

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K**

(Mark One)

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

For the fiscal year ended December 31, 2020

OR

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

For the transition period from _____ to _____

Commission file number: 001-09305

STIFEL FINANCIAL CORP.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

43-1273600
(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:

Title of Each Class/Trading Symbol	Name of Each Exchange On Which Registered	Shares or principal amount outstanding February 12, 2021
Common Stock, \$0.15 par value per share (SF)	New York Stock Exchange	104,973,677
Depository Shares, each representing 1/1,000th interest in a share of 6.25% Non-Cumulative Preferred Stock, Series A (SF-PA)	New York Stock Exchange	6,000
Depository Shares, each representing 1/1,000th interest in a share of 6.25% Non-Cumulative Preferred Stock, Series B (SF-PB)	New York Stock Exchange	6,400
Depository Shares, each representing 1/1,000th interest in a share of 6.125% Non-Cumulative Preferred Stock, Series C (SF-PC)	New York Stock Exchange	9,000
5.20% Senior Notes due 2047 (SFB)	New York Stock Exchange	\$225,000,000

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 whether the registrant has submitted electronically, every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) 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, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

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, 2020, was \$3.4 billion.¹

¹ 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, 2020, are incorporated by reference in Part III hereof.

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”), and Miller Buckfire & Co. LLC (“Miller Buckfire”), broker-dealer firms; Stifel Nicolaus Europe Limited (“SNEL”), our European subsidiary; Stifel Nicolaus Canada Inc. (“SNC”), our Canadian subsidiary; Stifel Bank & Trust and Stifel Bank, retail and commercial banks, Stifel Trust Company, N.A. and Stifel Trust Company Delaware, N.A. (collectively, “Stifel Trust”), our trust companies (collectively “Stifel Bancorp”); and 1919 Investment Counsel, LLC, an asset management firm. 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.

We have a 130-year operating history and 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 associate 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 the following acquisitions, which were integrated during 2020:

- **First Empire Holding Corp. (“First Empire”)** – On January 2, 2019, we completed the acquisition of First Empire and its subsidiaries, including First Empire Securities, Inc., an institutional broker-dealer specializing in the fixed income markets.
- **Mooreland Partners (“Mooreland”)** – On July 1, 2019, we completed the acquisition of Mooreland, an independent M&A and private capital advisory firm serving the global technology industry.
- **B&F Capital Markets, Inc. (“B&F”)** – On September 3, 2019, we completed the acquisition of B&F, a privately held firm focused on providing

regional and community banks throughout the United States with interest rate derivative programs through a combination of experienced professionals and proprietary software.

- **George K. Baum & Company (“GKB”)** – On September 27, 2019, we completed the acquisition of certain assets of GKB, a privately held investment banking firm focused on public finance and taxable fixed income sales and trading.
- **MainFirst Bank AG (“MainFirst”)** – On November 1, 2019, we completed the acquisition of MainFirst, an independent European capital markets firm, specializing in equity brokerage and research, equity capital markets, and asset management. MainFirst operates out of offices in Frankfurt, London, Milan, Munich, New York, Paris, and Zurich. MainFirst was renamed Stifel Bank AG.
- **GMP Capital Inc. (“GMP”)** – On December 6, 2019, we completed the acquisition of substantially all of the capital markets business of GMP, an independent investment banking franchise based in Canada that offers investment banking services, including equity capital-raising, mergers and acquisitions, institutional sales and trading, and research services to corporate clients and institutional investors. GMP operates as Stifel GMP as part of our Stifel Nicolaus Canada, Inc. subsidiary.

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

Through our broker-dealer subsidiaries, we provide securities-related financial services to 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, Europe, and Canada. 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 is 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 twelve years.

Consolidated Stifel Branch System

At December 31, 2020, the Private Client Group had a network of 2,187 financial advisors located in 392 branch offices in 48 states and the District of Columbia. In addition, we have 93 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, who operate in our CSA business, 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.

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 Bancorp, 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

Our asset management business offers specialized investment management solutions for institutions, private clients, and investment advisers. 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. Fees from private client investment portfolios and institutional fees are typically based on asset values at the end of the prior 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 Bancorp

In April 2007, we completed the acquisition of First Service, a St. Louis-based full-service bank, which now operates as Stifel Bank & Trust. On August 31, 2018, the Company completed the acquisition of BBI and its wholly owned subsidiary, The Business Bank of St. Louis, a full-service banking facility with approximately \$600.0 million in assets that operates from a single location. The Business Bank of St. Louis now operates as Stifel Bank. Business Bancshares, Inc., which operates as the holding company for Stifel Bank & Trust, and its wholly owned subsidiaries, and Stifel Bank (collectively, "bank subsidiaries") was renamed "Stifel Bancorp, Inc." Our bank subsidiaries are reported in the Global Wealth Management segment. We have grown retail and commercial bank assets from \$145.6 million on the acquisition date to \$18.9 billion at December 31, 2020. Through our bank subsidiaries, 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 our bank subsidiaries not only help us serve our private clients more effectively by offering them a broader range of services, but also enable us to better utilize our private client cash balances held which are swept to our bank subsidiaries, which is their 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 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.

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.

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, amortization of stock-based awards for certain administrative associates, and all unallocated overhead costs 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.

HUMAN CAPITAL

We are focused on the durability, health, and long-term growth and development of our business, as well as our long-term contribution to our shareholders, our clients, our associates, the communities in which we live and work, and society in general. Instrumental to all of this is our culture, which derives from our associates.

As of December 31, 2020, we had over 8,500 associates, including 2,280 financial advisors, located primarily in the United States, with a growing presence in the United Kingdom, Europe, and Canada.

To compete effectively, we must attract, retain, and motivate qualified professionals, including successful financial advisors, investment bankers, trading professionals, portfolio managers, and other revenue-producing or specialized personnel.

