees.

## INCOME BEFORE INCOME TAXES

For the year ended December 31, 2014, income before income taxes increased 15.8% to \$347.0 million from \$299.6 million in 2013. Profit margins (income before income taxes as a percent of net revenues) were positively impacted by revenue growth.

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The information required by Securities Act Guide 3 – Statistical Disclosure By Bank Holding Company is presented below:

I. Distribution of Assets, Liabilities, and Stockholders' Equity; Interest Rates and Interest Rate Differential

The following tables present average balance data and operating interest revenue and expense data for Stifel Bank, as well as related interest yields for the periods indicated (in thousands, except rates):

	For the Year Ended December 31, 2015			December 31, 2014			
	Average	Interest Income/ Expense	Average Interest Rate	Average	Interest Income/ Expense	Average Interest Rate	
	Balance			Balance			
<b>Assets:</b>							
Interest bearing cash and federal funds sold	\$65,827	\$163	0.25 %	\$172,052	\$420	0.24 %	
<b>State and municipal securities:</b>							
Taxable	—	—	—	8,403	512	6.09	
Tax-exempt <sup>1</sup>	76,257	2,706	3.55	77,395	3,706	4.79	
Mortgage-backed securities	1,093,898	25,206	2.30	1,373,446	36,248	2.64	
Corporate fixed income securities	307,047	6,694	2.18	470,790	10,157	2.16	
Asset-backed securities	863,137	19,181	2.22	966,022	20,903	2.16	
<b>Federal Home Loan Bank ("FHLB") and other</b>							
capital stock	20,776	722	3.48	8,090	32	0.40	
<b>Loans<sup>2</sup></b>							
Securities-based loans	948,840	21,063	2.22	599,777	14,207	2.37	
Commercial and industrial	1,158,936	37,167	3.21	775,632	27,498	3.55	
Consumer	23,158	378	1.63	3,221	76	2.36	
Residential real estate	395,775	16,869	4.26	375,672	24,808	6.60	
Commercial real estate	24,091	1,046	4.34	14,773	641	4.34	
Home equity lines of credit	12,233	334	2.73	14,229	384	2.70	
Construction and land	803	26	3.24	231	11	4.76	
Loans held for sale	172,832	5,286	3.06	122,056	3,543	2.90	
Total interest-earning assets <sup>3</sup>	5,163,610	136,841	2.65 %	4,981,789	\$143,146	2.87 %	
Cash and due from banks	2,985			3,526			
Other non-interest-earning assets	80,006			73,950			
Total assets	\$5,246,601			\$5,059,265			
<b>Liabilities and stockholders' equity:</b>							
<b>Deposits:</b>							
Money market	\$4,500,268	\$6,360	0.14 %	\$4,419,699	\$8,214	0.19 %	
Time deposits	39,278	860	2.19	133,842	(402)	(0.30)	
Demand deposits	76,262	42	0.06	63,158	33	0.05	
Savings	17	—	0.05	520	—	0.01	
FHLB advances	178,925	551	0.31	27,534	81	0.29	
Total interest-bearing liabilities <sup>3</sup>	4,794,750	7,813	0.16	4,644,753	7,926	0.17	
Non-interest-bearing deposits	19,004			20,345			
Other non-interest-bearing liabilities	31,155			23,188			
Total liabilities	4,844,909			4,688,286			

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Stockholders' equity	401,692				370,978			
Total liabilities and stockholders' equity	\$5,246,601				\$5,059,264			
Net interest margin		\$129,028	2.50	%		\$135,220	2.75	%

<sup>1</sup>Due to immaterial amount of income recognized on tax-exempt securities, yields were not calculated on a tax-equivalent basis.

<sup>2</sup>Loans on non-accrual status are included in average balances.

<sup>3</sup>See Net Interest Income table included in "Results of Operations" for additional information on our company's average balances and operating interest and expenses.

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	For the Year Ended December 31, 2013		
	Average	Interest Income/ Expense	Average Interest Rate
<b>Assets:</b>			
Federal funds sold	\$289,553	\$726	0.25 %
<b>State and municipal securities:</b>			
Taxable	113,111	3,938	3.48
Tax-exempt <sup>1</sup>	74,947	1,735	2.32
Mortgage-backed securities	1,248,829	28,685	2.3
Corporate fixed income securities	549,711	12,177	2.22
Asset-backed securities	740,426	15,590	2.11
FHLB and other capital stock	4,198	30	0.71
Loans <sup>2</sup>	1,122,086	35,868	3.27
Loans held for sale	81,546	2,740	3.36
Total interest-earning assets <sup>3</sup>	4,224,407	\$101,489	2.42 %
Cash and due from banks	8,126		
Other non-interest-earning assets	66,195		
Total assets	\$4,298,728		
<b>Liabilities and stockholders' equity:</b>			
<b>Deposits:</b>			
Money market	\$3,844,984	\$10,781	0.28 %
Demand deposits	43,288	908	2.10
Time deposits	72,091	45	0.06
Savings	2,683	5	0.20
FHLB advances	4,356	36	0.81
Total interest-bearing liabilities <sup>3</sup>	3,967,402	11,775	0.30
Non-interest-bearing deposits	11,182		
Other non-interest-bearing liabilities	24,088		
Total liabilities	4,002,672		
Stockholders' equity	296,056		
Total liabilities and stockholders' equity	\$4,298,728		
Net interest margin		\$89,714	2.14 %

<sup>1</sup>Due to immaterial amount of income recognized on tax-exempt securities, yields were not calculated on a tax-equivalent basis.

<sup>2</sup>Loans on non-accrual status are included in average balances.

<sup>3</sup>See Net Interest Income table included in "Results of Operations" for additional information on our company's average balances and operating interest and expenses.

Net interest income – Net interest income is the difference between interest earned on interest-earning assets and interest paid on funding sources. Net interest income is affected by changes in the volume and mix of these assets and liabilities, as well as by fluctuations in interest rates and portfolio management strategies.

For the year ended December 31, 2015, interest revenue for Stifel Bank of \$136.8 million was generated from weighted-average interest-earning assets of \$5.16 billion at a weighted-average interest rate of 2.65%. For the year

ended December 31, 2014, interest revenue for Stifel Bank of \$143.1 million was generated from weighted-average interest-earning assets of \$4.98 billion at a weighted-average interest rate of 2.87%. For the year ended December 31, 2013, interest revenue for Stifel Bank of \$101.5 million was generated from weighted-average interest-earning assets of \$4.22 billion at a weighted-average interest rate of 2.42%. Interest-earning assets principally consist of residential, consumer, and commercial loans, securities, and federal funds sold.

Interest expense represents interest on customer money market accounts, interest on time deposits, and other interest expense. The average balance of interest-bearing liabilities at Stifel Bank during the year ended December 31, 2015, was \$4.79 billion at a weighted-average interest rate of 0.16%. The average balance of interest-bearing liabilities at Stifel Bank during the year ended December 31, 2014, was \$4.64 billion at a weighted-average interest rate of 0.17%. The average balance of interest-bearing liabilities at Stifel Bank during the year ended December 31, 2013, was \$3.97 billion at a weighted-average interest rate of 0.30%.



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The growth in Stifel Bank has been primarily funded by the growth in deposits associated with brokerage customers of Stifel and, to a lesser extent, with FHLB advances. At December 31, 2015, the balance of Stifel brokerage customer deposits at Stifel Bank was \$6.6 billion compared to \$4.7 billion at December 31, 2014.

