

STIFEL

Stifel Financial Corporation: (NYSE:SF)

Financial Services: Investment Banking

Analyst: Bryce Hansen, Mitchell Hall & Ryan Shaughnessy

Krause Fund Research

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Stock Rating:

HOLD

Investment Thesis

Drivers of Thesis:

Diversity: Stifel has been increasing assets under management, creating larger amounts of investments and interest income. This creates a business that is no longer reliant on investment banking revenues, including M&A and underwriting. Investment banking revenues will increase with lower interest rates environments while interest revenue has an inverse reaction, creating less risk.

Increasing Dividend Payout: Since 2017 Stifel has increased dividends per share from .13 to 1.2, with a dividend payout ratio of 20.23% in 2022.

Additionally, Stifel has had consistent share buybacks. These factors create an appealing investment for investors looking for steady and increasing cashflows, with a higher payout ratio.

Strong Deposits: The growth in Stifel's interest revenues has mainly originated through banking deposits in their growing banking section. A large amount of these deposits come from their clients creating a growing and stable set of liabilities funding their investments.

Risks of Thesis:

Competition: Though Stifel has seen steady growth organically and through acquisitions. Competition within this field is fierce.

Interest Rate Risk: Much of Stifel's interest income is a result of Loan's given. Lowering interest rates could negatively affect the interest rate growth they have been seeing in the past year.

Price Projections

| | |
|---------------------|-------------------|
| TARGET PRICE: | \$55.74 - \$66.74 |
| DCF/EP MODE: | \$83.31 |
| DDM MODE: | \$62.57 |
| RELATIVE VALUATION: | \$69 |

Key Statistics

Stock Data

| | |
|-------------------------------|-------------------|
| Current Price: | \$61.74 |
| 52-Week Range: | \$49.31 - \$70.26 |
| Market Cap (B): | \$6.53 |
| Share Outstanding (M): | \$108.85 |
| Model Beta: | 1.25 |
| Cost of Equity: | 0.00% |
| PE Ratio (TTM): | 9.71x |

Financial Metrics:

| | |
|---------------------------|--------|
| 2022 Revenue (B): | \$4.59 |
| 2022 EPS: | \$4.93 |
| 2022 Payout Ratio: | 20.23% |
| ROE: | 13.05% |
| ROA: | 1.43% |
| Profit Margin: | 15.08% |

2 – Year Performance of Stifel vs S&P 500



Company Analysis

Executive Summary:

Stifel Financial Corporation (NYSE:SF) is a growing investment bank and financial services company. Our team believes that Stifel's growth strategy will be to grow their client list so they can grow revenues in investment banking and financial services. The secondary effect of gaining new clients is growing their traditional banking system with deposits, which will increase interest revenues. Though the fight for gaining market share in this field is rigorous. Because the big investment banks have more resources in equipment, data, and manpower that will make growth more difficult for mid-size investment banks. To help growth, Stifel will need to invest resources into lowering the gap between them and the big Investment banks.

ⁱⁱ Additionally growing their international footing. These factors will result in slower growth. We believe that Stifel Financial Corp should have a hold rating despite their success in the previous few years, as they adapt back to more traditional markets.ⁱⁱⁱ

Company Description:

Founded in 1890 Stifel financial Corp. is a full-service investment bank, and financial services company. Stifel provides a wide range of services, with retail and institutional wealth management. Additionally, full-service investment banking services, securities brokerage services, and research and development. Outside of these services Stifel provides retail and commercial banking services with personal and commercial lending and deposits. With most of the business coming from the United States, Stifel has started expanding into international markets with the largest being Europe and Canada.^{iv}

Revenue Segment Analysis:



Commissions Revenue Analysis

Commissions revenue is primarily derived from agency transactions in OTC, and listed equity securities, insurance products and options.

Additionally, the revenues can include distribution fees for promoting and distributing mutual funds. The commissions revenue decreased by 12.2% or \$98.9 million from 2021 to 2022. 2020 into 2021 saw a 6.4% which was attributable to higher trading volumes because of an unstable market. Which helps to explain why the revenue saw a decrease in the most recent year. Our team's forecast has commission growing at a steady pass moving with the company as the market's become more balanced.^{vi}

Principal Transactions

These revenues are created by gains and losses on the secondary market, principally fixed income transactional revenues. For 2022 these revenues decreased 9% or \$52.1 million from 2021. Decreases in revenues can be attributed to tighter credit spreads, and lower trading volumes.^{vii}

Investment Banking

Investment Banking income can be split into two different revenue streams. Capital-Raising Fees and Advisory Fees. Capital raising revenues are gained from fees attributed to underwriting of debt and equity securities. Capital raising saw 63.8% decrease to \$256.9 million in 2022 from \$709.2 million in 2022. Within capital raising, equity underwriting saw a drop of 76.3% in revenues to \$117 million, attributable to lower issuances but in line with the market. Debt underwriting saw a 38.3% drop in revenues down to \$144.2 million, also attributable to lower overall issuances. Advisory fee revenues are related to all kinds of debt and equity offerings, they also include M&A fees, and private placement fees. Advisory revenues decreased 16.5% to \$714.6 million in 2022 from 2021, most variability in advisory fee revenue results simply from the market activity and amount of offerings that are being produced, and the level of M&A activity. Though they can be skewed as M&A fees are reported when the deal is finalized, rather than when decide on it.(1)

Asset Management

Stifel offers specialized investment management for private clients, and institutions. Asset management fees are derived from average daily assets. These fees are generally decided at the end of the prior year based on asset balances. Fees are charged either up-front from a fixed rate, or periodically based on contracted rates and account performance. Rising markets create rising revenues, as the rising markets create more growth in the asset balances, and results in additional assets invested by the clients. Additionally, no single account represents a large portion of the AUM. The increasing asset management Stifel has created generates a lot more risk in their business. As down markets could heavily effect revenues as Asset Management created the most revenue for Stifel in 2022. Additionally poor returns would also lead to reputational damage.

Asset management increase to \$1.26 billion in 2022 from \$1.2 billion in 2021. They also saw growth from 2020 into 2021, growth in both years can be attributed to high flows in AUM for fee-based accounts. Additionally, there appears to be correlation between AUM and the amount of recruiting done by Stifel. The recruiting is used to help offset the potential lower AUM created by down years in the market. The ability to offset down markets through recruiting new clients is a tactic Stifel Uses to create continued growth. ^{viii}

Interest Income

Interest income is represented on the financial statements as interest expense subtracted from interest revenue. Interest revenue comes from the returns on the invested assets. The amount of assets invested is mainly a result of deposits given to Stifel buy customers. Stifel's interest bearing assets include Interest bearing cash and federal funds sold, financial instruments owned, margin balances, Investment Portfolio and Loans. The asset return on these account in 2022 were 2.23%, 1.94%, 4.12%, 3.23% and 3.87% respectively. Loans make up the largest balance of interest-earning assets in 2022 with an average balance of \$19.45 billion and earning an interest income of \$752 million. For comparison total interest-bearing

assets equaled \$31.5 billion with a income of \$1.1 billion. This income increased by 100.4% from \$500 million in 2021. This increase in income was largely due to rising interest rates, and higher investment assets. Investment assets increased by \$6 billion from 2021 to 2022, and the average interest rates returned grew from 2.4% to 3.66%. The increase in interest assets is nearly completely attributed to loans which also grew by \$6 billion. Interest income is dependent on the spread between interest on assets, and interest on the liabilities funding the assets. A growth in interest income will have a proportional growth of liabilities and interest expense.

Interest-bearing assets on Stifel's balance sheets include short-term borrowings, stock loan, senior notes, Stifel Capital trust, deposits, and federal home loan bank advances, the interest expense for these in 2022 are, 1.74%, -4.97% 3.99%, 3.48%, .58%, 1.72%, 1.94%. The largest interest-bearing asset are deposits with an average balance of \$2.5 billion through 2022. The large balance combined with the .58% interest expense created the largest interest expense of \$146 million. The total amount of interest-bearing assets in 2022 was \$2.8 billion with a total expense of \$200 million. The total interest-bearing assets grew by \$6 billion from 2021 to 2022 with nearly all \$6 billion coming from new deposits. (1) The spread between interest rate and interest expense has seen an increase in recent years driving the collection of more assets to invest. ^{ix}

| | 2020 | 2021 | 2022 |
|--------------------------|-------|-------|-------|
| Average interest rate | 2.49% | 2.22% | 3.49% |
| Average interest expense | 0.35% | 0.21% | 0.72% |
| Spread | 2.14% | 2.01% | 2.77% |

x

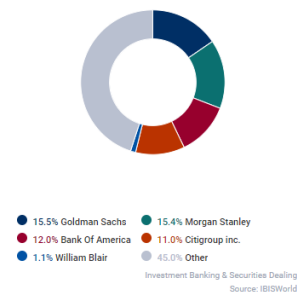
Industry Analysis

The investment banking industry works with clients to help raise capital and underwriting with IPOS for both equity and fixed income, convertible issues, and private placements. They additionally work M&A activity with valuation, structures, negotiation, financing and general consultation.

Investment banking is highly regulated and has high competition.^{xi} The global investment banking & brokerage sector had total revenues of \$136.6 billion in 2021, representing a CAGR of 15.8% between 2016 and 2021. M&A activity represented 35.6% of the sector's Industry's overall value.^{xii}

Investment banking and brokerage industry is dominated by large national US Banks creating a struggle for growth for corporations that are not currently leaders of the industry. The cause of this is the regulation and high capital requirements within the industry. The regulation effecting investment banks are a result of the 2008 financial crisis, which created capital requirements to operate, along with new liquidity and leverage requirements. These factors will keep the key players of the industry in their position. Currently for the US 55% of the investment banking industry is controlled by 5 companies.

Major Players



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Industry Trends

The Investment Banking Industry will have significant changes in the upcoming years. Increased regulation will challenge the industry and technology change is expected to be high in the coming years for Investment Banks. Additionally, wage expenses have seen a steady decrease, and it seems it will follow that trend, increasing net income. Positive trends could help drive growth in the upcoming years.