Our ability to develop and retain our clients depends on the reputation, marketing efforts, capabilities, and knowledge of our employees and our firm. Our workforce is predominately composed of employees in roles such as investment bankers, salespeople, trading professionals, research professionals, and other revenue-producing or specialized personnel. In order to compete effectively and continue to provide best-in-class service to our clients, we must attract, retain, and motivate qualified professionals. Turnover in the financial services industry is high. We believe our culture, our effort to maintain a meritocracy in terms of opportunity, and our continued evolution and growth contribute to our success in attracting and retaining strong talent.

We have become a premier middle-market investment bank and wealth management firm. Our long-term success as a company and our ability to generate sustainable value for our shareholders is only possible because of a corporate culture that puts the needs of our clients and our associates first. As a financial services company, we believe it is our responsibility to contribute to the sustainable economic development of the communities in which we live and operate. That concern starts at home and grows more global as Stifel expands and as our lives grow more interconnected. Our culture rewards collaboration, hard work, and empathy. And at the core of that culture is the Golden Rule of treating others as one would wish to be treated. For discussion of the risks relating to our ability to attract, develop, and retain highly skilled and productive employees, see Item 1A, Risk Factors.

BUSINESS CONTINUITY

We have developed a business continuity plan, which is designed to permit continued operation of business-critical functions in the event of disruptions to our St. Louis, Missouri, headquarters facility as well as other critical functional areas of the firm. Several critical business functions are supported by outside vendors who maintain backup and recovery in line with our internal needs and capabilities. We periodically participate in testing of these backup and recovery functions. Likewise, the business functions we support 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 which can connect to our third-party securities processing vendor through its primary or redundant facilities. Systems have been designed so that we can route critical processing activity and functions 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 392 at December 31, 2020, and our branch-based financial advisors from 262 to 2,187 over the same period. In addition, assets under management have grown from \$11.7 billion at December 31, 1997 to \$357.4 billion at December 31, 2020. 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 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, 2020, our research department was ranked the 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, the acquisitions of De La Rosa, Oriol, and Merchant Capital in 2014, the acquisitions of Eaton Partners and ISM in 2016, and the acquisitions of First Empire, Mooreland, B&F, GKB, Main-First, and GMP in 2019 have accelerated the growth of our investment banking business through expanded industry, product, and geographic coverage, including capital-raising for start-up 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 Bancorp by offering banking services to our clients.* We believe the banking services provided through Stifel Bancorp strengthens our existing client relationships and helps us recruit financial advisors seeking to provide a full range of services to their private clients. We intend to continue focusing on the sale of banking products and services to our private and corporate clients.
- *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, consolidation in the financial services industry may lead to increased competition from larger, more diversified organizations.

As we enter our 131st 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

The following discussion summarizes the principal elements of the regulatory and supervisory framework applicable to our company as a participant in the financial services industry and, in particular, the banking and securities sectors. The framework includes extensive regulation under U.S. federal and state laws, as well as the applicable laws of the jurisdictions outside the U.S. in which our company does business, and is intended to protect our clients, the integrity of the financial markets, our depositors, and the Federal Deposit Insurance Fund and is not intended to protect our creditors or shareholders. These rules and regulations limit our ability to engage in certain activities, as well as our ability to fund our company from its regulated subsidiaries, which include Stifel Bancorp and our broker-dealer subsidiaries. To the extent that the following information describes statutory and regulatory provisions, it is qualified in its entirety by reference to the particular statutory and regulatory provisions that are referenced. A change in applicable statutes or regulations or in regulatory or supervisory policy may have a material effect on our business.

We continue to experience a period of notable change in financial regulation and supervision. These changes could have a significant impact on how we conduct our business. Many regulatory or supervisory policies remain in a state of flux and may be subject to amendment in the near future. As a result, we cannot specifically quantify the impact that such regulatory or supervisory requirements will have on our business and operations. See Item 1A, "Risk Factors" in this Form 10-K for further discussion of the potential future impact on our operations.

Financial Holding Company Regulation

We are a bank holding company under the Bank Holding Company Act of 1956 ("BHCA"), as amended, that has made an election to be a financial holding company. Consequently, our company and its business activities are subject to the supervision, examination, and regulation of the Federal Reserve Board (the "Fed"). 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.

Stifel Bank & Trust and Stifel Bank are state-chartered banks regulated, supervised, and examined by the Fed and the Consumer Financial Protection Bureau ("CFPB"). Stifel Trust is regulated, supervised, and examined by the Office of the Comptroller of the Currency ("OCC"). The Fed and the FDIC also

regulate and may examine our bank subsidiaries and, with respect to the Fed, Stifel Trust.

Collectively, the rules and regulations of the Fed, the OCC, the FDIC, and the CFPB cover all aspects of the banking business, including, for example, lending practices, the receipt of deposits, capital structure, transactions with affiliates, conduct and qualifications of personnel, and as discussed further in the following sections, capital requirements. This regulatory, supervisory, and oversight framework is subject to significant changes that can affect the operating costs and permissible businesses of our company, our bank subsidiaries, Stifel Trust, and all of our other subsidiaries. As a part of their supervisory functions, the Fed, the OCC, the FDIC, and the CFPB also have the power to bring enforcement actions for violations of law and, in the case of the Fed, the OCC, and the FDIC, for unsafe or unsound practices.

Basel III and U.S. Capital Rules

Our company, as a bank and financial holding company, and our bank subsidiaries are subject to regulation, including capital requirements, by the Federal Reserve. Our bank subsidiaries are subject to various regulatory capital requirements administered by the Fed 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 our bank subsidiaries' financial statements.