The following table sets forth an analysis of the effect on net interest income of volume and rate changes for the periods indicated (in thousands):

	Year Ended December 31, 2015			Year Ended December 31, 2014		
	Compared to Year Ended			Compared to Year Ended		
	December 31, 2014			December 31, 2013		
	Increase (decrease) due to:					
	Volume	Rate	Total	Volume	Rate	Total
<b>Interest income:</b>						
Federal funds sold	\$(263 )	\$6	\$(257 )	\$(287 )	\$(19 )	\$(306 )
<b>State and municipal securities:</b>						
Taxable	(256 )	(256 )	(512 )	(17,983)	14,557	(3,426 )
Tax-exempt	(54 )	(946 )	(1,000 )	55	1,916	1,971
Mortgage-backed securities	(6,801 )	(4,241 )	(11,042)	1,997	5,566	7,563
Corporate fixed income securities	(3,571 )	107	(3,464 )	(1,692 )	(328 )	(2,020 )
Asset-backed securities	(2,307 )	585	(1,722 )	4,870	443	5,313
FHLB and other capital stock	116	573	689	19	(17 )	2
Loans	25,451	(16,193)	9,258	27,454	4,303	31,757
Loans held for sale	4,448	(2,705 )	1,743	(1,158 )	1,961	803
	\$16,763	\$(23,070)	\$(6,307 )	\$13,275	\$28,382	\$41,657
<b>Interest expense:</b>						
<b>Deposits:</b>						
Money market	\$153	\$(2,006 )	\$(1,853 )	\$1,445	\$(4,012 )	\$(2,567 )
Time deposits	(118 )	1,380	1,262	495	(1,805 )	(1,310 )
Demand deposits	(4 )	13	9	(9 )	(3 )	(12 )
Savings	—	—	—	(2 )	(3 )	(5 )
FHLB advances	466	4	470	48	(3 )	45
	\$497	\$(609 )	\$(112 )	\$1,977	\$(5,826 )	\$(3,849 )

Increases and decreases in interest revenue and interest expense result from changes in average balances (volume) of interest-earning bank assets and liabilities, as well as changes in average interest rates. The effect of changes in volume is determined by multiplying the change in volume by the previous year's average yield/cost. Similarly, the effect of rate changes is calculated by multiplying the change in average yield/cost by the previous year's volume. Changes applicable to both volume and rate have been allocated proportionately.

## II. Investment Portfolio

The following tables provide a summary of the amortized cost and fair values of the available-for-sale and held-to-maturity securities for the periods indicated (in thousands):

	December 31, 2015			
		Gross		
	Amortized	Unrealized	Unrealized	Estimated
	Cost	Gains <sup>1</sup>	Losses <sup>1</sup>	Fair Value
<b>Available-for-sale securities</b>				
U.S. government agency securities	\$1,700	\$ 1	\$ (3 )	\$1,698
State and municipal securities	75,953	28	(1,814 )	74,167
<b>Mortgage-backed securities:</b>				
Agency	306,309	125	(1,541 )	304,893
Commercial	11,177	134	(1 )	11,310
Non-agency	2,679	2	(163 )	2,518
Corporate fixed income securities	321,017	743	(2,352 )	319,408
Asset-backed securities	922,563	774	(7,424 )	915,913
	\$1,641,398	\$ 1,807	\$ (13,298 )	\$1,629,907
<b>Held-to-maturity securities <sup>2</sup></b>				
<b>Mortgage-backed securities:</b>				
Agency	\$1,257,808	\$ 23,346	\$ (3,105 )	\$1,278,049
Commercial	59,521	1,832	—	61,353
Non-agency	929	—	(15 )	914
Asset-backed securities	496,996	2,076	(4,139 )	494,933
Corporate fixed income securities	40,145	—	(396 )	39,749
	\$1,855,399	\$ 27,254	\$ (7,655 )	\$1,874,998
	December 31, 2014			
		Gross		Estimated
	Amortized	Unrealized	Unrealized	Fair
	Cost	Gains <sup>1</sup>	Losses <sup>1</sup>	Value
<b>Available-for-sale securities</b>				
U.S. government agency securities	\$1,613	\$ 1	\$ (4 )	\$1,610
State and municipal securities	76,518	20	(2,137 )	74,401
<b>Mortgage-backed securities:</b>				
Agency	206,982	3,137	(913 )	209,206
Commercial	107,100	633	(89 )	107,644
Non-agency	3,186	5	(54 )	3,137
Corporate fixed income securities	336,210	2,016	(820 )	337,406
Asset-backed securities	788,908	1,321	(10,155 )	780,074
	\$1,520,517	\$ 7,133	\$ (14,172 )	\$1,513,478
<b>Held-to-maturity securities <sup>2</sup></b>				
<b>Mortgage-backed securities:</b>				
Agency	\$884,451	\$ 32,926	\$ (42 )	\$917,335

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Commercial	59,462	2,257	—	61,719
Non-agency	1,081	—	(17 )	1,064
Asset-backed securities	177,335	3,151	(2,645 )	177,841
Corporate fixed income securities	55,236	4	(1,223 )	54,017
	\$1,177,565	\$ 38,338	\$ (3,927 )	\$1,211,976

<sup>1</sup>Unrealized gains/(losses) related to available-for-sale securities are reported in other comprehensive income.

<sup>2</sup>Held-to-maturity securities are carried on the consolidated statements of financial condition at amortized cost, and the changes in the value of these securities, other than impairment charges, are not reported on the consolidated financial statements.

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	December 31, 2013			
		Gross	Gross	
	Amortized	Unrealized	Unrealized	Estimated
	Cost	Gains <sup>1</sup>	Losses <sup>1</sup>	Fair Value
<b>Available-for-sale securities</b>				
U.S. government agency securities	\$1,074	\$ —	\$ (2 )	\$1,072
State and municipal securities	96,475	739	(6,537 )	90,677
Mortgage-backed securities:				—
Agency	184,533	2,859	(3,405 )	183,987
Commercial	209,949	3,084	(1,787 )	211,246
Non-agency	4,547	72	—	4,619
Corporate fixed income securities	496,385	4,769	(2,838 )	498,316
Asset-backed securities	769,553	2,499	(5,716 )	766,336
	\$1,762,516	\$ 14,022	\$ (20,285 )	\$1,756,253
<b>Held-to-maturity securities <sup>2</sup></b>				
<b>Mortgage-backed securities:</b>				
Agency	\$968,759	\$ 1,156	\$ (7,915 )	\$962,000
Commercial	59,404	—	(186 )	59,218
Asset-backed securities	228,623	6,157	(2,774 )	232,006
Corporate fixed income securities	55,329	11	(2,605 )	52,735
	\$1,312,115	\$ 7,324	\$ (13,480 )	\$1,305,959

<sup>1</sup>Unrealized gains/(losses) related to available-for-sale securities are reported in other comprehensive income.

<sup>2</sup>Held-to-maturity securities are carried on the consolidated statements of financial condition at amortized cost, and the changes in the value of these securities, other than impairment charges, are not reported on the consolidated financial statements.

#### Other-Than-Temporary Impairment

We evaluate all securities in an unrealized loss position quarterly to assess whether the impairment is other-than-temporary. Our other-than-temporary impairment (“OTTI”) assessment is a subjective process requiring the use of judgments and assumptions. Accordingly, we consider a number of qualitative and quantitative criteria in our assessment, including the extent and duration of the impairment; recent events specific to the issuer and/or industry to which the issuer belongs; the payment structure of the security; external credit ratings and the failure of the issuer to make scheduled interest or principal payments; the value of underlying collateral; and current market conditions.

If we determine that impairment on our debt securities is other-than-temporary and we have made the decision to sell the security or it is more likely than not that we will be required to sell the security prior to recovery of its amortized cost basis, we recognize the entire portion of the impairment in earnings. If we have not made a decision to sell the security and we do not expect that we will be required to sell the security prior to recovery of the amortized cost basis, we recognize only the credit component of OTTI in earnings. The remaining unrealized loss due to factors other than credit, or the non-credit component, is recorded in accumulated other comprehensive loss. We determine the credit component based on the difference between the security’s amortized cost basis and the present value of its expected future cash flows, discounted based on the purchase yield. The non-credit component represents the difference between the security’s fair value and the present value of expected future cash flows. Based on the evaluation, we did not recognize any credit-related OTTI during the years ended December 31, 2015, 2014, and 2013 respectively.

We estimate the portion of loss attributable to credit using a discounted cash flow model. Key assumptions used in estimating the expected cash flows include default rates, loss severity, and prepayment rates. Assumptions used can vary widely based on the collateral underlying the securities and are influenced by factors such as collateral type, loan interest rate, geographical location of the borrower, and borrower characteristics.

We believe the gross unrealized losses related to all other securities of \$21.0 million as of December 31, 2015, are attributable to issuer-specific credit spreads and changes in market interest rates and asset spreads. We, therefore, do not expect to incur any credit losses related to these securities. In addition, we have no intent to sell these securities with unrealized losses, and it is not more likely than not that we will be required to sell these securities prior to recovery of the amortized cost. Accordingly, we have concluded that the impairment on these securities is not other-than-temporary.