Regulation

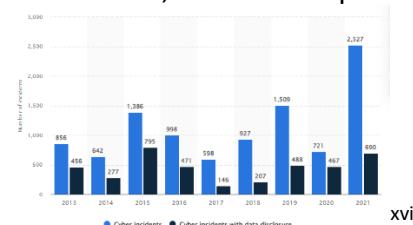
New regulations on investment banks are believed to begin phasing in 2023. Basel 4 is meant to be a continuation of Basel 3 which was put in place after the financial crisis. The goal of Basel 4 is meant to

create a standardized approach in favor of internal rating-based models (IRB) to calculate risk-weighted assets in order to identify the required level of capital for a firm. Basel 4 will require the bank identified IRB to be within 72.5% of the standardized model. This will require banks to assign risk-weights to products that were in the past not considered risky. This will require banks to have either higher capital to cover risky assets, or them to reduce the number of risk-weighted products to reduce, thus adding more challenge in creating growth and profits. The European Banking authorities estimated that Basel 4 will result in about 24% increase in risk-weighted assets, which will result in a large shortfall in capital.^{xiv}

Technology

The industry technology is used to improve efficiency and effectiveness of information delivery services to clients, perform operational activities, and gathering and processing market data, to help with underwriting, M&A activity and assessing risk. New technologies will be able to increase streamlining of administrative duties, gain and interpret large amounts of real time data, generate high volume algorithmic-based trading, and even incorporate qualitative inputs like social media sentiment into investment decisions. Introducing these new technologies into a firm will be a expensive investment, but will be necessary to compete with costs, speed of work performed, and quality of work performed compared to the competition. Though skilled workers will always be required in this industry, new technology will add to their skills^{xv}

Additionally, cybercrime is an ever increasing risk in the financial sector as a whole with financial cyber crimes increasing every year, firm's will need to spend a lot more capital not only protecting themselves, but more importantly their clients.



Capital Markets Outlook

The financials industry has the second-largest market capitalization right behind the information technology sector. With a total value of \$8.26 trillion, the financials industry is a key component to the economy. However, over the past year, the financial sector experienced a decline of 5.57%, with the banking sector being hit the hardest, dropping by over 15%. This impact has been felt across most industries as the economy has gone into a downturn.

The economic downturn has been felt throughout the economy, as all but five of the economy's industries declined over the past year, resulting in an 8.02% drop in the S&P 500 during that same period. Despite these challenges, there are indications that the financial industry will be able to recover soon as well as other industries. With the right policies and strategies in place by regulators and politicians, the economy could get back to its success it had pre-covid.

For example, the S&P is anticipated to rise an annualized 6.2% over the five years to 2027. Rising markets are a good sign for the Investment Banking Industry as clients will want increased underwriting for IPOs, and M&A will increase.^{xvii}

Wages

Since 2017 wages as a percent of revenue have fallen from 33% to 26% currently. This change can be attributed to new and improving technology that have decreased wage requirements. Though cost will be higher as firm's implement new technologies the long-term benefit of a lower expenses for wages will help increase net income for these firms.

Economic Analysis

The current yield curve is inverted. In the past a inverted yield curve has almost always been a sign of a upcoming recession. The yield curve inverts when yields for shorter maturity bonds become higher than yields for longer maturity bonds. This takes place when the market believes that rates will eventually decrease in this case because the current high interest rates will create a recession,

leading to the need for low interest rates to help kick-start the economy. (Information on current yield rates)



Soon the interest rate environment can create great returns for the banking industry. With loans and fixed-income investments creating higher yields and a larger income. Though the funding behind most of these loans require deposits. And the flip side of high interest rate environments is that the interest paid on deposits and other capital raising methods will likely also increase with the interest made on investments. The real mark for how the banking industry will fair is the spread between interest on investments and interest-expenses from funding these assets. Additionally other investment banking activities including underwriting and M&A activity, often decrease and interest income increases, as firms are not willing to pay higher interest-rates to create IPOs, are obtain funding for M&A.^{xix}

Investment banking will have a unique challenge ahead of them. They will need to figure out to best react to macroeconomic conditions, partially coming from the divergent interest rate trajectories across the globe. Though this unpredictable market could create an increase in deal-making for M&A and underwriting.^{xx}

Valuation Analysis

Methodology

We arrived at our assessment of Stifel Financial Corp by analyzing not only company specific factors, but also micro and macro-economic factors that could affect the financial sector and the overall economy. We examined the financial

performance of Stifel over the past ten years to help build a 5-year forecast for their performance. Next, we built onto that assumptions and forecast for industry trends and from economic outlook. At this point we used the forecasted financials to create our valuation. Are valuation utilizing various models including, discounted cash flow, dividend discount, and relative valuation, all tuned to equity valuation rather than enterprise valuation. These models were used to create a buy, hold or sell rating for Stifel.

Revenue Breakdown

Interest Income

In 2022 Stifel doubled their investment income, this came from the interest rate environment, and a large increase in deposits and loans given in this period. Interest income is also derived from their investment portfolio, margin balances from brokerage services, and financial services owned. The income comes from the spread between interest earned and the interest expense, and their respective interest rates, with the most important rates being the loans issued, and deposits.

To forecast interest income, we started by taking a general average over the past 10 years for each different interest-bearing asset. Then for the first 2 years of the forecast I increase the return by 1% and ½% to represent the higher returns gained in the interest rate environment. To forecast interest assets, we took the average growth of the asset accounts over the past 10 years and had higher growth over the first 2 forecast years and then had it taper off. The interest revenue was calculated by first growing interest assets and multiplying it by the return.

Interest-bearing liabilities are needed to fund the interest assets. The main liabilities being deposits, was directly forecasted as 85% of interest assets a number gathered as an average of the past 10 years. Stifel had a breakdown of the interest expense on all interest-bearing liabilities, the 3-year average was used as a base to create the interest expense. Then we had it grow and

decrease in proportion with the interest gained on assets.

Investment Banking

The increase in investment income for Stifel, also saw a large drop in investment banking revenues. IB has an inverse relationship with interest-rates, higher rates result in less underwriting, because fixed income IPOs would require higher coupon payments, and financing for M&A would require financing with higher interest rates. IB revenue was forecasted by creating a baseline average growth over the last 10 years. Then the first 2 years we lowered growth by 1% and 1/2 % to represent the higher interest rate environment. Then the years following return to average growth.

Expenses

The consistent largest expense for Stifel is the compensation & benefit expense. This is a important metric to forecast as it heavily effects NI and ROE which are directly related to the valuation method. Compensation is majority refers to the investment bankers performing underwriting and working on M&A deals. To forecast this expense will calculate compensation and benefits as a percent of customer service revenues, in the model the expense is 73% of these revenues. Though in the future this is an expense that could as technology increases.

Transactional Revenues

Transactional revenues are gained through transactions placed by clients in the primary and secondary markets. The Transactional revenues in the income state are commissions and principal transactions revenues. Overall, these revenues are fairly consistent without too much deviation given how the markets are performing. Considering this we expect the commissions to grow by 2.3% yearly and principal transactions to grow by 3.18% yearly.

Model Valuations

Cost of Equity

To calculate the cost of equity for Stifel, we employed the CAPM model. We utilized the 10-year U.S Treasury Yield of 3.40% as the risk-free rate and our equity risk premium of 4.88% from the 1928-2022 geometric average over 10-year Treasury. The beta was computed as an average of the 1-year, 3-year, and 5-year raw beta at 1.25. We derived the cost of equity by multiplying our beta with the equity risk premium and adding the risk-free rate, which resulted in a cost of equity of 9.50%

Discounted Cash Flow and Economic Profit Analysis

Share Price: 83.31

Our group used two methods, the Equity DCF and Equity EP, to determine the implied price for Stifel. In the DCF model, we first calculated the free cash flow to equity (FCFE) for 2023-2027 by subtracting the change in total assets from the net income, then adding the change in total liabilities. We then calculated the continuing value (CV) for 2027 based on the net income, CV growth of net income, CV year ROE and Cost of Equity. Then we discounted the 2023E – 2026E and the 2027 CV by the cost of equity to the power of years from present date. This method created A implied price of \$83.31. For the EP method our group computed the the equity economic profit for years 2023 – 2027 and found the continuing value using the 2027 equity economic profit. We then discounted these values and added them to obtain the present value of economic profit. Finally, we added the present year total shareholder equity to determine the value of equity, after dividing that by shares outstanding, we got to the implied price of \$83.31.

Dividend Discount Method

Share Price: 62.57

For our valuation of Stifel we felt that the use of the Dividend discount model (DDM) was the most accurate method to determine an implied stock price. This model considers the future dividend that we expect Stifel to pay out. Based on the

recent dividend raises we estimate that Stifel will raise in the forecasted years. In conjunction with dividends, we use the CV year eps and the P/E multiple to determine future stock price. We then discount these values. After this calculation we came up with an implied price of \$62.57. This is what the to the hold rating as we do not see the stock growing much in the future and feel that is accurately represented by the current share price of \$61.74.

Relative Valuation

For our relative valuation model, we selected a group of competitors that we deemed most suitable, and who show the upside of the market for comparison with Stifel. Though Stifel is difficult to find relative performers as they start to move into different areas outside of Investment Banking. Our chosen companies included Virtu Financial (VIRT), JP Morgan (JPM), CitiGroup (C), Morgan Stanly (MS), Goldman Sachs (GS), Jeffereis Financial Group (JEF), Evercore (EVR), Lazard (LAZ). A lot of these companies turned out being poor representations more many of ratios. We chose to use the P/E ratio for 2023 and 2024. We took an average of these two and found an average of \$69 which we believe is a good representation of our expected target price for stifel.

Sensitivity analysis

Beta Vs Equity Risk Premium

We Examined the impact of varying risk premiums and beta on the calculation of the implied price. For Stifel which has a high beta, the change in beta has a much larger effect on cost of equity, and in return on the valuations.

Cost of Equity/CV Year EPS

Cost of equity effects the P/E multiple, and the EPS value multiple by the P/E is what creates the future value used to find the present value in the DDM. We tested different P/E multiples and EPSs to see how they correlate to implied price. In this case Cost of equity has a lot of effect on implied price,

as it is both used to forecast the future and price and to discount the cashflows.

Return On Loans/Deposit Interest Expense

Return on loan investment and the interest on deposits play the biggest role in interest income, as they represent the biggest accounts. The change in these returns represents the change in spread, and the change in total interest income effecting the EPS, and the implied price.

Forecasted Tax Rate/Depreciation

The tax rate directly effects the Net Income, and depreciation does the same by take away from revenues, but also creates an increase in cashflows. Though seen from the data table, the tax rate and depreciation rate would have to see a large change to have a major effect on the implied price.