The OCC, the Fed, and the FDIC published final U.S. rules implementing the Basel III capital framework developed by the Basel Committee on Banking Supervision and certain Dodd-Frank Act and other capital provisions and updated the prompt corrective action framework to reflect the new regulatory capital minimums (the "U.S. Basel III Rules"). The U.S. Basel III Rules: (i) increased the quantity and quality of regulatory capital; (ii) established a capital conservation buffer; and (iii) made changes to the calculation of risk-weighted assets. The U.S. Basel III Rules became effective for our company and its bank subsidiaries on January 1, 2015, subject to applicable phase-in periods. The rules governing the capital conservation buffer became effective for our company and its bank subsidiaries on January 1, 2016. The capital requirements could restrict our ability to grow during favorable market conditions and to return capital to our shareholders, or require us to raise additional capital. As a result, our business, results of operations, financial condition, and prospects could be adversely affected. See Item 1A, "Risk Factors," within this Form 10-K for more information.

Failure to meet minimum capital requirements can trigger discretionary, and in certain cases, mandatory actions by regulators that could have a direct material effect on the financial results of our bank subsidiaries. Under capital adequacy guidelines, our bank subsidiaries must meet specific capital guidelines that involve quantitative measures of assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The capital amounts and classification for our bank subsidiaries are also subject to the qualitative judgments of U.S. regulators based on components of capital, risk-weightings of assets, off-balance sheet transactions, and other factors. Quantitative measures established by federal banking regulations to ensure capital adequacy require that our bank subsidiaries maintain minimum amounts and ratios of: (i) Common Equity Tier 1, Tier 1, and Total capital to risk-weighted assets; (ii) Tier 1 capital to average total consolidated assets; and (iii) capital conservation buffers.

In July 2019, the Fed issued a final rule to simplify and clarify a number of existing regulatory capital rules for certain banking organizations. Specifically, the rule simplifies the capital treatment for mortgage servicing assets, certain deferred tax assets, investments in the capital instruments of unconsolidated financial institutions, and minority interest. This rule would also allow bank holding companies to repurchase common stock without prior approval from the Fed to the extent that the bank holding company is not subject to a separate legal or regulatory requirement to obtain prior approval. Our company, its bank subsidiaries, and Stifel Trust would continue to need to obtain prior approval from the Fed if they were not "well-capitalized" or "well-managed" or if they were subject to any unresolved supervisory issues. Guidance from the Fed also indicates that our company would need to inform the Fed in advance of repurchasing common stock if it was experiencing, or at risk of experiencing, financial weaknesses or considering expansion, either through acquisitions or other new activities. The rule became effective on April 1, 2020, for the amendments to simplify capital rules, and was effective on October 1, 2019, for revisions to the pre-approval requirements for the repurchase of common stock. See Note 18 of the Notes to the Consolidated Financial Statements of this Form 10-K for further information.

Stress Testing

On May 24, 2018, the Economic Growth, Regulatory Relief, and Consumer Protection Act was signed into law, making certain limited amendments to the Dodd-Frank Act, as well as certain targeted modifications to other post-financial crisis regulations. Among other things, the law raises the asset thresholds for Dodd-Frank Act company-run stress testing, liquidity coverage, and living will requirements for bank holding companies to \$250 billion, subject to the ability of the Fed to apply such requirements to institutions with assets of \$100 billion or more to address financial stability risks or safety and soundness concerns. The Fed, the Office of the Comptroller of the Currency ("OCC"), and the FDIC have since issued related guidance and regulations. As a result of these changes, our bank subsidiaries are currently no longer subject to Dodd-Frank Act company-run stress testing requirements.

Holding company support

Under the Dodd-Frank Act, the Fed must require that bank holding companies, such as our company, serve as a source of financial strength for any subsidiary depository institution. The term "source of financial strength" is defined as the ability of a company to provide financial assistance to its insured depository institution subsidiaries in the event of financial distress at such subsidiaries. Under this requirement, our company, in the future, could be required to provide financial assistance to our bank subsidiaries should they experience financial distress.

Deposit insurance

Since our bank subsidiaries provide deposits covered by FDIC insurance, generally up to \$250,000 per account ownership type, our bank subsidiaries are subject to the Federal Deposit Insurance Act. For banks with greater than \$10 billion in assets, which includes Stifel Bancorp, the FDIC's current assessment rate calculation relies on a scorecard designed to measure financial performance and ability to withstand stress, in addition to measuring the FDIC's exposure should the bank fail.

Prompt corrective action

The U.S. Federal Deposit Insurance Corporation Improvement Act of 1991 ("FDICIA") requires the U.S. federal bank regulatory agencies to take "prompt corrective action" with respect to depository institutions that do not meet specified capital requirements. FDICIA establishes five capital categories for FDIC-insured banks, such as our bank subsidiaries: well-capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized.

An institution may be downgraded to, or deemed to be in, a capital category that is lower than is indicated by its capital ratios if it is determined to be in an unsafe or unsound condition or if it receives an unsatisfactory examination rating with respect to certain matters. FDICIA imposes progressively more restrictive constraints on operations, management, and capital distributions as the capital category of an institution declines. Failure to meet the capital requirements could also require a depository institution to raise capital. Ultimately, critically undercapitalized institutions are subject to the appointment of a receiver or conservator.

The prompt corrective action regulations do not apply to bank holding companies, such as our company. However, the Fed is authorized to take appropriate action at the bank holding company level, based upon the undercapitalized status of the bank holding company's depository institution subsidiaries. In certain instances related to an undercapitalized depository institution subsidiary, the bank holding company would be required to guarantee the performance of the undercapitalized subsidiary's capital restoration plan and might be liable for civil money damages for failure to *fulfill its* commitments on that guarantee. Furthermore, in the event of the bankruptcy of the bank holding company, this guarantee would take priority over the bank holding company's general unsecured creditors.

The Volcker Rule

We are subject to the Volcker Rule, which generally prohibits bank holding companies and their affiliates (together, "banking entities") from engaging in proprietary trading or acquiring or retaining an ownership interest, sponsoring, or having certain relationships with hedge funds and private equity funds ("covered funds"), subject to certain exceptions.