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The maturities and related weighted-average yields of available-for-sale and held-to-maturity securities at December 31, 2015, are as follows (in thousands, except rates):

	Within 1 Year	1-5 Years	5-10 Years	After 10 Years	Total
<b>Available-for-sale:<sup>1</sup></b>					
U.S. government agency securities	\$701	\$997	\$—	\$—	\$1,698
State and municipal securities	—	—	7,333	66,834	74,167
<b>Mortgage-backed securities:</b>					
Agency	—	—	614	304,279	304,893
Commercial	—	—	—	11,310	11,310
Non-agency	—	67	—	2,451	2,518
Corporate fixed income securities	9,023	256,001	54,384	—	319,408
Asset-backed securities	—	—	209,429	706,484	915,913
	\$9,724	\$257,065	\$271,760	\$1,091,358	\$1,629,907
<b>Held-to-maturity:</b>					
<b>Mortgage-backed securities:</b>					
Agency	\$—	\$—	\$210,179	\$1,047,629	\$1,257,808
Commercial	—	—	59,521	—	59,521
Non-agency	—	—	—	929	929
Asset-backed securities	—	—	—	496,996	496,996
Corporate fixed income securities	—	40,145	—	—	40,145
	\$—	\$40,145	\$269,700	\$1,545,554	\$1,855,399
<b>Weighted-average yield<sup>2</sup></b>	<b>2.72 %</b>	<b>2.23 %</b>	<b>2.17 %</b>	<b>2.22 %</b>	<b>2.24 %</b>

<sup>1</sup>Due to the immaterial amount of income recognized on tax-exempt securities, yields were not calculated on a tax equivalent basis.

<sup>2</sup>The weighted-average yield is computed using the expected maturity of each security weighted based on the amortized cost of each security.

We did not hold securities from any single issuer that exceeded ten percent of our shareholders' equity at December 31, 2015.

### III. Loan Portfolio

The following table presents the balance and associated percentage of each major loan category in Stifel Bank's loan portfolio held for investment for the periods indicated (in thousands):

	As of December 31,				
	2015	2014	2013	2012	2011
Securities-based loans	\$1,388,953	\$732,799	\$508,866	\$425,295	\$371,309
Commercial and industrial	1,216,656	896,853	552,333	300,034	186,996
Consumer	36,846	25,489	618	87	90
Residential real estate	429,132	432,646	372,789	65,657	51,755
Commercial real estate	92,623	15,902	12,284	12,805	3,107
Home equity lines of credit	12,475	12,945	16,327	19,531	24,086

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Construction and land	3,899	—	490	510	514
Total Gross loans	3,180,584	2,116,634	1,463,707	823,919	637,857
Unamortized loan discount	(5,296 )	(30,533 )	(45,100 )	—	—
Unamortized loan origination costs, net of loan fees	(1,567 )	(1,631 )	(1,920 )	(1,207 )	(421 )
Loans in process	(419 )	1,681	334	1,370	4
Allowance for loan losses	(29,787 )	(20,731 )	(12,668 )	(8,145 )	(5,300 )
	\$3,143,515	\$2,065,420	\$1,404,353	\$815,937	\$632,140

The maturities of the loan portfolio at December 31, 2015, are as follows (in thousands):

Within 1 Year	1-5 Years	Over 5 Years	Total
\$1,448,404	\$868,825	\$863,355	\$3,180,584

The sensitivity of loans with maturities in excess of one year at December 31, 2015, is as follows (in thousands):

	1-5 Years	Over 5 Years	Total
Variable or adjustable rate loans	\$836,289	\$812,270	\$1,648,559
Fixed rate loans	32,536	51,085	83,621
	\$868,825	\$863,355	\$1,732,180

Changes in the allowance for loan losses at Stifel Bank were as follows (in thousands):

	Year Ended December 31,				
	2015	2014	2013	2012	2011
Allowance for loan losses, beginning of period	\$20,731	\$12,668	\$8,145	\$5,300	\$2,331
Provision for loan losses	9,069	8,531	8,842	3,004	2,925
Charge-offs:					
Commercial and industrial	—	(510 )	(3,864 )	—	—
Residential real estate	(144 )	—	(501 )	(254 )	(5 )
Consumer	—	(16 )	—	—	—
Commercial real estate	—	—	—	—	(5 )
Other	—	(5 )	(7 )	—	—
Total charge-offs	(144 )	(531 )	(4,372 )	(254 )	(10 )
Recoveries	131	63	53	95	54
Allowance for loan losses, end of period	\$29,787	\$20,731	\$12,668	\$8,145	\$5,300
Net charge-offs to average bank loans outstanding, net	0.05 %	0.03 %	0.40 %	0.02 %	(0.01 )%

The following is a breakdown of the allowance for loan losses by type for the periods indicated (in thousands, except rates):

	December 31, 2015		December 31, 2014	
	Balance	Percent <sup>1</sup>	Balance	Percent <sup>1</sup>
Commercial and industrial	\$24,748	38.2 %	\$16,609	42.4 %
Securities-based loans	1,607	43.7	1,099	34.6
Consumer	105	1.2	156	1.2



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Residential real estate	1,241	13.5	787	20.4
Home equity lines of credit	290	0.4	267	0.6
Commercial real estate	264	2.9	232	0.8
Construction and land	78	0.1	—	—
Qualitative	1,454	—	1,581	—
	\$29,787	100.0 %	\$20,731	100.0 %

	December 31, 2013		December 31, 2012	
	Balance	Percent <sup>1</sup>	Balance	Percent <sup>1</sup>
Commercial and industrial	\$9,832	37.7 %	\$5,450	36.4 %
Securities-based loans	892	34.9	638	51.6
Commercial real estate	198	0.8	691	1.5
Consumer	—	—	9	—
Residential real estate	408	25.5	408	8.0
Home equity lines of credit	174	1.1	195	2.4
Construction and land	12	—	13	0.1
Qualitative	1,152	—	741	—
	\$12,668	100.0 %	\$8,145	100.0 %

<sup>1</sup>Loan category as a percentage of total loan portfolio.

	December 31, 2011	
	Balance	Percent <sup>1</sup>
Commercial and industrial	\$2,595	29.3 %
Securities-based loans	501	58.2
Commercial real estate	633	0.5
Consumer	9	—
Residential real estate	679	8.1
Home equity lines of credit	—	—
Construction and land	—	—
Qualitative	883	3.9
	\$5,300	100.0 %

<sup>1</sup>Loan category as a percentage of total loan portfolio.

A loan is determined to be impaired usually when principal or interest becomes 90 days past due or when collection becomes uncertain. At the time a loan is determined to be impaired, the accrual of interest and amortization of deferred loan origination fees is discontinued (“non-accrual status”), and any accrued and unpaid interest income is reversed. At December 31, 2015, we had \$0.9 million of non-accrual loans, net of discounts, which included \$0.2 million in troubled debt restructurings, for which there was a specific allowance of \$0.2 million. At December 31, 2014, 2013, 2012, and 2011, we had \$4.9 million, \$1.5 million, \$1.8 million, and \$2.5 million of non-accrual loans, respectively, which included \$1.0 million, \$0.4 million, \$1.6 million, and \$0.3 million of trouble debt restructurings, respectively, for which there was a specific allowance of \$0.3 million, \$0.2 million, \$0.6 million, and \$0.6 million, respectively.

The gross interest income related to impaired loans, which would have been recorded had these loans been current in accordance with their original terms, and the interest income recognized on these loans during the years ended December 31, 2015, 2014, 2013, 2012, and 2011, were insignificant to the consolidated financial statements.

See the section entitled “Critical Accounting Policies and Estimates” herein regarding our policies for establishing loan loss reserves, including placing loans on non-accrual status.

#### IV. Deposits

Deposits consist of money market and savings accounts, certificates of deposit, and demand deposits. The average balances of deposits and the associated weighted-average interest rates for the periods indicated are as follows (in thousands, except percentages):

	Year Ended December 31, 2015		2014		2013	
	Average	Average	Average	Average	Average	Average
	Balance	Interest Rate	Balance	Interest Rate	Balance	Interest Rate
Demand deposits (interest-bearing)	\$4,576,642	0.05 %	\$4,473,104	0.05 %	\$3,847,886	0.30 %
Certificates of deposit (time deposits)	\$39,278	2.19 %	\$97,854	0.31 %	\$43,288	2.10 %
Demand deposits (non-interest-bearing)	\$18,510	*	\$17,710	*	\$69,189	*

Savings accounts	\$17	0.05	%	\$38	0.05	%	\$2,683	0.20	%
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\*Not applicable.