Loans given growth rate/Deposit growth rate

The Deposit growth rate is currently based off the total investment assets, so loans given growth rate is generally directly related to the deposit growth rate. This sensitivity test checks how much benefit there could be if Stifel could find other ways to fund their loans, or if they just decide to spend more resources on giving out loans for investments. The data table shows that it would take either a large increase or decreases in loan growth, or deposit growth to have a major change in share price.

Compensation cost/IB Growth

Contracts with customer is the main driver of compensation and benefit cost. Within contracts with customers IB is one of the largest contributors. With keeping other revenues, the same this data table test the sensitivity of the implied value to both factors. The table shows that it would take compensation decreasing and IB growth increasing to show any large change in implied value. In the future this may be achieved as technology in the industry improves.

Important Disclaimer

This report was created by students enrolled in the Security Analysis (6F:112) class at the University of Iowa. The report was originally created to offer an internal investment recommendation for the University of Iowa Krause Fund and its advisory board. The report also provides potential employers and other interested parties an example of the students' skills, knowledge, and abilities. Members of the Krause Fund are not registered investment advisors, brokers or officially licensed financial professionals. The investment advice contained in this report does not represent an offer or solicitation to buy or sell any of the securities mentioned. Unless otherwise noted, facts and figures included in this report are from publicly available sources. This report is not a complete compilation of data, and its accuracy is not guaranteed. From time to time, the University of Iowa, its faculty, staff, students, or the Krause Fund may hold a financial interest in the companies mentioned in this report.

SOURCES

ⁱ Yahoo Finance

ⁱⁱ Stifel Financial 10-k 12-31-2022 pg.5

ⁱⁱⁱ Stifel Financial 10-k 12-31-2022 pg. 29

^{iv} Stifel Financial 10-k 12-31-2022 pg.39

^v Stifel Financial 10-k 12-31-2022 pg. 29

^{vi} Stifel Financial 10-k 12-31-2022 pg. 30

^{vii} Stifel Financial 10-k 12-31-2022 pg. 31

^{ix} Stifel Financial 10-k 12-31-2022 pg. 32

^x Stifel Financial 10-k 12-31-2022 pg. 32

^{xi} "Investment Banking: The Ultimate Industry Overview." *Investment Banking, Mergers & Inquisitions*, 13 Oct. 2022, <https://mergersandinquisitions.com/investment-banking/>.

^{xii} *Global Investment Banking & Brokerage*. MarketLine, Mar. 2017.

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^{xv} "Trends in Investment Banking Technology." *4Degrees*, 4 Nov. 2022,

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^{xvi} Published by Ani Petrosyan, and Aug 31. "Cyber Incidents in Financial Industry Worldwide 2021." *Statista*, 31 Aug. 2022, <https://www.statista.com/statistics/1310985/number-of-cyber-incidents-in-financial-industry-worldwide/>.

^{xvii} "Investment Banking & Securities Dealing in the US." *Page 3*, <https://my.ibisworld.com/us/en/industry/52311/industry-outlook#outlook>.

^{xviii} Bloomberg Terminal

^{xix} "Investment Banking & Securities Dealing in the US." *Page 9*, <https://my.ibisworld.com/us/en/industry/52311/industry-outlook#outlook>.

^{xx} O'Reilly, Monica, et al. "2023 Banking and Capital Markets Outlook." *Deloitte Insights*, Deloitte, 8 Feb. 2023, <https://www2.deloitte.com/us/en/insights/industry/financial-services/financial-services-industry-outlooks/banking-industry-outlook.html>.

Stifel

Income Statement

(in millions)

| Fiscal Years Ending Dec. 31 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Revenues: | | | | | | | | | | |
| Commissions revenues | \$ 598.95 | \$ 674.42 | \$ 749.54 | \$ 729.99 | \$ 678.90 | \$ 657.73 | \$ 667.49 | \$ 760.63 | \$ 809.50 | \$ 710.59 |
| Principal transactions revenues | 459.97 | 409.82 | 389.32 | 475.43 | 396.83 | 351.38 | 404.75 | 588.30 | 581.16 | 529.03 |
| Investment banking revenues | 448.06 | 578.69 | 503.05 | 513.03 | 726.76 | 707.67 | 817.42 | 952.31 | 1,565.38 | 971.49 |
| Asset management | 305.64 | 386.00 | 493.76 | 582.79 | 702.06 | 806.18 | 848.04 | 917.42 | 1,206.52 | 1,262.92 |
| Interest revenues | 142.54 | 185.97 | 179.10 | 294.33 | 454.38 | 646.45 | 724.88 | 523.83 | 548.40 | 1,099.12 |
| Other income (loss) | 64.66 | 14.79 | 62.22 | 46.80 | 37.52 | 25.55 | 52.38 | 75.35 | 72.13 | 19.69 |
| Total revenues | 2,019.81 | 2,249.69 | 2,376.99 | 2,642.37 | 2,996.46 | 3,194.96 | 3,514.96 | 3,817.84 | 4,783.09 | 4,592.83 |
| Interest expense | 46.37 | 41.26 | 45.40 | 66.87 | 70.03 | 170.08 | 177.93 | 65.78 | 46.00 | 201.39 |
| Net revenues | 1,973.45 | 2,208.42 | 2,331.59 | 2,575.50 | 2,926.43 | 3,024.88 | 3,337.03 | 3,752.06 | 4,737.09 | 4,391.44 |
| Operations: | | | | | | | | | | |
| Compensation & benefits | 1,311.39 | 1,403.93 | 1,568.86 | 1,726.02 | 1,958.93 | 1,770.76 | 1,978.12 | 2,279.34 | 2,820.30 | 2,586.23 |
| Depreciation and amortization | 33.99 | 29.28 | 36.72 | 43.15 | 32.50 | 27.90 | 38.37 | 40.86 | 45.57 | 50.52 |
| Occupancy and equipment rental | 124.28 | 139.76 | 170.75 | 188.18 | 190.21 | 194.49 | 204.52 | 233.80 | 244.67 | 262.73 |
| Occupancy & equipment rental | 158.27 | 169.04 | 207.47 | 231.32 | 222.71 | 222.38 | 242.89 | 274.66 | 290.24 | 313.25 |
| Communications & office supplies | 99.73 | 106.93 | 130.68 | 139.64 | 133.49 | 140.25 | 147.43 | 164.74 | 165.49 | 175.14 |
| Commissions & floor brokerage | 37.23 | 36.56 | 42.52 | 44.32 | 44.13 | 41.97 | 44.01 | 55.96 | 59.68 | 57.75 |
| Provision for credit losses | - | - | - | - | - | - | - | 33.93 | (11.50) | 33.51 |
| Other operating expenses | 181.61 | 201.18 | 240.50 | 291.62 | 297.63 | 315.15 | 325.44 | 292.28 | 345.79 | 340.45 |
| Total non-interest expenses | 1,788.22 | 1,917.63 | 2,190.03 | 2,432.91 | 2,656.90 | 2,490.52 | 2,737.89 | 3,100.90 | 3,670.01 | 3,506.62 |
| Income (loss) from continuing operations before income tax expense | 185.23 | 290.79 | 141.57 | 142.58 | 269.54 | 534.36 | 599.14 | 651.16 | 1,067.08 | 885.12 |
| Provision (benefit) for income taxes | 12.32 | 111.66 | 49.23 | 61.06 | 86.67 | 140.39 | 149.15 | 147.69 | 242.22 | 222.96 |
| Net income (loss) | 162.01 | 176.07 | 92.34 | 81.52 | 182.87 | 393.97 | 449.99 | 503.47 | 824.86 | 662.16 |
| Preferred dividends | - | - | - | 3.91 | 9.38 | 9.38 | 17.32 | 27.26 | 35.59 | 37.28 |
| Net income available to common shareholders | - | - | - | 77.61 | 173.50 | 384.59 | 431.08 | 476.21 | 789.27 | 624.87 |
| Year end shares outstanding | 95.61 | 99.50 | 100.54 | 99.96 | 106.30 | 106.20 | 102.49 | 103.15 | 104.50 | 105.35 |
| Net earnings (loss) per share - basic | 1.70 | 1.77 | 0.90 | 0.77 | 1.69 | 3.57 | 3.99 | 4.49 | 7.34 | 5.74 |
| Cash dividends declared per common share | - | - | - | - | 0.13 | 0.32 | 0.40 | 0.45 | 0.60 | 1.20 |