We have private equity investments, some of which meet the definition of covered funds under the Volcker Rule. The conformance period for compliance with the rule with respect to investments in covered funds was July 2017; however, banking entities were able to apply for an extension to provide up to an additional five years to conform investments in certain illiquid funds. The majority of our covered fund investments meet the criteria to be considered an illiquid fund under the Volcker Rule, and we received

approval from the Fed to continue to hold such investments until July 2022. The extension of the conformance deadline provides us with additional time to attempt to realize the value of these investments in due course and to execute appropriate strategies to comply with the Volcker Rule at such time. However, our current focus is on the divestiture of our existing portfolio.

The Fed, OCC, FDIC, SEC, and Commodity Futures Trading Commission (“CFTC”) finalized amendments to the Volcker Rule in 2019, which relate primarily to the Volcker Rule’s proprietary trading and compliance program requirements. The amendments do not change the Volcker Rule’s general prohibitions, but they offer certain clarifications and a simplified approach to compliance. While the agencies adopted certain limited changes to the Volcker Rule’s covered fund-related provisions, the agencies noted that they continue to consider other aspects of the covered fund provisions, and intend to issue a separate proposed rulemaking that specifically addresses those areas.

Broker-Dealer and Securities Regulation

The SEC is the federal agency charged with administration of the federal securities laws in the U.S. Our broker-dealer subsidiaries are subject to SEC regulations relating to their business operations, including sales and trading practices, public offerings, publication of research reports, use and safekeeping of client funds and securities, capital structure, record-keeping, privacy requirements, and the conduct of directors, officers, and employees. Financial services firms are also subject to regulation by state securities commissions in those states in which they conduct business.

Broker-dealers are required to maintain the minimum net capital deemed necessary to meet their continuing commitments to customers and others, and are required to keep their assets in relatively liquid form. These rules also limit the ability of broker-dealers to transfer capital to parent companies and other affiliates. The SEC has adopted amendments to its financial stability rules, many of which became effective as of October 2013 and are applicable to our broker-dealer subsidiaries, including changes to the: (i) net capital rule; (ii) customer protection rule; (iii) record-keeping rules; and (iv) notification rules.

Financial services firms are subject to regulation by various foreign governments, securities exchanges, central banks, and regulatory bodies, particularly in those countries where they have established offices. Outside of the U.S., we have additional offices primarily in Canada and Europe and are subject to regulations in those areas. Much of the regulation of broker-dealers in the U.S. and Canada, however, has been delegated to self-regulatory organizations (“SROs”) (i.e., FINRA, the Investment Industry Regulatory Organization of Canada (“IIROC”), and securities exchanges). These SROs adopt and amend rules for regulating the industry, subject to the approval of government agencies. These SROs also conduct periodic examinations of member broker-dealers.

The SEC, SROs, and state securities regulators may conduct administrative proceedings that can result in censure, fine, suspension, or expulsion of a broker-dealer, its officers, or employees. Such administrative proceedings, whether or not resulting in adverse findings, can require substantial expenditures and may adversely impact the reputation of a broker-dealer.

Our U.S. broker-dealer subsidiaries are subject to the Securities Investor Protection Act (“SIPA”) and are required by federal law to be members of the Securities Investor Protection Corporation (“SIPC”). The SIPC was established under SIPA, and oversees the liquidation of broker-dealers during liquidation or financial distress. The SIPC fund provides protection for cash and securities held in client accounts up to \$500,000 per client, with a limitation of \$250,000 on claims for cash balances. 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.”

U.S. broker-dealer capital

Broker-dealers are required to maintain the minimum net capital deemed necessary to meet their continuing commitments to customers and others, and are required to keep their assets in relatively liquid form. These rules also limit the ability of broker-dealers to transfer capital to parent companies and other affiliates. The SEC has adopted amendments to its financial stability rules, many of which are applicable to our broker-dealer subsidiaries, including changes to the: (i) net capital rule; (ii) customer protection rule; (iii) record-keeping rules; and (iv) notification rules.

Money market reform

The SEC adopted amendments to the rules that govern money market mutual funds. The amendments make structural and operational reforms to address

risks of excessive withdrawals over relatively short time frames by investors from money market funds, while preserving the benefits of the funds. We do not sponsor any money market funds. We utilize funds sponsored by third parties in limited circumstances for our own investment purposes as well as to offer our clients as one of several cash sweep alternatives.

Fiduciary duty standard

SEC Regulation Best Interest requires that a broker-dealer and its associated persons act in a retail customer’s best interest and not place their own financial or other interests ahead of a retail customer’s interests when recommending securities transactions or investment strategies, including recommendations of types of accounts. To meet this best interest standard, a broker-dealer must satisfy four component obligations, including a disclosure obligation, a care obligation, a conflict of interest obligation, and a compliance obligation, and both broker-dealers and investment advisers are required to provide disclosures about their standard of conduct and conflicts of interest.

In addition to the SEC, various states have proposed or adopted laws and regulations seeking to impose new standards of conduct on broker-dealers that, as written, differ from the SEC’s new regulations and may lead to additional implementation costs if adopted. The SEC did not indicate an intent to preempt state regulation in this area, and some of the state proposals would allow for a private right of action.

Investment Management Regulation

Our investment advisory operations, including the mutual funds that we sponsor, are also subject to extensive regulation in the U.S. Our U.S. asset managers are registered as investment advisers with the SEC under the Investment Advisers Act of 1940 as amended, and are also required to make notice filings in certain states. Virtually all aspects of our asset management business are subject to various federal and state laws and regulations. These laws and regulations are primarily intended to benefit the asset management clients.

Other Non-U.S. Regulation

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

SNC is required by IIROC to belong to the Canadian Investors Protection Fund (“CIPF”), whose primary role is investor protection. This fund provides protection for securities and cash held in client accounts up to 1 million Canadian dollars (“CAD”) per client, with separate coverage of CAD 1 million for certain types of accounts.