Scheduled maturities of certificates of deposit greater than \$100,000 at December 31, 2015, were as follows (in thousands):

	Over				
	0-3	3-6	6-12	12	Total
	Months	Months	Months	Months	
	\$ 1,566	\$ 1,442	\$ 2,456	\$ 2,259	\$ 7,723

## V. Return on Equity and Assets

	Year Ended December 31,		
	2015	2014	2013
Return on assets (net income as a percentage of average total assets)	0.88 %	1.86 %	1.89 %
Return on equity (net income as a percentage of average shareholders' equity)	3.74 %	7.97 %	8.25 %
Dividend payout ratio <sup>1</sup>	—%	—%	—%
Equity to assets ratio (average shareholders' equity as a percentage of average total assets)	23.43 %	23.42 %	22.93 %

<sup>1</sup>We did not declare or pay any dividends during 2015, 2014, or 2013.

## VI. Short-Term Borrowings

The following is a summary of our short-term borrowings for the periods indicated (in thousands, except rates):

	Short-Term Borrowings	Stock Loan
Year Ended December 31, 2015:		
Amount outstanding at December 31, 2015	\$ 30,000	\$ 329,670
Weighted-average interest rate thereon	1.13 %	0.65 %
Maximum amount outstanding at any month-end	\$ 465,648	\$ 329,670
Average amount outstanding during the year	\$ 45,492	\$ 62,771
Weighted-average interest rate thereon	1.25 %	0.65 %
Year Ended December 31, 2014:		
Amount outstanding at December 31, 2014	\$ —	\$ 4,215
Weighted-average interest rate thereon	— %	nm
Maximum amount outstanding at any month-end	\$ 414,900	\$ 79,164
Average amount outstanding during the year	\$ 97,815	\$ 45,758
Weighted-average interest rate thereon	1.12 %	0.17 %
Year Ended December 31, 2013:		
Amount outstanding at December 31, 2013	\$ 55,700	\$ 40,101
Weighted-average interest rate thereon	1.22 %	0.16 %
Maximum amount outstanding at any month-end	\$ 546,200	\$ 176,771
Average amount outstanding during the year	\$ 252,948	\$ 91,194
Weighted-average interest rate thereon	1.26 %	0.17 %

## Results of Operations – Institutional Group

The following table presents consolidated financial information for the Institutional Group segment for the periods indicated (in thousands, except percentages):

	For the Year Ended December 31,			Change		As a Percentage of					
				2015	2014	Net Revenues			for the Year Ended		
	2015	2014	2013	vs. 2014	vs. 2013	2015	2014	2013	2015	2014	2013
<b>Revenues:</b>											
Commissions	\$241,528	\$220,689	\$211,989	9.4 %	4.1 %	24.8 %	22.1 %	24.5 %			
Principal transactions	244,646	225,347	211,576	8.6	6.5	25.1	22.6	24.5			
Capital raising	264,858	259,587	198,463	2.0	30.8	27.1	26.0	23.0			
Advisory fees	192,584	273,333	202,253	(29.5)	35.1	19.7	27.4	23.4			
Investment banking	457,442	532,920	400,716	(14.2)	33.0	46.8	53.4	46.4			
Interest	15,053	21,801	18,544	(31.0)	17.6	1.5	2.2	2.1			
Other income	26,594	5,695	34,040	367.0	(83.3)	2.8	0.6	3.9			
Total revenues	985,263	1,006,452	876,865	(2.1)	14.8	101.0	100.9	101.4			
Interest expense	9,669	9,381	12,494	3.1	(24.9)	1.0	0.9	1.4			
Net revenues	975,594	997,071	864,371	(2.2)	15.4	100.0	100.0	100.0			
<b>Non-interest expenses:</b>											
Compensation and benefits	596,561	612,330	522,873	(2.6)	17.1	61.1	61.4	60.5			
Occupancy and equipment rental	49,808	47,207	45,824	5.5	3.0	5.1	4.7	5.3			
Communication and office supplies	64,168	55,570	48,192	15.5	15.3	6.6	5.6	5.6			
Commissions and floor brokerage	25,087	22,642	22,039	10.8	2.7	2.6	2.3	2.5			
Other operating expenses	98,928	93,776	75,844	5.5	23.6	10.1	9.4	8.8			
Total non-interest expenses	834,552	831,525	714,772	0.4	16.3	85.5	83.4	82.7			
Income before income taxes	\$141,042	\$165,546	\$149,599	(14.8)%	10.7%	14.5%	16.6%	17.3%			

Year Ended December 31, 2015 Compared With Year Ended December 31, 2014

## NET REVENUES

For the year ended December 31, 2015, Institutional Group net revenues decreased 2.2% to \$975.6 million from \$997.1 million in 2014. The decrease in net revenues for the year ended December 31, 2015, over 2014, was primarily attributable to a decrease in advisory fees. The decrease was offset by improved capital-raising revenues and growth of brokerage revenues.

Commissions – For the year ended December 31, 2015, commission revenues increased 9.4% to \$241.5 million from \$220.7 million in 2014.

Principal transactions – For the year ended December 31, 2015, principal transactions revenues increased 8.6% to \$244.6 million from \$225.3 million in 2014.

For the year ended December 31, 2015, equity brokerage revenues decreased 5.9% to \$235.2 million from \$249.8 million in 2014. The decrease is a result of industry-wide declines in volume.

For the year ended December 31, 2015, fixed income brokerage revenues increased 27.9% to \$251.0 million from \$196.2 million in 2014. The increase is primarily attributable to an improvement in fixed income trading volumes, as a result of the acquisition of the Sterne fixed income business in June 2015.

Investment banking – For the year ended December 31, 2015, investment banking revenues decreased 14.2% to \$457.4 million from \$532.9 million in 2014. The decrease is attributable to lower advisory fees, offset by higher capital-raising revenues in 2015.

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For the year ended December 31, 2015, capital-raising revenues increased 2.0% to \$264.9 million from \$259.6 million in 2014. The increase is primarily attributable to an increase in the number of advisory transactions over the comparable periods in 2014.

For the year ended December 31, 2015, equity capital-raising revenues decreased 20.0% to \$161.7 million from \$202.1 million in 2014. The decrease was primarily attributable to a decrease in the number of transactions over 2014.

For the year ended December 31, 2015, fixed income capital-raising revenues increased 79.5% to \$103.2 million from \$57.5 million in 2014. The increase is primarily attributable to an increase in the municipal bond origination business, primarily as a result of our acquisition of Sterne Agee in June 2015.

For the year ended December 31, 2015, strategic advisory fees decreased 29.5% to \$192.6 million from \$273.3 million in 2014.

Other income – For the year ended December 31, 2015, other income increased 367.0% to \$26.6 million from \$5.7 million in 2014.

### NON-INTEREST EXPENSES

For the year ended December 31, 2015, Institutional Group non-interest expenses increased 0.4% to \$834.6 million from \$831.5 million in 2014.

Unless specifically discussed below, the fluctuations in non-interest expenses were primarily attributable to the continued growth of our Institutional Group segment. We have added 355 revenue producers and 91 support staff since December 31, 2014.

Compensation and benefits – For the year ended December 31, 2015, compensation and benefits expense decreased 2.6% to \$596.6 million from \$612.3 million in 2014. The decrease is principally due to a decrease in variable compensation, offset by an increase in fixed compensation for the additional administrative support staff. Compensation and benefits expense as a percentage of net revenues was 61.1% for the year ended December 31, 2015, compared to 61.4% in 2014.

Occupancy and equipment rental – For the year ended December 31, 2015, occupancy and equipment rental expense increased 5.5% to \$49.8 million from \$47.2 million in 2014. The increase is primarily due to an increase in rent expense.

Communications and office supplies – For the year ended December 31, 2015, communications and office supplies expense increased 15.5% to \$64.2 million from \$55.6 million in 2014. The increase is primarily attributable to the growth of the business, which has resulted in an increase in communication and quote equipment.