Stifel

Revenue Decomposition

in millions

| Fiscal Years Ending Dec. 31 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023E | 2024E | 2025E | 2026E | 2027E |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Revenue from contracts with customers: | | | | | | | | | | | | | | | |
| Commissions | 598.9 | 674.4 | 749.5 | 730.0 | 678.9 | 657.7 | 667.5 | 760.6 | 809.5 | 710.6 | 709.1 | 716.5 | 733.0 | 753.5 | 774.5 |
| Capital Raising - IB | | | 307.8 | 256.3 | 366.1 | 336.2 | 369.4 | 524.5 | 709.3 | 256.9 | 265.6 | 277.9 | 294.3 | 312.4 | 331.6 |
| Advisory - IB | | | 195.5 | 256.6 | 360.6 | 371.5 | 448.0 | 428.2 | 856.8 | 714.6 | 785.6 | 863.6 | 992.5 | 1190.3 | 1457.3 |
| Investment Banking | 448.1 | 578.7 | 503.1 | 513.0 | 726.8 | 707.7 | 817.4 | 952.3 | 1565.4 | 971.5 | 1051.2 | 1141.5 | 1286.8 | 1502.7 | 1788.9 |
| Asset Management | 305.6 | 386.0 | 493.8 | 582.8 | 702.1 | 806.2 | 848.0 | 917.4 | 1206.5 | 1262.9 | 1259.1 | 1318.3 | 1446.1 | 1658.7 | 1861.0 |
| Other | 64.7 | 14.8 | 62.2 | 46.8 | 37.5 | 25.6 | 52.4 | 75.3 | 72.1 | 19.7 | 24.9 | 31.5 | 39.9 | 50.5 | 63.9 |
| Revenue From Contracts with customers total | 1417.3 | 1653.9 | 1808.6 | 1872.6 | 2145.3 | 2197.1 | 2385.3 | 2705.7 | 3653.5 | 2964.7 | 3044.3 | 3207.8 | 3505.8 | 3965.3 | 4488.3 |
| Interest Income: | | | | | | | | | | | | | | | |
| Loans held for investment, net | 38.6 | 71.5 | 79.8 | 131.8 | 206.1 | 300.5 | 379.8 | 331.8 | 378.1 | 752.3 | 829.13 | 858.19 | 863.53 | 1,028.06 | 1,015.00 |
| Investment Securities | 62.2 | 71.2 | 53.8 | 109.0 | 187.7 | 252.2 | 231.0 | 149.9 | 129.9 | 247.8 | 267.46 | 239.49 | 238.80 | 284.74 | 309.74 |
| Margin Balances | 18.2 | 19.1 | 22.4 | 32.4 | 37.2 | 49.5 | 52.0 | 28.2 | 25.8 | 43.8 | 38.55 | 40.71 | 45.52 | 54.62 | 60.75 |
| Financial Instruments Owned | 0.0 | 0.0 | 17.8 | 19.0 | 17.6 | 21.4 | 23.5 | 12.6 | 15.0 | 20.5 | 19.01 | 14.85 | 14.37 | 10.59 | 10.24 |
| Other | 15.1 | 24.2 | 5.3 | 2.4 | 5.8 | 22.8 | 38.5 | 1.4 | -0.4 | 34.8 | 24.26 | 26.39 | 26.53 | 29.63 | 28.63 |
| Total Interest Income | 134.1 | 186.0 | 179.1 | 294.6 | 454.4 | 646.4 | 724.9 | 523.8 | 548.4 | 1099.1 | 1,178.42 | 1,179.65 | 1,188.76 | 1,407.64 | 1,424.35 |
| Principal Transaction | 460.0 | 409.8 | 389.3 | 475.4 | 396.8 | 351.4 | 404.8 | 588.3 | 581.2 | 529.0 | 545.83 | 563.17 | 581.05 | 599.51 | 618.55 |
| Total Revenue | 2011.3 | 2249.7 | 2377.0 | 2642.6 | 2996.5 | 3195.0 | 3515.0 | 3817.8 | 4783.1 | 4592.8 | 4,768.57 | 4,950.65 | 5,275.63 | 5,972.48 | 6,531.21 |
| Interest Expense | 46.4 | 41.3 | 45.4 | 66.9 | 70.0 | 170.1 | 177.9 | 65.8 | 46.0 | 201.4 | 130.5 | 139.3 | 154.3 | 172.8 | 190.0 |
| Net Revenues | 1965.0 | 2208.4 | 2331.6 | 2575.8 | 2926.4 | 3024.9 | 3337.0 | 3752.1 | 4737.1 | 4391.4 | 4638.0 | 4811.4 | 5121.3 | 5799.7 | 6341.2 |
| Contract with customer YOY growth: | | | | | | | | | | | | | | | |
| Commissions | | 12.60% | 11.14% | -2.61% | -7.00% | -3.12% | 1.48% | 13.95% | 6.43% | -12.22% | -0.20% | 1.05% | 2.30% | 2.80% | 2.80% |
| Capital Raising - IB | | | | -16.72% | 42.85% | -8.18% | 9.89% | 41.98% | 35.23% | -63.79% | 3.40% | 4.65% | 5.90% | 6.15% | 6.15% |
| Advising - IB | | | | 31.28% | 40.52% | 3.01% | 20.59% | -4.43% | 100.12% | -16.59% | 9.93% | 9.93% | 14.93% | 19.93% | 22.43% |
| Total IB | | 29.15% | -13.07% | 1.98% | 41.66% | -2.63% | 15.51% | 16.50% | 64.38% | -37.94% | 8.20% | 8.59% | 12.73% | 16.78% | 19.04% |
| Asset Management | | 26.29% | 27.92% | 18.03% | 20.47% | 14.83% | 5.19% | 8.18% | 31.51% | 4.67% | -0.30% | 4.70% | 9.70% | 14.70% | 12.20% |
| Other | | -77.13% | 320.86% | -24.79% | -19.82% | -31.90% | 104.98% | 43.85% | -4.27% | -72.71% | 26.56% | 26.56% | 26.56% | 26.56% | 26.56% |
| Principal Transaction | | -10.90% | -5.00% | 22.12% | -16.53% | -11.45% | 15.19% | 45.35% | -1.21% | -8.97% | 3.18% | 3.18% | 3.18% | 3.18% | 3.18% |
| Invested: | | | | | | | | | | | | | | | |
| Loans held for investment, net | 1,404.35 | 2,065.42 | 3,143.52 | 5,591.19 | 6,947.76 | 8,517.62 | 9,624.04 | 11,006.76 | 16,627.85 | 20,465.09 | 24,164.61 | 28,532.90 | 33,690.86 | 39,781.23 | 44,983.51 |
| Investment Securities | 3,068.37 | 2,691.04 | 3,485.31 | 6,219.72 | 7,471.61 | 7,289.30 | 6,110.96 | 6,347.68 | 7,462.45 | 7,626.49 | 7,964.63 | 8,661.93 | 10,328.10 | 12,355.18 | 14,823.18 |
| Available for sale | 1,756.25 | 1,513.48 | 1,629.91 | 3,181.31 | 3,773.51 | 3,070.45 | 3,254.74 | 2,230.30 | 2,113.89 | 1,636.04 | 1,537.40 | 1,444.71 | 1,502.08 | 1,561.73 | 1,623.74 |
| Held to maturity | 1,312.12 | 1,177.57 | 1,855.40 | 3,038.41 | 3,698.10 | 4,218.85 | 2,856.22 | 4,117.38 | 5,348.56 | 5,990.45 | 6,427.23 | 7,217.21 | 8,826.02 | 10,793.45 | 13,199.44 |
| Margin Balances | 530.40 | 483.89 | 1,599.22 | 1,415.94 | 1,384.10 | 1,201.48 | 1,351.79 | 936.50 | 1,152.877 | 924.39 | 1,109.15 | 1,330.86 | 1,596.87 | 1,916.06 | 2,299.05 |
| Financial Instruments Owned | 801.49 | 786.86 | 749.44 | 925.05 | 1,143.68 | 1,267.45 | 972.93 | 694.03 | 1,157.00 | 731.75 | 707.88 | 684.79 | 662.45 | 640.85 | 619.94 |
| Loans and advances to financial advisors | 184.46 | 197.76 | 401.29 | 396.32 | 378.12 | 408.44 | 525.33 | 596.99 | 653.96 | 654.11 | 519.87 | 559.53 | 602.30 | 626.07 | 653.23 |
| Other Assets | 239.17 | 283.44 | 339.33 | 482.62 | 624.09 | 637.65 | 700.59 | 717.00 | 881.01 | 159.21 | 543.04 | 628.55 | 724.51 | 817.40 | 917.97 |
| Return on investment: | | | | | | | | | | | | | | | |
| Loans held for investment, net | 2.75% | 3.46% | 2.54% | 2.36% | 2.97% | 3.53% | 3.95% | 3.01% | 2.27% | 3.68% | 3.43% | 3.01% | 2.56% | 2.58% | 2.26% |
| Investment Securities | 2.03% | 2.64% | 1.54% | 1.75% | 2.51% | 3.46% | 3.78% | 2.36% | 1.74% | 3.25% | 3.36% | 2.76% | 2.31% | 2.30% | 2.09% |
| Margin Balances | 3.44% | 3.95% | 1.40% | 2.29% | 2.69% | 4.12% | 3.85% | 3.01% | 2.24% | 4.73% | 3.48% | 3.06% | 2.85% | 2.85% | 2.64% |
| Financial Instruments Owned | 0.00% | 0.00% | 2.37% | 2.05% | 1.54% | 1.69% | 2.42% | 1.81% | 1.30% | 2.81% | 2.69% | 2.17% | 2.17% | 1.65% | 1.65% |
| Other Assets | 3.56% | 5.03% | 0.72% | 0.28% | 0.58% | 2.18% | 3.14% | 0.10% | -0.02% | 4.28% | 2.28% | 2.22% | 2.00% | 2.05% | 1.82% |