Certain of our subsidiaries are registered in, and operate from, the U.K., which has a highly developed and comprehensive regulatory regime. Certain of these subsidiaries operate in the retail sector, providing investment and financial planning services to high-net-worth individuals, while others provide brokerage and investment banking services to institutional clients. These subsidiaries are authorized and regulated by the U.K. conduct regulator, the Financial Conduct Authority (“FCA”), and have permission to carry out business in other European Union (“E.U.”) countries as part of treaty arrangements.

In Europe, the Markets in Financial Instruments Regulation and a revision of the Markets in Financial Instruments Directive (together, “MiFID II”), generally took effect on January 3, 2018, and introduced comprehensive, new trading and market infrastructure reforms in the European Union, including new trading venues, enhancements to pre- and post-trading transparency, and additional investor protection requirements, among others. We have made changes to our European operations, including systems and controls, in order to be in compliance with MiFID II.

Bank Secrecy Act and USA PATRIOT Act of 2001

The U.S. Bank Secrecy Act (“BSA”), as amended by the USA PATRIOT Act of 2001 (“PATRIOT Act”), contains anti-money laundering and financial transparency laws and mandates the implementation of various regulations applicable to all financial institutions, including standards for verifying client identification at account opening, and obligations to monitor client transactions and report suspicious activities. Through these and other provisions, the BSA and the PATRIOT Act seek to promote the identification of parties that may be involved in terrorism, money laundering, or other suspicious activities. Anti-money laundering laws outside the U.S. contain some similar provisions.

Our company and its affiliates have been required to implement and continuously maintain internal policies, procedures, and controls to meet the compliance obligations imposed by such U.S. and non-U.S. laws and regulations concerning anti-money laundering. Failure to meet the requirements of these regulations can result in supervisory action, including fines.

Privacy and Data Protection

A variety of data privacy laws, which aspire to protect personal information, have long obligated our company to provide notice about its data handling practices, to offer certain opt-outs, and to implement reasonable security measures to deter unauthorized access. But, as technology has caused serious shifts among business practices and consumer habits at large, policymakers around the world have significantly reformed such laws, granting new rights upon individuals and imposing correspondingly new requirements upon businesses. The new laws obligate businesses to also establish appropriate measures to prevent the unauthorized collection, processing, storing, and sharing of personal information even by authorized parties. Most prominent among such laws are the E.U.'s General Data Protection Regulation ("GDPR") and the California Consumer Privacy Act ("CCPA"). These laws allow regulators to impose significant fines for non-compliance and increase the incentives of individuals to file lawsuits, thus magnifying the risks for businesses. While subject to both laws, our company has assessed its overall risks to be relatively low, due to the nature of its business and data processing activities. We have taken the necessary steps to mitigate the risks associated with data privacy. We monitor regulatory developments in relevant jurisdictions and proactively adjust our strategy to comply with changing regulations.

Public Company Regulations

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.

Executive Officers

Information regarding our executive officers and their ages as of February 12, 2021, is as follows:

Name	Age	Position(s)
Ronald J. Kruszewski	62	Chairman of the Board of Directors and Chief Executive Officer
Thomas W. Weisel	79	Senior Managing Director and Director
James M. Zemlyak	61	President
Thomas B. Michaud	56	Senior Vice President
Victor J. Nesi	60	President and Director of Institutional Group
Mark P. Fisher	51	Senior Vice President and General Counsel
James M. Marischen	41	Senior Vice President and Chief Financial Officer
David D. Sliney	51	Senior Vice President and Chief Operating Officer
Christopher K. Reichert	57	Chief Executive Officer of Stifel Bank & Trust

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 has been Senior Managing Director of our company since 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 served as Chief Financial Officer of our company and Stifel from

February 1999 to August 2018. Mr. Zemlyak served as Director of our company from February 1999 to June 2017. 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.

Thomas B. Michaud has served 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, the completion of the merger between our company and KBW, Inc. Mr. Michaud served as Director of our company from February 2013 to June 2017. 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.

Victor J. Nesi was named to the Office of the President in June 2014. Mr. Nesi has served as Director of Investment Banking and Director of our Institutional Group since July 2009. Mr. Nesi served as Director of our company from August 2009 to June 2017. 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.

Mark P. Fisher has served as Senior Vice President since July 2010 and General Counsel since May 2014. 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 was appointed Chief Financial Officer of our company and Stifel in August 2018. Prior thereto, Mr. Marischen served as Senior Vice President and Chief Risk Officer of our company from January 2014 to August 2018. 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 was appointed to Chief Operating Officer of our company in August 2018. Mr. 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.

Christopher K. Reichert has served as Chief Executive Officer of Stifel Bank & Trust since January 2008. Prior thereto, Mr. Reichert served as President of Stifel Bank & Trust from October 2007 to January 2008. Prior to joining the company in 2007, Mr. Reichert served as Executive Vice President of Pulaski Bank and was a member of the Pulaski Bank and Pulaski Financial Corp. Board of Directors.

AVAILABLE INFORMATION

Our internet address is www.stifel.com. We make available, free of charge, through a link to the SEC website, 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 website under "Investor Relations – Corporate Governance," and in print upon request of any shareholder, a number of our corporate governance documents. These include: 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 website any modifications to any of the available documents. The information on our website is not incorporated by reference into this report.

ITEM 1A. RISK FACTORS

Our operations and financial results are subject to various risks and uncertainties, including those described below, which could adversely affect our business, financial condition, results of operations, liquidity, and the trading price of our common stock. The list of risk factors provided in the following sections is not exhaustive; there may be factors not discussed in the following sections or in this Form 10-K that adversely impact our results of operations, harm our reputation, or inhibit our ability to generate new business prospects. We may amend or supplement these risk factors from time to time in other reports we file with the SEC.