Commissions and floor brokerage – For the year ended December 31, 2015, commissions and floor brokerage expense increased 10.8% to \$25.1 million from \$22.6 million in 2014. The increase is primarily attributable to an increase in clearing expenses.

Other operating expenses – For the year ended December 31, 2015, other operating expenses increased 5.5% to \$98.9 million from \$93.8 million in 2014. The increase is primarily attributable to an increase in travel and promotion expenses and professional service fees.

### INCOME BEFORE INCOME TAXES

For the year ended December 31, 2015, income before income taxes for the Institutional Group segment decreased 14.8% to \$141.0 million from \$165.5 million in 2014. Profit margins (income before income taxes as a percentage of net revenues) have decreased to 14.5% for the year ended December 31, 2015, from 16.6% in 2014 as a result of an increase in operating expenses and lower revenues.

Year Ended December 31, 2014 Compared With Year Ended December 31, 2013

#### NET REVENUES

For the year ended December 31, 2014, Institutional Group net revenues increased 15.4% to \$997.1 million from \$864.4 million in 2013. The increase in net revenues for the year ended December 31, 2014, over the comparable period in 2013, was primarily attributable to an increase in advisory fees, improved capital-raising revenues, and growth of brokerage revenues.

Commissions – For the year ended December 31, 2014, commission revenues increased 4.1% to \$220.7 million from \$212.0 million in 2013.

Principal transactions – For the year ended December 31, 2014, principal transactions revenues increased 6.5% to \$225.3 million from \$211.6 million in 2013.



For the year ended December 31, 2014, equity institutional brokerage revenues increased 9.0% to \$249.8 million from \$229.1 million in 2013. The increase is primarily attributable to higher trading volumes as a result of market volatility during the first half of 2014. This growth was negatively impacted during the third quarter of 2014 as a result of industry-wide declines in volume.

For the year ended December 31, 2014, fixed income institutional brokerage revenues increased 0.9% to \$196.2 million from \$194.4 million in 2013. The increase is primarily attributable to an improvement in fixed income trading volumes in the first half of 2015, as a result of the acquisition of the fixed income business from Knight Capital in July 2013, offset by lower trading volumes in the third quarter of 2014 that impacted the industry.

Investment banking – For the year ended December 31, 2014, investment banking revenues increased 33.0% to \$532.9 million from \$400.7 million in 2013. The increase is attributable to higher advisory fees and capital-raising revenues in 2014 compared to 2013.

For the year ended December 31, 2014, capital-raising revenues increased 30.8% to \$259.6 million from \$198.5 million in 2013. The increase is primarily attributable to an increase in the number of completed advisory transactions and the aggregate transaction value over the comparable period in 2013.

For the year ended December 31, 2014, equity capital-raising revenues increased 35.6% to \$202.1 million from \$149.0 million in 2013. The increase was primarily attributable to an increase in the number of transactions over 2013.

For the year ended December 31, 2014, fixed income capital-raising revenues increased 16.2% to \$57.5 million from \$49.5 million in 2013. The increase is primarily attributable to the hiring of the European institutional fixed income sales and trading team from Knight Capital Group, which was completed in July 2013, and De La Rosa, which closed on April 3, 2014, in addition to our investments over the past year in this business.

For the year ended December 31, 2014, strategic advisory fees increased 35.1% to \$273.3 million from \$202.3 million in 2013.

Interest – For the year ended December 31, 2014, interest revenue increased 17.6% to \$21.8 million from \$18.5 million in 2013.

Other income – For the year ended December 31, 2014, other income decreased 83.3% to \$5.7 million from \$34.0 million in 2013. The decrease in other income is primarily attributable to gains recognized on our investment in Knight Capital Group, Inc. during 2013.

Interest expense – For the year ended December 31, 2014, interest expense decreased 24.9% to \$9.4 million from \$12.5 million in 2013.

#### NON-INTEREST EXPENSES

For the year ended December 31, 2014, Institutional Group non-interest expenses increased 16.3% to \$831.5 million from \$714.8 million in 2013.

Unless specifically discussed below, the fluctuations in non-interest expenses were primarily attributable to the continued growth of our Institutional Group segment. We have added 287 revenue producers and 62 support staff since December 31, 2014. This growth is primarily attributable to the acquisitions of De La Rosa and Oriel during the year ended December 31, 2014.

Compensation and benefits – For the year ended December 31, 2014, compensation and benefits expense increased 17.1% to \$612.3 million from \$522.9 million in 2013. The increase is principally due to the growth of the business

and fixed compensation for the additional administrative support staff.

Compensation and benefits expense as a percentage of net revenues was 61.4% for the year ended December 31, 2014, compared to 60.5% for the year ended December 31, 2013.

Occupancy and equipment rental – For the year ended December 31, 2014, occupancy and equipment rental expense increased 3.0% to \$47.2 million from \$45.8 million in 2013. The increase is primarily due to the increase in office locations as a result of the growth of the business.

Communications and office supplies – For the year ended December 31, 2014, communications and office supplies expense increased 15.3% to \$55.6 million from \$48.2 million in 2013. The increase is primarily attributable to the growth of the business, which has resulted in an increase in communication and quote equipment.

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Commissions and floor brokerage – For the year ended December 31, 2014, commissions and floor brokerage expense increased 2.7% to \$22.6 million from \$22.0 million in 2013. The increase is primarily attributable to the growth in trade execution costs from our flow business during the first half of 2014. This growth was negatively impacted during the second half of 2014 as a result of industry-wide declines in volumes.

Other operating expenses – For the year ended December 31, 2014, other operating expenses increased 23.6% to \$93.8 million from \$75.8 million in 2013. The increase is primarily attributable to an increase in legal expenses, professional service fees, and travel and promotion expenses.

#### INCOME BEFORE INCOME TAXES

For the year ended December 31, 2014, income before income taxes for the Institutional Group segment increased 10.7% to \$165.5 million from \$149.6 million in 2013. Profit margins (income before income taxes as a percentage of net revenues) for the year ended December 31, 2014, have declined to 16.6% from 17.3% in 2013 as a result of an increase in operating expenses, offset by an increase in non-compensation operating expenses.

#### Results of Operations – Other Segment

The following table presents consolidated financial information for the Other segment for the periods presented (in thousands, except percentages):

	For the Year Ended December 31,			Percentage Change	
	2015	2014	2013	2015 vs. 2014	2014 vs. 2013
Net revenues	\$(21,313 )	\$(21,298 )	\$(8,104 )	(0.1 )%	(162.8)%
Non-interest expenses:					
Compensation and benefits	190,730	87,923	139,832	116.9	(37.1 )
Other operating expenses	169,558	112,509	116,006	50.7	(3.0 )
Total non-interest expenses	360,288	200,432	255,838	79.8	(21.7 )
Loss before income taxes	\$(381,601 )	\$(221,730 )	\$(263,942 )	72.1 %	(16.0 )%

The other segment includes expenses related to the Company's acquisition strategy and the investments made in the Company's infrastructure and control environment.

The expenses relating to the Company's acquisition strategy, which are included in the other segment, consists of stock-based compensation and duplicative operating costs from our various acquisitions. The following shows the expenses that are part of the other segment related to acquisitions.

	For the Year Ended December 31,			Percentage Change	
	2015	2014	2013	2015 vs. 2014	2014 vs. 2013
Non-interest expenses:					
Compensation and benefits	\$96,772	\$25,914	\$74,395	273.4	(65.2)
Other operating expenses	60,831	16,218	30,566	275.1	(46.9)

Total non-interest expenses \$157,603 \$42,132 \$104,961 274.1 (59.9)

The above expenses are related to the acquisitions of Barclays and Sterne in 2015; Merchant Capital, 1919 Investment Counsel, Oriel, and De La Rosa in 2014; and ZCM, the Fixed Income Sales and Trading Business from Knight Capital, and KBW in 2013.

Upon the close of the Sterne Agee acquisition, certain employees were granted restricted stock units of our company as retention. The fair value of the awards issued as retention was \$23.8 million. The fair value of the awards is based upon the closing price of our company's common stock on the date of grant. There are no continuing service requirements associated with these restricted stock units, and accordingly, they were expensed at date of grant.