Stifel

Historical Cash Flow Statement

| Fiscal Years Ending Dec. 31 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|--|-------------------|-----------------|-------------------|-------------------|-------------------|-----------------|-------------------|-------------------|-------------------|-------------------|
| Cash Flows from Operating Activities: | | | | | | | | | | |
| Net income (loss) | \$ 162.01 | \$ 176.07 | \$ 92.34 | \$ 81.52 | \$ 182.87 | \$ 393.97 | \$ 449.99 | \$ 503.47 | \$ 824.86 | \$ 662.16 |
| Depreciation & amortization | 33.99 | 29.28 | 36.72 | 43.15 | 32.50 | 27.90 | 38.37 | 40.86 | 45.57 | 50.52 |
| Amortization of loans & advances to financial advisors & other employees | 64.93 | 64.74 | 53.91 | 94.75 | 91.59 | 85.37 | 95.05 | 103.98 | 114.69 | 132.01 |
| Amortization of premium on investment portfolio | 8.32 | 5.85 | 2.75 | 12.26 | 15.84 | 25.31 | 34.23 | 20.74 | 17.04 | 12.16 |
| Provision for credit losses & allowance for loans & advances to financial advisors & other employees | 10.62 | 9.71 | 14.69 | 17.79 | 25.99 | 19.60 | 11.01 | 33.93 | (11.50) | 33.51 |
| Amortization of intangible assets | 12.13 | 12.37 | 10.42 | 14.43 | 12.14 | 12.56 | 16.02 | 19.62 | 18.19 | 19.60 |
| Deferred income taxes | (26.39) | 5.26 | (2.58) | 46.06 | 118.13 | 14.25 | (6.86) | (39.07) | 32.10 | 12.69 |
| Stock-based compensation | 137.45 | 94.01 | 165.64 | 186.30 | 140.46 | 100.79 | 102.19 | 108.22 | 119.38 | 135.51 |
| Unrealized losses/(gains) on investments | 13.32 | 0.02 | 9.26 | 5.56 | (2.36) | 22.78 | (7.92) | 18.91 | 3.00 | 11.89 |
| Other adjustments, net | (3.64) | (9.78) | (13.16) | 4.68 | 3.04 | (10.72) | (38.55) | (10.33) | 26.22 | 8.85 |
| Receivable from brokerage clients, net | (42.63) | 58.92 | (1,003.26) | 177.30 | 31.84 | 182.62 | (17.49) | 415.29 | (214.03) | 228.48 |
| Receivable from brokers, dealers & clearing organizations | (30.63) | (263.39) | 82.96 | (439.60) | 566.45 | (56.47) | (8.66) | 78.30 | (8.50) | 156.17 |
| Securities purchased under agreements to resell | (66.38) | 170.00 | (105.35) | (88.17) | (263.63) | (187.68) | 314.89 | 167.08 | (266.80) | 231.70 |
| Financial instruments owned, including those pledged | 70.05 | 26.28 | 90.72 | (175.60) | (217.39) | (123.77) | 335.55 | 278.90 | (271.48) | 452.25 |
| Loans originated as held for sale | (1,275.65) | (1,132.67) | (1,855.71) | (2,658.25) | (1,564.39) | (1,341.11) | (1,848.57) | (3,019.29) | (1,997.56) | (576.15) |
| Proceeds from mortgages held for sale | 1,372.55 | 1,112.32 | 1,814.17 | 2,624.95 | 1,558.33 | 1,345.11 | 1,782.46 | 2,894.74 | 2,313.93 | 593.09 |
| Loans & advances to financial advisors & other employees | (71.86) | (79.22) | (187.23) | (92.83) | (72.22) | (116.92) | (210.65) | (180.00) | (172.55) | (132.38) |
| Other assets | 79.66 | (2.51) | 47.99 | (158.88) | (113.88) | (1.56) | (36.29) | (117.47) | (96.70) | (66.02) |
| Payable brokerage clients | 23.43 | 2.55 | 678.93 | (158.41) | (13.81) | 9.17 | (210.71) | 323.49 | (92.02) | (201.56) |
| Payables to brokers, dealers & clearing organizations | 3.98 | (8.20) | 98.30 | (62.11) | (79.91) | (16.38) | 63.82 | (71.14) | 6.54 | (81.66) |
| Drafts payable | (15.72) | 0.49 | 108.66 | (89.41) | 12.59 | (2.16) | 14.87 | (2.02) | 4.88 | (20.41) |
| Financial instruments sold, but not yet purchased | 85.13 | 106.05 | (65.52) | 177.29 | 79.83 | 168.44 | (284.51) | (224.87) | 229.71 | (301.33) |
| Other liabilities & accrued expenses | 48.99 | (62.66) | (261.33) | (65.10) | 135.89 | (21.58) | 38.63 | 318.48 | 247.11 | (176.72) |
| Net cash flows from operating activities | 702.22 | 250.27 | (379.51) | (349.18) | 662.35 | 529.53 | 626.86 | 1,661.82 | 872.09 | 1,157.42 |
| Cash Flows from Investing Activities: | | | | | | | | | | |
| Proceeds from principal paydowns, calls, maturities, & sales of available-for-sale securities | 435.83 | 698.90 | 866.90 | 403.95 | 985.52 | 1,244.43 | 1,224.62 | 896.75 | 562.35 | 330.05 |
| Proceeds from calls & principal paydowns of held-to-maturity securities | - | - | - | - | - | - | - | - | 1,751.31 | 114.74 |
| Proceeds from sale or maturity of investments | 90.27 | 60.43 | 65.32 | 40.18 | 28.84 | 24.45 | 14.70 | 2.14 | 19.61 | 20.75 |
| Decrease (increase) in bank loans, net | (249.02) | (668.35) | (517.56) | (2,462.41) | (1,374.96) | (1,079.55) | (1,208.82) | (1,441.30) | (5,609.31) | (3,822.65) |
| Purchase of available-for-sale securities | (1,314.29) | (416.85) | (991.95) | (1,961.42) | (1,583.37) | (550.16) | (239.97) | (864.20) | (813.66) | (103.34) |
| Purchase of held-to-maturity securities | (16.44) | (7.96) | (802.67) | (1,437.73) | (1,033.70) | (1,352.59) | (243.34) | (384.70) | (2,668.22) | (754.31) |
| Purchase of investments | (71.78) | (48.83) | (45.15) | (9.28) | (4.30) | (8.83) | (37.56) | (21.32) | (23.31) | (15.50) |
| Purchase of fixed assets | (32.28) | (26.63) | (69.82) | (28.21) | (28.22) | (108.21) | (157.90) | (73.36) | (188.18) | (82.84) |
| Acquisitions, net of cash acquired | (88.59) | (80.38) | (604.66) | (72.38) | (7.22) | (8.39) | (193.10) | (0.28) | (144.47) | (11.90) |
| Net cash flows from investing activities | (1,106.27) | (392.94) | (1,973.27) | (5,254.52) | (2,647.38) | (989.24) | (350.33) | (1,689.32) | (6,965.50) | (4,324.54) |
| Cash Flows from Financing Activities: | | | | | | | | | | |
| Increase (decrease) in securities sold under agreements to repurchase | 123.46 | (224.63) | 239.49 | (10.13) | (34.84) | 301.69 | (168.07) | (200.68) | 135.59 | (173.52) |
| Increase (decrease) in bank deposits, net | 881.79 | 126.76 | 1,848.28 | 4,889.13 | 1,884.45 | 1,950.66 | (531.03) | 2,063.92 | 5,883.85 | 3,836.76 |
| Increase (decrease) in securities loaned | 20.95 | (35.91) | 325.71 | 146.84 | (166.90) | 172.38 | 114.14 | (463.21) | 4.10 | (81.11) |
| Tax payments related to shares withheld for stock-based compensation plans | - | - | - | - | (214.74) | (43.23) | (33.27) | (75.84) | (78.57) | (102.55) |
| Repurchase of common stock | (13.67) | - | (117.75) | (113.46) | (13.00) | (170.20) | (215.43) | (58.26) | (172.74) | (105.83) |
| Cash dividends on preferred stock | - | - | - | (3.91) | (9.38) | (9.38) | (17.32) | (27.26) | (35.59) | (37.28) |
| Cash dividends paid to common stock & equity-award holders | - | - | - | - | (13.69) | (34.64) | (41.95) | (46.50) | (66.34) | (133.75) |
| Payment of contingent consideration | - | - | (29.60) | (13.11) | (13.33) | (12.85) | (9.53) | (28.22) | (16.80) | (11.31) |
| Net cash flows from financing activities: | 715.02 | 123.20 | 2,424.93 | 5,718.20 | 1,760.49 | 1,747.70 | (1,076.87) | 1,198.87 | 5,794.40 | 3,191.41 |
| Effect of exchange rate changes on cash | 1.65 | (7.31) | (3.60) | (12.60) | 7.90 | (5.69) | 4.93 | 6.86 | (3.54) | 55.05 |
| Net Change in Cash | 310.97 | (19.47) | 72.16 | 114.51 | (224.54) | 1,282.29 | (795.40) | 1,178.24 | (302.55) | 79.35 |
| Cash, Beginning of Year | - | - | - | - | - | 787.09 | 2,069.37 | 1,273.97 | 2,452.21 | 2,149.66 |
| Cash, End of Period | - | - | - | - | - | 2,069.37 | 1,273.97 | 2,452.21 | 2,149.66 | 2,229.00 |

Stifel

Balance Sheet

(in millions)

| Fiscal Years Ending Dec. 31 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023E | 2024E |
|--|-----------------|-----------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Assets: | | | | | | | | | | | | |
| Cash & cash equivalents | \$ 716.56 | \$ 689.78 | \$ 811.02 | \$ 912.93 | \$ 696.28 | \$ 1,936.56 | \$ 1,142.60 | \$ 2,279.27 | \$ 1,963.33 | \$ 2,199.99 | 2,487.81 | 1,608.10 |
| Cash segregated for regulatory purposes | 0.04 | 49.65 | 227.73 | 73.24 | 90.80 | 132.81 | 131.37 | 172.93 | 186.33 | 29.02 | 29.02 | 29.02 |
| Receivable from broker, dealers & clearing organizations | 381.12 | 651.07 | 601.83 | 1,024.75 | 459.11 | 515.57 | 627.79 | 549.49 | 574.26 | 418.09 | 828.27 | 868.75 |
| Securities purchased under agreements to resell | 225.08 | 55.08 | 160.42 | 248.59 | 512.22 | 699.90 | 385.01 | 217.93 | 579.87 | 348.16 | 343.23 | 355.04 |
| Financial instruments owned, at fair value | 801.49 | 786.86 | 749.44 | 925.05 | 1,143.68 | 1,267.45 | 972.93 | 694.03 | 1,157.00 | 731.75 | 707.88 | 684.79 |
| Available-for-sale securities, at fair value | 1,756.25 | 1,513.48 | 1,629.91 | 3,181.31 | 3,773.51 | 3,070.45 | 3,254.74 | 2,230.30 | 2,113.89 | 1,636.04 | 1,537.40 | 1,444.71 |
| Held-to-maturity securities, at amortized cost | 1,312.12 | 1,177.57 | 1,855.40 | 3,038.41 | 3,698.10 | 4,218.85 | 2,856.22 | 4,117.38 | 5,348.56 | 5,990.45 | 6,427.23 | 7,217.21 |
| Loans held for investment, net | 1,404.35 | 2,065.42 | 3,143.52 | 5,591.19 | 6,947.76 | 8,517.62 | 9,624.04 | 11,006.76 | 16,627.85 | 20,465.09 | 24,164.61 | 28,532.90 |
| Loans held for sale, at lower of cost or market | 109.11 | 121.94 | 189.92 | 228.59 | 226.07 | 205.56 | 389.69 | 551.25 | 207.72 | 156.91 | 238.68 | 251.63 |
| Investments, at fair value | 217.23 | 210.26 | 181.02 | 133.56 | 111.38 | 67.98 | 79.97 | 113.86 | 117.80 | 99.38 | 133.24 | 124.85 |
| Fixed assets, net | 106.45 | 124.25 | 181.97 | 172.83 | 155.12 | 372.94 | 1,107.93 | 961.10 | 168.21 | 200.04 | 210.05 | 220.55 |
| Operating lease right-of-use assets, net | - | - | - | - | - | - | - | - | 750.73 | 775.95 | 814.75 | 855.48 |
| Goodwill | 727.34 | 795.03 | 915.60 | 962.28 | 968.83 | 1,034.68 | 1,194.07 | 1,182.00 | 1,306.89 | 1,326.55 | 1,326.55 | 1,326.55 |
| Intangible assets, net | 49.89 | 54.56 | 63.18 | 116.30 | 109.63 | 119.66 | 161.77 | 140.98 | 148.16 | 130.59 | 188.04 | 196.87 |
| Loans & advances to financial advisors & other employees, net | 184.46 | 197.76 | 401.29 | 396.32 | 378.12 | 408.44 | 525.33 | 596.99 | 653.96 | 654.11 | 519.87 | 559.53 |
| Deferred tax assets, net | 243.55 | 258.14 | 285.13 | 225.45 | 105.15 | 112.01 | 104.38 | 136.48 | 111.28 | 159.21 | 56.01 | 56.16 |
| Other assets | 239.17 | 283.44 | 339.33 | 482.62 | 624.09 | 637.65 | 700.59 | 717.00 | 881.01 | 159.21 | 543.04 | 628.55 |
| Total assets | 9,008.87 | 9,518.15 | 13,335.92 | 19,129.36 | 21,383.95 | 24,519.60 | 24,610.23 | 26,604.25 | 34,049.72 | 37,196.12 | 40,555.66 | 44,867.20 |
| Liabilities: | | | | | | | | | | | | |
| Brokerage clients | 318.94 | 321.50 | 1,000.42 | 842.01 | 828.21 | 837.38 | 740.44 | 1,063.94 | 971.92 | 770.34 | 835.93 | 876.79 |
| Payable to brokers, dealers & clearing organizations | 58.14 | 14.02 | 438.03 | 523.11 | 276.30 | 432.30 | 712.29 | 177.94 | 257.73 | 94.95 | 321.85 | 337.58 |
| Drafts payables | 74.71 | 75.20 | 183.86 | 94.45 | 107.04 | 104.89 | 119.76 | 117.74 | 122.62 | 102.21 | 173.72 | 180.35 |
| Securities sold under agreements to repurchase | 263.81 | 39.18 | 278.67 | 268.55 | 233.70 | 535.39 | 391.63 | 190.96 | 385.53 | 212.01 | 597.21 | 687.26 |
| Bank deposits | 4,663.32 | 4,790.08 | 6,638.36 | 11,527.48 | 13,411.94 | 15,863.61 | 15,332.58 | 17,396.50 | 23,280.35 | 27,117.11 | 29,535.88 | 32,838.40 |
| Financial instruments sold, but not yet purchased, at fair value | 481.21 | 587.27 | 521.74 | 699.03 | 778.86 | 947.31 | 662.85 | 437.98 | 756.15 | 458.82 | 986.99 | 1,024.68 |
| Accrued compensation | 337.59 | 359.05 | 363.79 | 295.35 | 493.97 | 460.35 | 507.01 | 638.30 | 932.80 | 677.38 | 735.05 | 763.11 |
| Accounts payable & accrued expenses | 285.97 | 302.32 | 349.04 | 400.57 | 308.91 | 344.15 | 1,146.71 | 1,169.74 | 1,134.18 | 1,264.28 | 1,090.76 | 1,132.41 |
| Senior notes, net | - | 625.00 | 750.00 | 795.89 | 1,014.94 | 1,015.97 | 1,017.01 | 1,112.41 | 1,113.48 | 1,114.55 | 1,114.55 | 1,114.55 |