MARKET AND LIQUIDITY RISKS

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

Our inability to maintain adequate liquidity or to easily access 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, such as limiting our recruiting of additional financial advisors, limiting lending, selling assets at unfavorable prices, and cutting or eliminating dividend payments. Our liquidity could be negatively affected by the inability of our subsidiaries to generate cash in the form of dividends from earnings, liquidity or capital requirements applicable to our subsidiaries that may prevent us from upstreaming cash to the parent company, limited or no accessibility to credit markets for secured and unsecured borrowings by our subsidiaries, 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. Furthermore, as a bank holding company, we may become subject to prohibitions or limitations on our ability to pay dividends and/or repurchase our stock. Certain of our regulators have the authority, and under certain circumstances, the duty, to prohibit or to limit dividend payments by regulated subsidiaries to their parent.

The availability of financing, including access to the credit and capital markets, depends on various 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 ratings. Our cost of capital and the 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 future concerns over the strength of specific counterparties, as well as the stability of markets generally. 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.

A downgrade in our credit ratings could have a material adverse effect on our operations, earnings, and financial condition.

If our credit ratings were 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 client relationships. Such a change in our credit ratings could also adversely affect our liquidity and competitive position, increase our 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.

We may not be able to 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 decreased levels of available credit or a request for immediate payment.

A credit rating downgrade would also result in the Company incurring a higher commitment fee on any unused balance on its revolving credit facilities, in addition to triggering a higher interest rate applicable to any borrowings outstanding on the line as of and subsequent to such downgrade (see Note 11 of the Notes to Consolidated Financial Statements of this Form 10-K for information on the Company's credit facilities).

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, interest rate changes 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. Interest rate changes 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 and an increase in fees received on our multi-bank deposit sweep program. 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 loans, deposits, securities, short-term borrowings, long-term debt, trading account assets and liabilities, derivatives, and private equity investments. Market conditions that change from time to time, thereby exposing us to market risk, include fluctuations in interest rates, equity prices, foreign 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 our capital requirements, which could have an adverse effect on our business results, 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 will fail to meet their obligations to us due to numerous causes, including bankruptcy, lack of liquidity, or operational failure, among others. We actively buy and sell securities from and to clients and counterparties in the normal course of our broker-dealers' market-making and underwriting businesses, which exposes us to credit risk. Although generally collateralized by the underlying security to the transaction, we still face risk associated with changes in the market value of collateral through settlement date. Our credit risk and credit losses may increase to the extent our loans or investments are to borrowers or issuers who, as a group, may be uniquely or disproportionately affected by declining economic or market conditions. The deterioration of an individually large exposure could lead to additional loan loss provisions and/or charges-offs, or credit impairment of our investments, and subsequently have a material impact on our results of operations, financial condition, regulatory capital, and liquidity.

We also hold certain securities, loans, and derivatives as part of our trading inventory. Deterioration in the actual or perceived credit quality of the underlying issuers of securities or loans, or the non-performance of issuers and counterparties to certain derivative contracts could result in losses.

We borrow securities from, and lend securities to, other broker-dealers and may also enter into agreements to repurchase and/or 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, as well as by evaluating collateral and transaction levels on a recurring basis. Significant deterioration in the credit quality of one of our counterparties could lead to widespread concerns about the credit quality of other counterparties in the same industry, thereby exacerbating our credit risk exposure.

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 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, result in significant reputational damage, and adversely impact our financial performance.

We also incur credit risk by lending to businesses and individuals through the offering of loans, including commercial and industrial loans, commercial and residential mortgage loans, tax-exempt loans, home equity lines of credit, and other loans generally collateralized by securities. We also incur credit risk through our investments. 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, or 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 natural disasters, health emergencies or pandemics, acts of terrorism, severe weather events or other adverse economic events, could lead to additional loan loss provisions and/or charges-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 Bancorp's portfolio, foreclose on certain real estate properties, or write down the value of some of our securities. 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.

The expected phaseout of LIBOR could negatively impact our net interest income and require significant operational work.

The FCA, which regulates the London Interbank Offered Rate ("LIBOR"), has announced that it will not compel panel banks to contribute to LIBOR after 2021. It is likely that banks will not continue to provide submissions for the calculation of LIBOR after 2021 and possibly prior to then. It is expected that a transition away from the widespread use of LIBOR to alternative rates will occur over the course of the next few years. Although the full impact of transition remains unclear, this change may have an adverse impact on the value of, return on, and trading markets for a broad array of financial products, including any LIBOR-based securities, loans, and derivatives that are included in our financial assets and liabilities. If LIBOR is discontinued after 2021, as expected, there will be uncertainty or differences in the calculation of the applicable interest rate or payment amount depending on the terms of the governing instruments. There will be significant work required to transition to using the new benchmark rates and implement necessary changes to our systems, processes, and models. This may impact our existing transaction data, products, systems, operations, and valuation processes. The calculation of interest rates under the replacement benchmarks could also impact our net interest income and account and service fees. In addition, LIBOR may perform differently during the phase-out period than in the past, which could result in lower interest payments and a reduction in the value of certain assets. We are assessing the impact of the transition; however, we cannot reasonably estimate the impact of the transition at this time.

ECONOMIC ENVIRONMENT RISKS

Our results of operations have been, and will likely continue to be, adversely affected by the COVID-19 pandemic.

The coronavirus disease (COVID-19) pandemic has and will likely continue to severely impact global economic conditions, resulting in substantial ongoing volatility in the global financial markets, prolonged levels of relatively high unemployment, and operational challenges, such as the implementation of, or reinstatement of, measures to temporarily close businesses, sheltering-in-place directives, and continuing remote work protocols. Governments and central banks around the world reacted to the economic crisis caused by the pandemic by implementing stimulus and liquidity programs and cutting interest rates, though it is unclear whether these or future actions will be successful in countering the economic disruption or whether additional measures will be taken. If the pandemic continues as expected well in to 2021, or if the actions of governments and central banks are unsuccessful or are not extended or maintained, the adverse impact on the global economy could be prolonged or further deepen, and our results of operations and financial condition in future quarters will be adversely affected.

The pandemic impacted each of our business segments during 2020, and such impact will likely persist or increase in the future if current conditions persist or worsen (e.g., decline and volatility of asset prices, reduction in interest rates, widening of credit spreads, credit deterioration, market volatility, and reduced investment banking advisory activity).