The expenses not associated with acquisition-related activities in the other segment are as follows:

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	For the Year Ended December 31,			Percentage Change	
	2015	2014	2013	2015	2014
				vs. 2014	vs. 2013
<b>Non-interest expenses:</b>					
Compensation and benefits	\$93,958	\$62,009	\$65,437	51.5%	(5.2) %
Other operating expenses	108,727	96,291	85,440	12.9	12.7
Total non-interest expenses	\$202,685	\$158,300	\$150,877	28.0%	4.9 %

Non-interest expenses increased \$44.4 million from 2014, consisting of a \$31.9 million, or 51.5%, increase in compensation and benefits and a \$12.4 million, or 12.9%, increase in other operating expenses. The increases are attributable to the building out of our infrastructure and our regulatory compliance enhancement measures primarily to meet the enhanced prudential regulatory requirements imposed upon surpassing \$10 billion in assets, which the Company did in the fourth quarter of 2015.

#### Analysis of Financial Condition

Our company's consolidated statements of financial condition consist primarily of cash and cash equivalents, receivables, trading inventory, bank loans, investments, goodwill, loans and advances to financial advisors, bank deposits, and payables. Total assets of \$13.3 billion at December 31, 2015, were up 40.1% over December 31, 2014. The increase is primarily attributable to increases in bank loans, the growth of our investment portfolio, which consists of available-for-sale and held-to-maturity securities, and the recognition of goodwill associated with our acquisitions of Sterne and Barclays. Our broker-dealer subsidiary's gross assets and liabilities, including trading inventory, stock loan/borrow, receivables and payables from/to brokers, dealers, and clearing organizations and clients, fluctuate with our business levels and overall market conditions.

As of December 31, 2015, our liabilities were comprised primarily of senior notes of \$750.0 million, trust preferred securities of \$82.5 million, deposits of \$6.64 billion at Stifel Bank, and payables to customers of \$1.0 billion at our broker-dealer subsidiaries, as well as accounts payable and accrued expenses, and accrued employee compensation of \$712.8 million. To meet our obligations to clients and operating needs, we had \$811.0 million in cash and cash equivalents at December 31, 2015. We also had client brokerage receivables of \$1.6 billion at Stifel and \$3.1 billion in loans held for investment at Stifel Bank.

#### Cash Flow

Cash and cash equivalents increased \$121.2 million to \$811.0 million at December 31, 2015, from \$689.8 million at December 31, 2014. Operating activities used cash of \$326.8 million, primarily due to an increase in operating assets, offset by an increase in operating liabilities, the net effect of non-cash items, and net income recognized in 2015. Investing activities used cash of \$2.0 billion due to an increase in our loan portfolio purchases of our available-for-sale and held-to-maturity securities as part of the investment strategy at Stifel Bank, acquisitions, net of acquired cash, purchases of investment securities, and fixed asset purchases, partially offset by proceeds from the maturity of available-for-sale securities, sale of investments, and bank customer loan repayments. Financing activities provided cash of \$2.4 billion, primarily due to an increase in affiliated deposits and the proceeds from our \$300.0 million senior note issuance in December 2015, offset by repayments of our short-term borrowings, redemption of our \$175.0 million 6.70% senior notes in January 2015, and purchases of our common stock into treasury.

#### Liquidity and Capital Resources

The Company's senior management establishes the liquidity and capital policies of our company. The Company's senior management reviews business performance relative to these policies, monitors the availability of alternative sources of financing, and oversees the liquidity and interest rate sensitivity of our company's asset and liability position.

Our assets, consisting mainly of cash or assets readily convertible into cash, are our principal source of liquidity. The liquid nature of these assets provides for flexibility in managing and financing the projected operating needs of the business. These assets are financed primarily by our equity capital, corporate debt, debentures to trusts, client credit balances, short-term bank loans, proceeds from securities lending, and other payables. We currently finance our client accounts and firm trading positions through ordinary course borrowings at floating interest rates from various banks on a demand basis, securities lending, and repurchase agreements, with company-owned and client securities pledged as collateral. Changes in securities market volumes, related client borrowing demands, underwriting activity, and levels of securities inventory affect the amount of our financing requirements.

Our bank assets consist principally of available-for-sale and held-to-maturity securities, retained loans, and cash and cash equivalents. Stifel Bank's current liquidity needs are generally met through deposits from brokerage clients and equity capital. We monitor the liquidity of Stifel Bank daily to ensure its ability to meet customer deposit withdrawals, maintain reserve requirements, and support asset growth.

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As of December 31, 2015, we had \$13.3 billion in assets, \$5.9 billion of which consisted of cash or assets readily convertible into cash as follows (in thousands, except average days to conversion):

	December 31,		Average
	2015	2014	Conversion
Cash and cash equivalents	\$811,019	\$689,782	
Receivables from brokers, dealers, and clearing organizations	601,831	651,074	3 days
Securities purchased under agreements to resell	160,423	55,078	1 day
Financial instruments owned at fair value	747,348	782,912	5 days
Available-for-sale securities at fair value	1,629,907	1,513,478	3 days
Held-to-maturity securities at amortized cost	1,855,399	1,177,565	10 days
Investments	103,357	131,425	5 days
Total cash and assets readily convertible to cash	\$5,909,284	\$5,001,314	

As of December 31, 2015 and 2014, the amount of collateral by asset class is as follows (in thousands):

	December 31, 2015		December 31, 2014	
	Contractual	Contingent	Contractual	Contingent
Cash and cash equivalents	\$39,324	\$—	\$37,134	\$—
Financial instruments owned at fair value	278,674	508,538	39,180	425,108
Available-for-sale securities at fair value	—	2,032,503	—	1,210,193
Investments	—	35,688	—	41,150
	\$317,998	\$2,576,729	\$76,314	\$1,676,451

### Liquidity Available From Subsidiaries

Liquidity is principally available to our company from Stifel and Stifel Bank.

Stifel is required to maintain net capital equal to the greater of \$1 million or 2% of aggregate debit items arising from client transactions. Covenants in Stifel's committed secured financing facilities require its net capital to be a minimum of 7% of aggregate debit items. At December 31, 2015, Stifel significantly exceeded both the minimum regulatory and its financing covenants net capital requirements. At that date, Stifel had excess net capital of \$279.3 million. There are also limitations on the amount of dividends that may be declared by a broker-dealer without FINRA approval.

Stifel Bank may pay dividends to the parent company without prior approval by its regulator as long as the dividend does not exceed the sum of Stifel Bank's current calendar year and the previous two calendar years' retained net income, and Stifel Bank maintains its targeted capital to risk-weighted assets ratios. At December 31, 2015, Stifel Bank had \$59.0 million of capital in excess of the amount it would need at December 31, 2015, to maintain its targeted risk-weighted assets ratio of 7.0%.

Although we have liquidity available to us from our other subsidiaries, the available amounts are not as significant as the amounts described above and, in certain instances, may be subject to regulatory requirements.

### Capital Management

We have an ongoing authorization from the Board of Directors to repurchase our common stock in the open market or in negotiated transactions. At December 31, 2015, the maximum number of shares that may yet be purchased under this plan was 5.8 million. We utilize the share repurchase program to manage our equity capital relative to the growth of our business and help to meet obligations under our employee benefit plans. We currently do not pay cash dividends on our common stock.

#### Liquidity Risk Management

Our businesses are diverse, and our liquidity needs are determined by many factors, including market movements, collateral requirements, and client commitments, all of which can change dramatically in a difficult funding environment. During a liquidity crisis, credit-sensitive funding, including unsecured debt and some types of secured financing agreements, may be unavailable, and the terms (e.g., interest rates, collateral provisions, and tenor) or availability of other types of secured financing may change. We manage liquidity risk by diversifying our funding sources across products and among individual counterparties within those products.

As a holding company, whereby all of our operations are conducted through our subsidiaries, our cash flow and our ability to service our debt, including the notes, depend upon the earnings of our subsidiaries. Our subsidiaries are separate and distinct legal entities.



Our subsidiaries have no obligation to pay any amounts due on the notes or to provide us with funds to pay our obligations, whether by dividends, distributions, loans, or other payments.

Our liquidity requirements may change in the event we need to raise more funds than anticipated to increase inventory positions, support more rapid expansion, develop new or enhanced services and products, acquire technologies, or respond to other unanticipated liquidity requirements. We primarily rely on financing activities and distributions from our subsidiaries for funds to implement our business and growth strategies and repurchase our shares. Net capital rules, restrictions under our borrowing arrangements of our subsidiaries, as well as the earnings, financial condition, and cash requirements of our subsidiaries, may each limit distributions to us from our subsidiaries.