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Forecasted Cash Flow Statement

| Fiscal Years Ending Dec. 31 | 2023E | 2024E | 2025E | 2026E | 2027E |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| Net Income(Loss) | 795.23 | 797.48 | 805.23 | 960.00 | 980.79 |
| Cash Flows From operating activities: | | | | | |
| Depreciation and Amortization | 39.66 | 41.64 | 43.72 | 45.91 | 48.20 |
| Cash Segregated for Regulatory Purposes | - | - | - | - | - |
| Receivable from brokerage clients, net | 924.39 | 93.49 | (93.49) | - | - |
| Receivable from broker, dealers & clearing organizations | (410.18) | (40.48) | (71.43) | (108.58) | (122.80) |
| Deferred taxes | (103.20) | 0.16 | 0.55 | 10.90 | 1.46 |
| Securities purchased under agreement to resell | 4.94 | (11.81) | (30.00) | (22.46) | (15.89) |
| Stock based compensation | 133.01 | 133.01 | 133.01 | 133.01 | 133.01 |
| Financial Instruments Owned | 23.87 | 23.09 | 22.34 | 21.61 | 20.90 |
| Payable to brokers, dealers & clearing organizations | 226.90 | 15.73 | 27.76 | 42.19 | 47.72 |
| Drafts Payable | 71.51 | 6.63 | 11.84 | 25.39 | 20.35 |
| Accrued Compensation | 57.67 | 28.07 | 50.09 | 107.42 | 86.12 |
| Other assets | (383.83) | (85.50) | (95.96) | (92.89) | (100.57) |
| Accounts payable & accrued expenses | (173.53) | 41.65 | 74.34 | 159.40 | 127.80 |
| Net Cash Provided by operating activities | 1,206.42 | 1,043.15 | 877.99 | 1,281.89 | 1,227.10 |
| Cash flows From Investing Activities: | | | | | |
| Available for sale securities, at fair value | 98.64 | 92.69 | (57.37) | (59.65) | (62.02) |
| Held-to-maturity securities, at amortized cost | (436.78) | (789.99) | (1,608.81) | (1,967.43) | (2,405.99) |
| Loans held for investment, net | (3,699.52) | (4,368.29) | (5,157.96) | (6,090.37) | (5,202.28) |
| Loans held for sale, at lower of cost or market | (81.76) | (12.96) | (12.97) | (7.47) | (4.35) |
| Investments, at fair value | (33.87) | 8.40 | 8.54 | 6.47 | 2.37 |
| Fixed assets, net | (10.00) | (10.50) | (11.03) | (11.58) | (12.16) |
| Operating lease right-of-use assets, net | (38.80) | (40.74) | (42.77) | (44.91) | (47.16) |
| Intangible assets, net | (57.45) | (8.83) | (19.09) | (31.74) | (30.22) |
| Loans & advances to financial advisors & other employees, net | 134.24 | (39.66) | (42.77) | (23.77) | (27.17) |
| Securities sold under agreements to repurchase | 385.20 | 90.05 | 121.68 | 144.52 | 136.47 |
| Financial instruments sold, but not yet purchased, at fair value | 528.17 | 37.69 | 67.26 | 144.23 | 115.64 |
| Net Cash used for investing activities | (3,211.92) | (5,042.14) | (6,755.28) | (7,941.69) | (7,536.84) |
| Cash Flows from financing activities: | | | | | |
| Brokerage Clients | 65.60 | 40.85 | 72.10 | 109.58 | 123.94 |
| Bank Deposits | 2,418.77 | 3,302.52 | 5,814.14 | 6,905.38 | 6,520.92 |
| Cash dividends on Preferred stock | (34.25) | (34.25) | (34.25) | (34.25) | (34.25) |
| Cash dividends Paid on Common stock | (156.80) | (189.84) | (200.48) | (211.12) | (221.76) |
| Accumulated other comprehensive income (loss) | - | - | - | - | - |
| Net cash provided by financing activities | 2,293.32 | 3,119.28 | 5,651.50 | 6,769.60 | 6,388.85 |
| Net Increase Decrease In cash | 287.82 | (879.71) | (225.79) | 109.79 | 79.11 |
| Cash, Beginning of Year | 2,199.99 | 2,487.81 | 1,608.10 | 1,382.31 | 1,492.10 |
| Cash, End of Year | 2,487.81 | 1,608.10 | 1,382.31 | 1,492.10 | 1,571.21 |

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Value Driver Estimation

| Fiscal Years Ending Dec. 31 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023E | 2024E | 2025E | 2026E | 2027E |
|------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|--------------|--------------|--------------|--------------|
| Net Income: | 162 | 176 | 92 | 82 | 183 | 394 | 450 | 503 | 825 | 662 | 795 | 797 | 805 | 960 | 981 |
| Total Shareholders Equity: | 2,059 | 2,322 | 2,492 | 2,738 | 2,862 | 3,168 | 3,615 | 4,239 | 5,035 | 5,328 | 5,104 | 5,852 | 6,600 | 7,516 | 8,425 |
| Free Cash Flow (FCF): | | | | | | | | | | | | | | | |
| Net Income: | 162 | 176 | 92 | 82 | 183 | 394 | 450 | 503 | 825 | 662 | 795 | 797 | 805 | 960 | 981 |
| Change in Total Assets | 2,101 | 509 | 3,818 | 5,793 | 2,255 | 3,136 | 91 | 1,994 | 7,445 | 3,146 | 3,360 | 4,312 | 6,988 | 8,553 | 8,088 |
| Change in Total Liabilities | 1,537 | 249 | 3,647 | 5,547 | 2,131 | 2,800 | (382) | 1,425 | 6,649 | 2,853 | 3,584 | 3,563 | 6,239 | 7,638 | 7,179 |
| *FCFE | (402) | (84) | (78) | (164) | 60 | 58 | (22) | (66) | 29 | 369 | 1,020 | 49 | 57 | 45 | 72 |
| Return on Equity (ROE): | | | | | | | | | | | | | | | |
| Net Income | 162 | 176 | 92 | 82 | 183 | 394 | 450 | 503 | 825 | 662 | 795 | 797 | 805 | 960 | 981 |
| Beginning TSE | 1,495 | 2,059 | 2,322 | 2,492 | 2,738 | 2,862 | 3,168 | 3,615 | 4,239 | 5,035 | 5,328 | 5,104 | 5,852 | 6,600 | 7,516 |
| ROE | 10.84% | 8.55% | 3.98% | 3.27% | 6.68% | 13.77% | 14.21% | 13.93% | 19.46% | 13.15% | 14.92% | 15.63% | 13.76% | 14.54% | 13.05% |
| Economic Profit (EEP): | | | | | | | | | | | | | | | |
| Beginning TSE | - | 2,059 | 2,322 | 2,492 | 2,738 | 2,862 | 3,168 | 3,615 | 4,239 | 5,035 | 5,328 | 5,104 | 5,852 | 6,600 | 7,516 |
| x (ROE- R _e) | 9.50% | -0.95% | -5.52% | -6.23% | -2.82% | 4.27% | 4.71% | 4.43% | 9.96% | 3.65% | 5.42% | 6.13% | 4.26% | 5.04% | 3.55% |
| EEP | 0 | -20 | -128 | -155 | -77 | 122 | 149 | 160 | 422 | 184 | 289 | 313 | 249 | 333 | 267 |