This resulted in significant decreases, in the first half of 2020, in the valuation of loans and commitments, investments, and certain classes of trading

assets, an increase in the allowance for credit losses, reduced net interest income, and reduced investment banking advisory fees. At the same time, increased revenues that we have realized for certain products related to high levels of client trading activity may not be replicated in future quarters.

Until the impact of the pandemic subsides, we could experience reduced client activity and demand for our products and services and higher credit and valuation losses in our loan, commitment, and investment portfolios. Although we have had none to date, we could also experience impairments of other financial assets and other negative impacts on our financial position, including possible constraints on capital and liquidity and possible reductions in our regulatory capital and liquidity ratios, as well as a higher cost of capital, and possible changes or downgrades to our credit ratings. In addition, the sharp decline in interest rates has further decreased, and we expect will continue to decrease, interest margins in our lending businesses. A continued slowdown of commercial activity would cause overall investment banking revenues to decline, and the decline in assets under management and client balances will also further reduce asset management and service revenues.

Operationally, although we have initiated a remote working protocol and restricted business travel of our workforce, if significant portions of our associates, including key personnel, are unable to work effectively because of illness, government actions, or other restrictions in connection with the pandemic, the impact of the pandemic on our businesses could be exacerbated. In addition, cybersecurity and operational risks may be heightened as a result of work-from-home arrangements.

Our business is dependent on the willingness and ability of our customers to conduct financial transactions. The continued spread of COVID-19, or another highly infectious or contagious disease, has caused and may continue to cause severe disruptions in such activities, as well as other aspects of conducting our business. These effects include restrictions on our employees' ability to travel, as well as temporary closures of our facilities or the facilities of our customers, suppliers, or other vendors. We often recruit skilled professionals and new clients by visiting their offices or having them visit our offices. Although we have successfully implemented a virtual recruiting strategy, travel restrictions or other disruptions that prevent us from meeting with professional prospects or potential new clients may adversely impact our ability to recruit such professional prospects or engage potential new clients over the long term.

We are taking necessary and recommended precautions to protect the safety and well-being of our employees and customers, including by means of conducting certain business activities and operations remotely. However, no assurance can be given that the steps being taken will be deemed to be adequate or appropriate, nor can we predict the level of disruption which will occur to our employees' ability to provide customer support and service.

Although the onset of the COVID-19 pandemic resulted in meaningfully lower stock prices for many companies, as well as the trading prices for our own securities, the markets have not only stabilized but returned to near pre-COVID-19 levels. However, the further spread of the COVID-19 outbreak may materially negatively impact stock and other securities prices and materially disrupt banking and other financial activity generally and in the areas in which we operate. This would likely result in a decline in demand for our products and services, which would negatively impact our liquidity position and our growth strategy. Any one or more of these developments could have a material adverse effect on our and our consolidated subsidiaries' business, operations, consolidated financial condition, and consolidated results of operations.

Abrupt changes in market and general economic conditions have in the past adversely affected, and may in the future adversely affect, our business and profitability and cause volatility in our results of operations.

Economic and market conditions have had, and will continue to have, a direct and material impact on our results of operations and financial condition because performance in the financial services industry is heavily influenced by the overall strength of general economic conditions and financial market activity.

Our investment banking revenue, in the form of advisory services and underwriting, is directly related to general economic conditions and corresponding financial market activity. When the outlook for such economic conditions is uncertain or negative, financial market activity generally tends to decrease, which reduces our investment banking revenues. Reduced expectations for, or further declines in, the U.S. and global economic outlook could cause financial market activity to decrease and negatively affect our investment banking revenues.

In addition to the business risks set forth in the previous risk factor, global economic conditions and global financial markets remain vulnerable to the potential risks posed by certain events, including, among other things, challenges to global trade or travel due to the continued spread of COVID-19 and any widening of the effect of the pandemic associated therewith, political and financial uncertainty in the United States and the European Union, renewed concern about the U.S. and other major economies, domestic and international political or social unrest (including related protests or disturbances), the reduction in business activity leading to a decrease in global demand for oil and natural gas and the resulting historically low prices for these commodities, and complications involving terrorism and armed conflicts around the world. In particular, as it relates to COVID-19 and the associated pandemic, the extent of such effects will depend on future developments which are highly uncertain and cannot be predicted, including the geographic spread of the virus, the overall severity of the disease, the duration of the outbreak, the measures that may be taken by various governmental authorities in response to the outbreak (such as quarantines and travel restrictions) and the possible further impacts on the global economy. More generally, because our business is closely correlated to the general economic outlook, a significant deterioration in that outlook or realization of certain events would likely have an immediate and significant negative impact on our business and overall results of operations.

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 affected by domestic and international macroeconomic and political conditions, including economic output levels, interest and inflation rates, employment levels, prices of commodities, consumer confidence levels, international trade policy, and fiscal and monetary policy. For example, 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 also can decrease materially 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. Macroeconomic conditions also may directly and indirectly impact a number of factors in the global financial markets that may be detrimental to our operating results, including trading levels, 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.

While we have experienced an operating environment that has been favorable for many of our businesses in recent years, if we were to experience a period of sustained downturn in the securities markets, a return to very low levels of short-term interest rates, credit market dislocations, reductions in the value of real estate, an increase in mortgage and other loan delinquencies, and other negative market factors, our revenues could be significantly impaired.

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 capital markets and advisory transactions due to lower activity, 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. Periods of reduced revenue and other losses could lead to 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 time periods is limited.