The availability of outside financing, including access to the capital markets and bank lending, depends on a variety of factors, such as market conditions, the general availability of credit, the volume of trading activities, the overall availability of credit to the financial services sector, and our credit rating. Our cost and availability of funding may be adversely affected by illiquid credit markets and wider credit spreads. As a result of any future concerns about the stability of the markets generally and the strength of counterparties specifically, lenders may from time to time curtail, or even cease to provide, funding to borrowers.

Our liquidity management policies are designed to mitigate the potential risk that we may be unable to access adequate financing to service our financial obligations without material business impact. The principal elements of our liquidity management framework are: (a) daily monitoring of our liquidity needs at the holding company and significant subsidiary level, (b) stress testing the liquidity positions of Stifel and Stifel Bank, and (c) diversification of our funding sources.

Monitoring of liquidity – Senior management establishes our liquidity and capital policies. These policies include senior management’s review of short- and long-term cash flow forecasts, review of monthly capital expenditures, the monitoring of the availability of alternative sources of financing, and the daily monitoring of liquidity in our significant subsidiaries. Our decisions on the allocation of capital to our business units consider, among other factors, projected profitability and cash flow, risk, and impact on future liquidity needs. Our treasury department assists in evaluating, monitoring, and controlling the impact that our business activities have on our financial condition, liquidity, and capital structure as well as maintains our relationships with various lenders. The objectives of these policies are to support the successful execution of our business strategies while ensuring ongoing and sufficient liquidity.

Liquidity stress testing (Firm-wide) –A liquidity stress test model is maintained by the Company that measures liquidity outflows across multiple scenarios at the major operating subsidiaries and details the corresponding impact to our holding company and the overall consolidated firm. Liquidity stress tests are utilized to ensure that current exposures are consistent with the Company’s established liquidity risk tolerance and, more specifically, to identify and quantify sources of potential liquidity strain. Further, the stress tests are utilized to analyze possible impacts on the Company’s cash flows, liquidity position, profitability, and solvency. The outflows are modeled over a 30-day liquidity stress timeframe and include the impact of idiosyncratic and macro-economic stress events.

The assumptions utilized in the Company’s liquidity stress tests include, but are not limited to, the following:

- No government support
- No access to equity and unsecured debt markets within the stress horizon
- Higher haircuts and significantly lower availability of secured funding
- Additional collateral that would be required by trading counter-parties, certain exchanges, and clearing organizations related to credit rating downgrades
- Additional collateral that would be required due to collateral substitution, collateral disputes, and uncalled collateral
- Drawdowns on unfunded commitments provided to third parties
- Client cash withdrawals and reduction in customer short positions that fund long positions

- Return of securities borrowed on an uncollateralized basis
- Maturity roll-off of outstanding letters of credit with no further issuance

At December 31, 2015, the Company maintained sufficient liquidity to meet current and contingent funding obligations as modeled in its liquidity stress test model.

Liquidity stress testing (Stifel Bank) – Stifel Bank performs three primary stress tests on its liquidity position. These stress tests are based on the following company-specific stresses: (1) the amount of deposit run-off that Stifel Bank could withstand over a one-month period of time based on its on-balance sheet liquidity and available credit, (2) Stifel Bank’s ability to fund operations if all available credit were to be drawn immediately, with no additional available credit, and (3) Stifel Bank’s ability to fund operations under a regulatory prompt corrective action. The goal of these stress tests is to determine Stifel Bank’s ability to fund continuing operations under significant pressures on both assets and liabilities.

Under all stress tests, Stifel Bank considers cash and highly liquid investments as available to meet liquidity needs. In its analysis, Stifel Bank considers agency mortgage-backed securities, corporate bonds, and commercial mortgage-backed securities as highly liquid. In addition to being able to be readily financed at modest haircut levels, Stifel Bank estimates that each of the individual securities within each of the asset classes described above could be sold into the market and converted into cash within three business days under normal market conditions, assuming that the entire portfolio of a given asset class was not simultaneously liquidated. At December 31, 2015, available cash and highly liquid investments comprised approximately 27% of Stifel Bank’s assets, which was well in excess of its internal target.

In addition to these stress tests, Stifel Bank management performs a daily liquidity review. The daily analysis provides Stifel Bank management with all major fluctuations in liquidity. The analysis also tracks the proportion of deposits that Stifel Bank is sweeping from its affiliated broker-dealer, Stifel. On a monthly basis, liquidity key performance indicators and compliance with liquidity policy limits are reported to the Board of Directors. Stifel Bank has not violated any internal liquidity policy limits.

#### Funding Sources

The Company pursues a strategy of diversification of secured and unsecured funding sources (by product and by investor) and attempts to ensure that the tenor of the Company’s liabilities equals or exceeds the expected holding period of the assets being financed. The Company funds its balance sheet through diverse sources. These sources may include the Company’s equity capital, long-term debt, repurchase agreements, securities lending, deposits, committed and uncommitted credit facilities, FHLB advances, and federal funds agreements. At December 31, 2015, we have \$57.0 million of ARS. Any redemptions by issuers of the ARS will create liquidity during the period in which the redemption occurs. ARS redemptions have been at par, and we believe will continue to be at or near par.

Cash and Cash Equivalents – We held \$811.0 million of cash and cash equivalents at December 31, 2015, compared to \$689.8 million at December 31, 2014. Cash and cash equivalents provide immediate sources of funds to meet our liquidity needs.

Securities Available-for-Sale – We held \$1.63 billion in available-for-sale investment securities at December 31, 2015, compared to \$1.51 billion at December 31, 2014. As of December 31, 2015, the weighted-average life of the investment securities portfolio was approximately 2.2 years. These investment securities provide increased liquidity and flexibility to support our company’s funding requirements.

We monitor the available-for-sale investment portfolio for other-than-temporary impairment based on a number of criteria, including the size of the unrealized loss position, the duration for which the security has been in a loss position, credit rating, the nature of the investments, and current market conditions. For debt securities, we also consider any intent to sell the security and the likelihood we will be required to sell the security before its anticipated recovery. We continually monitor the ratings of our security holdings and conduct regular reviews of our credit-sensitive assets.

Deposits – Deposits have become one of our largest funding sources. Deposits provide a stable, low-cost source of funds that we utilize to fund loan and asset growth and to diversify funding sources. We have continued to expand our

deposit-gathering efforts through our existing private client network and through expansion. These channels offer a broad set of deposit products that include demand deposits, money market deposits, and certificates of deposit (“CDs”).

As of December 31, 2015, we had \$6.64 billion in deposits compared to \$4.79 billion at December 31, 2014. The growth in deposits is primarily attributable to the increase in brokerage deposits held by the bank. Our core deposits are comprised of non-interest-bearing deposits, money market deposit accounts, savings accounts, and CDs.

Short-term borrowings – Our short-term financing is generally obtained through short-term bank line financing on an uncommitted, secured basis, short-term bank line financing on an unsecured basis, and securities lending arrangements. We borrow from various banks on a demand basis with company-owned and customer securities pledged as collateral. The value of customer-owned securities used as collateral is not reflected in the consolidated statements of financial condition.

Our uncommitted secured lines of credit at December 31, 2015, totaled \$980.0 million with seven banks and are dependent on having appropriate collateral, as determined by the bank agreements, to secure an advance under the line. The availability of our uncommitted

lines is subject to approval by the individual banks each time an advance is requested and may be denied. Our peak daily borrowing on our uncommitted secured lines was \$496.5 million during the year ended December 31, 2015. There are no compensating balance requirements under these arrangements. Any borrowings on secured lines of credit are day-to-day and are generally utilized to finance certain fixed income securities. At December 31, 2015, our uncommitted secured lines of credit were collateralized by company-owned securities valued at \$248.5 million.

The Federal Home Loan advances as of December 31, 2015, are floating-rate advances. The weighted-average interest rates during the year ended December 31, 2015, on these advances is 0.31%. The advances are secured by Stifel Bank's residential mortgage loan portfolio and investment portfolio. The interest rates reset on a daily basis. Stifel Bank has the option to prepay these advances without penalty on the interest reset date.