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Key Management Ratios

| Fiscal Years Ending Dec. 31 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023E | 2024E | 2025E | 2026E | 2027E |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Liquidity Ratios: | | | | | | | | | | | | | | | |
| Current Ratio(current assets/current liabilities) | 1.15 | 1.20 | 1.14 | 1.14 | 1.16 | 1.12 | 1.06 | 1.08 | 1.08 | 1.07 | 1.08 | 1.08 | 1.08 | 1.09 | 1.09 |
| Quick ratio (Cash+Cash Equivalents)+Marketable Securities+Receivables)/Current Liabilities | 0.88 | 0.83 | 0.78 | 0.74 | 0.72 | 0.67 | 0.55 | 0.53 | 0.47 | 0.40 | 0.36 | 0.32 | 0.31 | 0.31 | 0.32 |
| Cash Ratio (Cash /Current Liabilities) | 0.1105 | 0.1063 | 0.0830 | 0.0623 | 0.0424 | 0.0992 | 0.0583 | 0.1075 | 0.0705 | 0.0717 | 0.0726 | 0.0425 | 0.0314 | 0.0289 | 0.0267 |
| Asset-Management Ratios: | | | | | | | | | | | | | | | |
| Asset Turnvoer Ratio(Revenue/total assets) | 0.22 | 0.23 | 0.17 | 0.13 | 0.14 | 0.12 | 0.14 | 0.14 | 0.14 | 0.12 | 0.11 | 0.11 | 0.10 | 0.10 | 0.09 |
| Financial Leverage Ratios: | | | | | | | | | | | | | | | |
| Debt-to-asset Ratio (Total debt/Total assets) | 0.64 | 0.67 | 0.69 | 0.74 | 0.76 | 0.78 | 0.74 | 0.76 | 0.78 | 0.80 | 0.82 | 0.81 | 0.82 | 0.83 | 0.83 |
| Debt-to-equity ratio (Total debt/total equity) | 2.78 | 2.74 | 3.69 | 5.16 | 5.68 | 6.06 | 5.02 | 4.77 | 5.26 | 5.57 | 6.48 | 6.24 | 6.46 | 6.64 | 6.74 |
| Asset-to-equity ratio | 4.38 | 4.10 | 5.35 | 6.99 | 7.47 | 7.74 | 6.81 | 6.28 | 6.76 | 6.98 | 7.95 | 7.67 | 7.86 | 8.04 | 8.13 |
| Profitability Ratios: | | | | | | | | | | | | | | | |
| Return on Equity (NI/Beg TSE) | | 8.55% | 3.98% | 3.27% | 6.68% | 13.77% | 14.21% | 13.93% | 19.46% | 13.15% | 14.92% | 15.63% | 13.76% | 14.54% | 13.05% |
| Net profit margins (Net income/net sales) | 8.21% | 7.97% | 3.96% | 3.17% | 6.25% | 13.02% | 13.48% | 13.42% | 17.41% | 15.08% | 17.15% | 16.57% | 15.72% | 16.55% | 15.47% |
| Return on asset (Net income/total assets) | 1.80% | 1.85% | 0.69% | 0.43% | 0.86% | 1.61% | 1.83% | 1.89% | 2.42% | 1.78% | 1.96% | 1.78% | 1.55% | 1.59% | 1.43% |
| Payout Policy Ratios: | | | | | | | | | | | | | | | |
| Dividend Payout Ratio (Dividend/EPS) | | | | | 0.08 | 0.09 | 0.10 | 0.10 | 0.08 | 0.21 | 0.21 | 0.25 | 0.26 | 0.23 | 0.23 |
| Total Payout Ratio ((Divs. + Repurchases)/NI) | | | | | 19.71% | 54.33% | 61.32% | 26.48% | 33.08% | 41.34% | 4.31% | 4.29% | 4.25% | 3.57% | 3.49% |

Stifel*Relative Valuation Models*

| Ticker | Company | Price | EPS 2023E | EPS 2024E | P/E 23 | P/E 24 | BV Equity | Tangible BV Equity | P/B | Tangible P/B | |
|--------|--------------------------|--------|--------------|--------------|---------|--------|--------------|-----------------------|------|-----------------|------|
| VIRT | Virtu Financial, Inc. | 19.35 | 2.34 | 2.64 | 8.27 | 7.33 | 11.40 | 13.62 | 1.70 | 1.42 | |
| JPM | JP Morgan | 141.06 | 14.11 | 13.80 | 10.00 | 10.22 | 90.29 | 69.55 | 1.56 | 2.03 | |
| C | CitiGroup | 49.52 | 6.08 | 6.49 | 8.14 | 7.63 | 94.06 | 81.61 | 0.53 | 0.61 | |
| MS | Morgan Stanly | 90.48 | 6.62 | 7.70 | 13.67 | 11.75 | 54.56 | 40.07 | 1.66 | 2.26 | |
| GS | Goldman Sachs | 338.25 | 32.66 | 38.66 | 10.36 | 8.75 | 303.55 | 292.92 | 1.11 | 1.15 | |
| JEF | Jeffereis Financel Group | 31.30 | 2.86 | 2.35 | 10.94 | 13.32 | 41.37 | 34.34 | 0.76 | 0.91 | |
| EVR | Evercore | 122.92 | 9.49 | 12.73 | 12.95 | 9.66 | 38.46 | 3.33 | 3.20 | 36.91 | |
| LAZ | Lazard | 34.64 | 2.38 | 3.81 | 14.55 | 9.09 | 7.04 | 2.08 | 4.92 | 16.65 | |
| | | | | | Average | 11.11 | 9.72 | | | 1.22 | 1.40 |

| | | | | | | | | | | |
|----|--------|-------|------|------|------|------|-------|-------|------|------|
| SF | Stifel | 62.02 | 6.79 | 6.43 | 9.13 | 9.64 | 43.90 | 30.25 | 1.41 | 2.05 |
|----|--------|-------|------|------|------|------|-------|-------|------|------|

| Implied Relative Value: | |
|-------------------------|----------|
| P/E (EPS23) | \$ 75.49 |
| P/E (EPS24) | \$ 62.52 |
| P/B | \$ 53.52 |
| P/Tangible BV | \$ 42.25 |

Stifel*Dividend Discount Model (DDM) or Fundamental P/E Valuation Model*

| Fiscal Years Ending Dec. 31 | 2023E | 2024E | 2025E | 2026E | 2027E |
|------------------------------------|-----------------|--------------|--------------|--------------|--------------|
| EPS | \$ 6.79 | \$ 6.43 | \$ 6.15 | \$ 7.02 | \$ 6.83 |
| Key Assumptions | | | | | |
| CV growth of EPS | 3.00% | | | | |
| CV Year ROE | 13.05% | | | | |
| Cost of Equity | 9.50% | | | | |
| Future Cash Flows | | | | | |
| P/E Multiple (CV Year) | | | | | 11.85 |
| EPS (CV Year) | | | | | 6.83 |
| Future Stock Price | | | | | 80.92 |
| Dividends Per Share | 1.40 | 1.60 | 1.60 | 1.60 | |
| Discounted Cash Flows | 1.28 | 1.33 | 1.22 | 1.11 | 56.29 |
| Intrinsic Value as of Last FYE | \$ 61.23 | | | | |
| Implied Price as of Today | \$ 62.58 | | | | |

Stifel*Discounted Cash Flow (DCF) and Economic Profit (EP) Valuation Models*

| <i>Fiscal Years Ending Dec. 31</i> | <i>2023E</i> | <i>2024E</i> | <i>2025E</i> | <i>2026E</i> | <i>2027E</i> |
|------------------------------------|--------------|--------------|--------------|--------------|--------------|
| Key Inputs: | | | | | |
| CV Growth of NI | 3.00% | | | | |
| CV Year ROE | 13.05% | | | | |
| Cost of Equity | 9.50% | | | | |
| DCF Model: | | | | | |
| Free Cash Flow (FCFE) | 1,019.99 | 49.12 | 56.91 | 44.65 | 71.87 |
| Continuing Value (CV) | | | | | 11,620.23 |
| PV of EP | 931.50 | 40.97 | 43.34 | 31.06 | 8,082.74 |
| Value of Operating Assets | 9,129.61 | | | | |
| Value of Equity | 9,129.61 | | | | |
| Shares Outstanding | 112.00 | | | | |
| Implied Value of Last FYE | \$ 81.51 | | | | |
| Implied Price as of Today | \$ 83.31 | | | | |
| EP Model: | | | | | |
| Economic Profit (EP) | 289.02 | 312.63 | 249.28 | 332.97 | 266.79 |
| Continuing Value (CV) | | | | | 4,104.49 |
| PV of EP | 263.95 | 260.74 | 189.87 | 231.60 | 2,854.98 |
| Total PV of EP | 3,801.13 | | | | |
| Invested Capital (Last FYE) | 5,328.47 | | | | |
| Value of Operating Assets: | 9,129.60 | | | | |
| Value of Equity | 9,129.60 | | | | |
| Shares Outstanding | 112.00 | | | | |
| Intrinsic Value of Last FYE | \$ 81.51 | | | | |
| Implied Price as of Today | \$ 83.31 | | | | |

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Common Size Income Statement