As of December 31, 2015, a subsidiary of the Parent was a party to two Term Loans ("Term Loans") with Regions Bank. The Term Loans mature on June 3, 2016. The interest rate under the Amended and Restated Credit Agreement is calculated as per annum rate equal to LIBOR, as defined. During the year ended December 31, 2015, interest rates ranged from 1.68% to 1.92%.

Unsecured short-term borrowings – Our committed short-term bank line financing at December 31, 2015, consisted of a \$100.0 million revolving credit facility. The credit facility expires in December 2017. The applicable interest rate under the revolving credit facility is calculated as a per annum rate equal to LIBOR plus 2.00%, as defined in the revolving credit facility.

We can draw upon this line as long as certain restrictive covenants are maintained. Under our revolving credit facility, we are required to maintain compliance with a minimum consolidated tangible net worth covenant, as defined, and a maximum consolidated total capitalization ratio covenant, as defined. At December 31, 2015, we had no advances on our revolving credit facility and were in compliance with all covenants. Our revolving credit facility contains customary events of default, including, without limitation, payment defaults, breaches of representations and warranties, covenant defaults, cross-defaults to similar obligations, certain events of bankruptcy and insolvency, and judgment defaults. In addition, Stifel, our broker-dealer subsidiary, is required to maintain compliance with a minimum regulatory net capital covenant of not less than 10% of aggregate debits, as defined in the revolving credit facility.

Federal Home Loan Bank Advances and other secured financing – Stifel Bank has borrowing capacity with the Federal Home Loan Bank of \$1.23 billion at December 31, 2015, and a \$25.0 million federal funds agreement for the purpose of purchasing short-term funds should additional liquidity be needed. At December 31, 2015, outstanding FHLB advances were \$148.0 million. Stifel Bank receives overnight funds from excess cash held in Stifel brokerage accounts, which are deposited into a money market account. These balances totaled \$6.6 billion at December 31, 2015.

Public Offering of Senior Notes – On January 18, 2012, we issued \$175.0 million principal amount of 6.70% Senior Notes due 2022 (the "Notes"). Interest on the Notes accrue from January 23, 2012, and will be paid quarterly in arrears on January 15, April 15, July 15, and October 15 of each year, commencing on April 15, 2012. The Notes will mature on January 15, 2022. Proceeds from the notes issuance of \$169.3 million, after discounts, commissions, and expenses, were used for general corporate purposes. In January 2012, we received an initial credit rating from Standard & Poor's Financial Services LLC of BBB-, along with a BBB- rating on the notes. We redeemed 100% of the outstanding Notes on January 15, 2015, at our option, at a redemption price equal to 100% of their principal amount, plus accrued and unpaid interest to the date of redemption.

On December 18, 2012, we issued \$150.0 million principal amount of 5.375% Senior Notes due 2022 (the "December 2012 Notes"). Interest on the December 2012 Notes accrue from December 21, 2012, and will be paid quarterly in arrears on January 15, April 15, July 15, and October 15 of each year, commencing on April 15, 2013. The December 2012 Notes mature on December 31, 2022. We may redeem the December 2012 Notes in whole or in part on or after

December 31, 2015, at our option, at a redemption price equal to 100% of their principal amount, plus accrued and unpaid interest to the date of redemption. Proceeds from the December 2012 Notes issuance of \$146.1 million, after discounts, commissions, and expenses, were used for general corporate purposes. In January 2013, we received a BBB- rating on the December 2012 Notes.

On July 15, 2014, we sold in a registered underwritten public offering, \$300.0 million in aggregate principal amount of 4.250% senior notes due July 2024 (the “2014 Notes”). Interest on the 2014 Notes is payable semi-annually in arrears. We may redeem the 2014 Notes in whole or in part, at our option, at a redemption price equal to 100% of their principal amount, plus a “make-whole” premium and accrued and unpaid interest, if any, to the date of redemption. Proceeds from the 2014 Notes issuance of \$295.3 million, after discounts, commissions, and expenses, were used for general corporate purposes. In July 2014, we received a BBB- rating on the 2014 Notes.

On December 1, 2015, we sold, in a registered underwritten public offering, \$300.0 million in aggregate principal amount of 3.50% senior notes due December 2020 (the “2015 Notes”). Interest on the 2015 Notes is payable semi-annually in arrears. We may redeem the 2015 Notes in whole or in part, at our option, at a redemption price equal to 100% of their principal amount, plus a “make-whole” premium and accrued and unpaid interest, if any, to the date of redemption. Proceeds from the 2015 Notes issuance of \$297.0 million,

after discounts, commissions, and expenses, were used for general corporate purposes. In December 2015, we received a BBB- rating on the 2015 Notes.

### Credit Rating

We believe our current rating depends upon a number of factors, including industry dynamics, operating and economic environment, operating results, operating margins, earnings trends and volatility, balance sheet composition, liquidity and liquidity management, our capital structure, our overall risk management, business diversification, and our market share and competitive position in the markets in which we operate. Deteriorations in any of these factors could impact our credit rating. A reduction in our credit rating could adversely affect our liquidity and competitive position, increase our incremental borrowing costs, limit our access to the capital markets, or trigger our obligations under certain financial agreements. As such, we may not be able to successfully obtain additional outside financing to fund our operations on favorable terms, or at all.

We believe our existing assets, most of which are liquid in nature, together with the funds from operations, available informal short-term credit arrangements, and our ability to raise additional capital will provide sufficient resources to meet our present and anticipated financing needs.

**Use of Capital Resources** – On January 15, 2015 (the “redemption date”), we redeemed 100% of our company’s outstanding 6.70% Senior Notes due 2022. The redemption price was equal to the sum of the principal amount of the Notes outstanding and accrued and unpaid interest on the Notes up to, but not including, the redemption date.

On June 5, 2015, we completed the purchase of all of the outstanding shares of common stock of Sterne Agee Group, Inc. (“Sterne Agee”), a financial services firm that offers comprehensive wealth management and investment services to a diverse client base including corporations, municipalities and individual investors. The purchase was completed pursuant to the merger agreement dated February 23, 2015. We issued 1.4 million shares related to the purchase of Sterne Agee Group, Inc.

We have paid \$33.8 million in the form of notes to associates for retention. These notes will be forgiven by a charge to compensation and benefits over a five- to ten-year period if the individual satisfies certain conditions, usually based on continued employment and certain performance standards.

On December 4, 2015, we completed the purchase of the Barclays franchise in the U.S., which increased assets approximately \$0.7 billion, primarily consisting of bank loans. Subsequent to this transaction, we further increased the Company’s total assets by approximately \$1.5 billion in two separate transactions, which consisted of cash from our increased participation in the Promontory brokered deposit program of approximately \$0.6 billion and margin loans of approximately \$0.9 billion.

Subsequent to the close of the acquisition, the brokered deposits of the former Barclays’ retail brokerage clients were placed into the Promontory broker deposit program, an insured bank deposit sweep program that Stifel currently uses to provide FDIC insurance for client cash balances. Stifel Bank is a participant in that program and increased its participation in that program by approximately \$0.6 billion subsequent to the close of the acquisition. The cash associated with that increased participation was not directly assumed from Barclays, but rather flowed into Stifel Bank subsequent to the acquisition as part of the daily settlement process for the sweep program.

In addition, subsequent to the close of the purchase of the Barclays franchise, the Company purchased and assumed from Pershing LLC margin loans and associated client credit balances of the former Barclays’ retail brokerage clients related to financial advisors who joined the Company. The margin loan and associated credit balance transfer was accomplished in a separate transaction with Pershing LLC, which Barclays utilized to custody their client relationships. The margin loans (approximately \$0.9 billion) represent receivables from retail brokerage clients that are collateralized through a pledge of assets maintained in clients’ brokerage accounts that are subject to daily

minimum collateral requirements.

During the year ended December 31, 2015, we repurchased \$117.7 million, or 2.7 million shares, at an average price of \$43.91 per share.

The following table summarizes the activity related to our company's notes receivable from January 1, 2014 to December 31, 2015 (in thousands):

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	2015	2014
Beginning balance – January 1	\$197,757	\$184,458
Notes issued – organic growth	66,045	70,871
Notes issued – acquisitions <sup>1, 2</sup>	174,846	10,830