| Fiscal Years Ending Dec. 31 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023E | 2024E | 2025E | 2026E | 2027E |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Revenues: | | | | | | | | | | | | | | | |
| Commissions revenues | 29.65% | 29.98% | 31.53% | 27.63% | 22.66% | 20.59% | 18.99% | 19.92% | 16.92% | 15.47% | 14.87% | 14.47% | 13.89% | 12.62% | 11.86% |
| Principal transactions revenues | 22.77% | 18.22% | 16.38% | 17.99% | 13.24% | 11.00% | 11.52% | 15.41% | 12.15% | 11.52% | 11.45% | 11.38% | 11.01% | 10.04% | 9.47% |
| Investment banking revenues | 22.18% | 25.72% | 21.16% | 19.42% | 24.25% | 22.15% | 23.26% | 24.94% | 32.73% | 21.15% | 22.04% | 23.06% | 24.39% | 25.16% | 27.39% |
| Asset management | 15.13% | 17.16% | 20.77% | 22.06% | 23.43% | 25.23% | 24.13% | 24.03% | 25.22% | 27.50% | 26.40% | 26.63% | 27.41% | 27.77% | 28.49% |
| Interest revenues | 7.06% | 8.27% | 7.53% | 11.14% | 15.16% | 20.23% | 20.62% | 13.72% | 11.47% | 23.93% | 24.71% | 23.83% | 22.53% | 23.57% | 21.81% |
| Other income (loss) | 3.20% | 0.66% | 2.62% | 1.77% | 1.25% | 0.80% | 1.49% | 1.97% | 1.51% | 0.43% | 0.52% | 0.64% | 0.76% | 0.85% | 0.98% |
| Total revenues | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |
| Interest expense | 2.30% | 1.83% | 1.91% | 2.53% | 2.34% | 5.32% | 5.06% | 1.72% | 0.96% | 4.38% | 2.74% | 2.81% | 2.92% | 2.89% | 2.91% |
| Net revenues | 97.70% | 98.17% | 98.09% | 97.47% | 97.66% | 94.68% | 94.94% | 98.28% | 99.04% | 95.62% | 97.26% | 97.19% | 97.08% | 97.11% | 97.09% |
| Operations: | | | | | | | | | | | | | | | |
| Compensation & benefits | 64.93% | 62.41% | 66.00% | 65.32% | 65.37% | 55.42% | 56.28% | 59.70% | 58.96% | 56.31% | 54.05% | 54.61% | 55.46% | 54.64% | 55.82% |
| Occupancy & equipment rental | 7.84% | 7.51% | 8.73% | 8.75% | 7.43% | 6.96% | 6.91% | 7.19% | 6.07% | 6.82% | 7.29% | 7.58% | 8.06% | 9.05% | 9.86% |
| Communications & office supplies | 4.94% | 4.75% | 5.50% | 5.28% | 4.46% | 4.39% | 4.19% | 4.31% | 3.46% | 3.81% | 4.12% | 4.33% | 4.68% | 5.22% | 5.83% |
| Commissions & floor brokerage | 1.84% | 1.62% | 1.79% | 1.68% | 1.47% | 1.31% | 1.25% | 1.47% | 1.25% | 1.26% | 1.34% | 1.41% | 1.52% | 1.70% | 1.90% |
| Provision for credit losses | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.89% | -0.24% | 0.73% | 0.64% | 0.64% | 0.64% | 0.76% | 0.77% |
| Other operating expenses | 8.99% | 8.94% | 10.12% | 11.04% | 9.93% | 9.86% | 9.26% | 7.66% | 7.23% | 7.41% | 8.38% | 8.79% | 9.52% | 10.62% | 11.86% |
| Total non-interest expenses | 88.53% | 85.24% | 92.13% | 92.07% | 88.67% | 77.95% | 77.89% | 81.22% | 76.73% | 76.35% | 77.90% | 81.61% | 88.13% | 98.41% | 109.59% |
| Income (loss) from continuing operations before income tax expense | 9.17% | 12.93% | 5.96% | 5.40% | 9.00% | 16.73% | 17.05% | 17.06% | 22.31% | 19.27% | 23.09% | 23.15% | 23.38% | 27.87% | 28.47% |
| Provision (benefit) for income taxes | 0.61% | 4.96% | 2.07% | 2.31% | 2.89% | 4.39% | 4.24% | 3.87% | 5.06% | 4.85% | 5.77% | 5.79% | 5.84% | 6.97% | 7.12% |
| Net income (loss) | 8.02% | 8.72% | 4.57% | 4.04% | 9.05% | 19.51% | 22.28% | 24.93% | 40.84% | 32.78% | 39.37% | 39.48% | 39.87% | 47.53% | 48.56% |

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Weighted Average Cost of Capital (WACC) Estimation



| | | |
|------------------------|--------------|--|
| Cost of Equity: | | <i>ASSUMPTIONS:</i> |
| Risk-Free Rate | 3.40% | <i>Risk Free Rate: 10-year Treasury bond</i> |
| Beta | 1.25 | <i>Average of 1, 3, and 5-year raw beta</i> |
| Equity Risk Premium | 4.88% | <i>Equity Risk Premium: Geometric Average from 1928-2022 of th</i> |
| Cost of Equity | 9.50% | |

| | | Beta | | | | | | | |
|---------------------|-------|-------|-------|-------|-------|-------|-------|-------|------|
| | | 62.58 | 1.10 | 1.15 | 1.20 | 1.25 | 1.30 | 1.35 | 1.40 |
| Equity Risk premium | 4.80% | 72.81 | 69.52 | 66.48 | 63.68 | 61.08 | 58.67 | 56.42 | |
| | 4.83% | 72.34 | 69.07 | 66.05 | 63.26 | 60.68 | 58.28 | 56.04 | |
| | 4.85% | 72.03 | 68.77 | 65.76 | 62.98 | 60.41 | 58.02 | 55.79 | |
| | 4.88% | 71.57 | 68.33 | 65.34 | 62.58 | 60.01 | 57.64 | 55.42 | |
| | 4.91% | 71.12 | 67.89 | 64.91 | 62.17 | 59.62 | 57.26 | 55.06 | |
| | 4.94% | 70.67 | 67.46 | 64.50 | 61.77 | 59.24 | 56.88 | 54.70 | |
| | 4.97% | 70.22 | 67.03 | 64.09 | 61.37 | 58.85 | 56.51 | 54.34 | |

| | | CV return on Loan Investment | | | | | | | |
|---------------------|-------|------------------------------|--------|---------|---------|---------|---------|---------|---------|
| | | 62.58 | 99.55% | 100.55% | 101.55% | 102.55% | 103.55% | 104.55% | 105.55% |
| CV despoit interest | 0.14% | (22.60) | 41.17 | 55.98 | 62.58 | 66.30 | 68.70 | 70.37 | |
| | 0.17% | (22.60) | 41.17 | 55.98 | 62.58 | 66.30 | 68.70 | 70.37 | |
| | 0.20% | (22.60) | 41.17 | 55.98 | 62.58 | 66.30 | 68.70 | 70.37 | |
| | 0.23% | (22.60) | 41.17 | 55.98 | 62.58 | 66.30 | 68.70 | 70.37 | |
| | 0.26% | (22.60) | 41.17 | 55.98 | 62.58 | 66.30 | 68.70 | 70.37 | |
| | 0.29% | (22.60) | 41.17 | 55.98 | 62.58 | 66.30 | 68.70 | 70.37 | |
| | 0.32% | (22.60) | 41.17 | 55.98 | 62.58 | 66.30 | 68.70 | 70.37 | |

| | | Cost of Equity | | | | | | | |
|-------------|------|----------------|-------|-------|-------|-------|-------|--------|--------|
| | | 62.58 | 8.75% | 9.00% | 9.25% | 9.50% | 9.75% | 10.00% | 10.25% |
| CV Year EPS | 6.23 | 65.97 | 62.92 | 60.11 | 57.53 | 55.13 | 52.92 | 50.85 | |
| | 6.43 | 67.92 | 64.77 | 61.88 | 59.21 | 56.74 | 54.45 | 52.33 | |
| | 6.63 | 69.88 | 66.63 | 63.65 | 60.89 | 58.35 | 55.99 | 53.80 | |
| | 6.83 | 71.83 | 68.49 | 65.41 | 62.58 | 59.96 | 57.53 | 55.27 | |
| | 7.03 | 73.78 | 70.34 | 67.18 | 64.26 | 61.57 | 59.07 | 56.74 | |
| | 7.23 | 75.74 | 72.20 | 68.95 | 65.95 | 63.18 | 60.61 | 58.22 | |
| | 7.43 | 77.69 | 74.05 | 70.71 | 67.63 | 64.78 | 62.14 | 59.69 | |

| | | Tax rate | | | | | | | |
|--------------|--------|----------|--------|--------|--------|--------|--------|--------|--------|
| | | 62.58 | 22.00% | 23.00% | 24.00% | 25.00% | 26.00% | 27.00% | 28.00% |
| Depreciation | 16.82% | 63.08 | 62.96 | 62.82 | 62.69 | 62.55 | 62.40 | 62.26 | |
| | 17.82% | 63.05 | 62.92 | 62.79 | 62.65 | 62.51 | 62.37 | 62.22 | |
| | 18.82% | 63.02 | 62.89 | 62.75 | 62.62 | 62.48 | 62.33 | 62.18 | |
| | 19.82% | 62.98 | 62.85 | 62.72 | 62.58 | 62.44 | 62.29 | 62.14 | |
| | 20.82% | 62.95 | 62.81 | 62.68 | 62.54 | 62.40 | 62.26 | 62.11 | |
| | 21.82% | 62.91 | 62.78 | 62.64 | 62.51 | 62.36 | 62.22 | 62.07 | |
| | 22.82% | 62.88 | 62.74 | 62.61 | 62.47 | 62.33 | 62.18 | 62.03 | |

| | | Loan growth rate | | | | | | | |
|-------------|--------|------------------|---------|---------|---------|---------|---------|---------|---------|
| | | - | 107.00% | 109.00% | 111.00% | 113.08% | 115.00% | 117.00% | 119.00% |
| osit Growth | 82.00% | 62.68 | 62.66 | 62.64 | 62.61 | 62.59 | 62.57 | 62.55 | |
| | 83.00% | 62.67 | 62.65 | 62.62 | 62.60 | 62.58 | 62.56 | 62.54 | |
| | 84.00% | 62.66 | 62.64 | 62.61 | 62.59 | 62.57 | 62.55 | 62.53 | |
| | 85.05% | 62.65 | 62.62 | 62.60 | 62.58 | 62.56 | 62.54 | 62.51 | |
| | 86.00% | 62.64 | 62.61 | 62.59 | 62.57 | 62.55 | 62.52 | 62.50 | |
| | 87.00% | 62.63 | 62.60 | 62.58 | 62.56 | 62.53 | 62.51 | 62.49 | |
| | 88.00% | 62.61 | 62.59 | 62.57 | 62.55 | 62.52 | 62.50 | 62.48 | |

| | | CV Year Compensation and benefit | | | | | | | |
|--------------|------|----------------------------------|--------|--------|--------|--------|--------|--------|--------|
| | | 62.58 | 69.30% | 70.30% | 71.30% | 72.29% | 73.40% | 74.30% | 75.30% |
| IB Growth CV | 110% | 63.19 | 62.91 | 62.62 | 62.32 | 61.95 | 61.63 | 61.25 | |
| | 115% | 63.30 | 63.01 | 62.71 | 62.39 | 62.00 | 61.66 | 61.26 | |
| | 120% | 63.44 | 63.14 | 62.82 | 62.47 | 62.06 | 61.70 | 61.27 | |
| | 125% | 63.60 | 63.28 | 62.94 | 62.58 | 62.14 | 61.75 | 61.29 | |
| | 130% | 63.79 | 63.46 | 63.10 | 62.71 | 62.24 | 61.82 | 61.31 | |
| | 135% | 64.02 | 63.66 | 63.28 | 62.86 | 62.35 | 61.89 | 61.34 | |
| | 140% | 64.28 | 63.90 | 63.48 | 63.03 | 62.48 | 61.98 | 61.37 | |