U.S. markets may also be impacted by political and civil unrest occurring in other parts of the world. Concerns about the E.U., including the U.K.'s exit from the E.U. ("Brexit") and the stability of the E.U.'s sovereign debt, have caused uncertainty and disruption for financial markets globally. The potential impacts related to the delivery of Brexit or the terms of the new economic and security relationship between the U.K. and the E.U. on the movement of goods, services, people, and capital between the U.K. and the E.U., customer behavior, economic conditions, interest rates, currency exchange rates, availability of capital, or other matters are unclear and could adversely affect our businesses, including our revenues from trading and investment banking activities, particularly in Europe, and our results of operations and financial condition. We have made certain changes to our European operations in an effort to ensure that we can continue to provide cross-border services in E.U. member states without the need for separate regulatory authorizations in each member state. It is possible that other E.U. member states may experi-

ence financial troubles in the future, or may choose to follow the U.K.'s lead and leave the E.U. Any negative impact on economic conditions and global markets from these developments could adversely affect our business, financial condition, and liquidity.

We may be impacted by budget pressures affecting U.S. state and local governments, as well as negative trends in the housing and labor markets. Investor concerns regarding these trends could potentially reduce the number and size of transactions in which we participate and, in turn, reduce our fixed income investment banking revenues. In addition, such factors could potentially have an adverse effect on the value of the municipal securities we hold in our trading securities portfolio.

We are affected primarily by economic conditions in the North America. Market conditions in the U.S. and Canada can be assessed through the following metrics: the level and volatility of interest rates; unemployment and under-employment rates; real estate prices; consumer confidence levels and changes in consumer spending; and the number of personal bankruptcies, among others. Deterioration of market conditions can diminish loan demand, lead to an increase in mortgage and other loan delinquencies, affect loan repayment performance, and result in higher reserves and net charge-offs, which can adversely affect our earnings.

We are exposed to risks from international markets.

We do business in other parts of the world and, as a result, are exposed to risks, including market, litigation, and regulatory compliance risks. Our businesses and revenues derived from non-U.S. operations are subject to risk of loss from currency fluctuations, social or political instability, less established regulatory regimes, changes in governmental or central bank policies, downgrades in the credit ratings of sovereign countries, expropriation, nationalization, confiscation of assets, and unfavorable legislative, economic, 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 our reputation. We also invest or trade in the securities of corporations located in non-U.S. jurisdictions. Revenues from trading non-U.S. securities also may be subject to negative fluctuations as a result of the previously mentioned factors.

OPERATIONAL RISKS

Damage to our reputation could damage our businesses.

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

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

Our ability to develop and retain our clients depends on the reputation, judgment, business generation capabilities, and skills of our senior professionals, members of our executive committees, as well as associates and financial advisors. To compete effectively, we must attract, retain, and motivate qualified professionals, 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.

Turnover in the financial services industry is high. The cost of recruiting and retaining skilled professionals in the financial services industry has escalated considerably. Financial industry employers are increasingly offering guaranteed contracts, upfront payments, and increased compensation. These can be important factors in a current associate's decision to leave us as well as in a prospective associate's decision to join us. As competition for skilled professionals in the industry remains intense, we may have to devote significant resources to attract and retain 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.

To the extent we have compensation targets, we may not be able to retain our associates, which could result in increased recruiting expense or result in our recruiting additional associates at compensation levels that are not within our target range. 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. If we were to lose the services of any of our investment bankers, senior equity research, sales and trading professionals, asset managers, or executive officers to a competitor or otherwise, we may not be able to retain valuable relationships and some of our clients could choose to use the services of a competitor instead of our services. If we are unable to retain our senior professionals or recruit additional professionals, our reputation, business, results of operations, and financial condition will be adversely affected. Further, new business initiatives and efforts to expand existing businesses generally require that we incur compensation and benefits expense before generating additional revenues.

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 and may be subject to additional claims in the future as we seek to hire qualified personnel, some of whom may work for our competitors. Some of these claims may result in material litigation. We could incur substantial costs in defending against these claims, regardless of their merits. Such claims could also discourage potential employees who work for our competitors from joining us. Certain of our competitors have withdrawn from the Protocol for Broker Recruiting ("Protocol"), a voluntary agreement among over 1,800 firms that governs, among other things, the client information that financial advisors may take with them when they affiliate with a new firm. The ability to bring such customer data to a new broker-dealer generally means that the financial advisor is better able to move client account balances to his or her new firm. It is possible that other competitors will similarly withdraw from the Protocol. If the broker-dealers from whom we recruit new financial advisors prevent, or significantly limit, the transfer of client data, our recruiting efforts may be adversely affected and we could continue to experience claims against us relating to our recruiting efforts.

Our business depends on fees earned from the management of client accounts and asset management fees.

We have grown our asset management business in recent years, which has increased the risks associated with this business relative to our overall operations. The asset management fees we are paid are dependent upon the value of client assets in fee-based accounts in our Private Client Group segment, as well as AUM in our asset management business. The value of our fee-based assets and AUM is impacted by market fluctuations and inflows or outflows of assets. As a result of a shift by our Private Client Group clients to fee-based accounts from traditional transaction-based accounts, a larger portion of our client assets are more directly impacted by market movements. Therefore, in periods of declining market values, the values of fee-based accounts and AUM may resultantly decline, which would negatively impact our revenues. In addition, below-market investment performance by our funds, portfolio managers, or financial advisors could result in reputational damage that might cause outflows or make it more difficult to attract new investors into our asset management products and thus further impact our business and financial condition.

Our asset management fees may also decline over time due to factors such as increased competition and the renegotiation of contracts. In addition, the market environment in recent years has resulted in a shift to passive investment products, which generate lower fees than actively managed products. A continued trend toward passive investments or changes in market values or in the fee structure of asset management accounts would affect our revenues, business, and financial condition.

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 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 in which we are involved. 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.

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. Despite risk mitigation policies, we may incur losses as a result of positions we hold in connection with our market-making.

We have made, and to the limited extent permitted by applicable regulations, may continue to make principal investments in private equity funds and other illiquid investments; however, our current focus is on the divestiture of our existing portfolio. We may be unable to realize our investment objectives if we cannot sell or otherwise dispose of our interests at attractive prices or 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. In addition, 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 regulatory changes and 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, service our clients, and manage our exposure to risk.

Our ability to engage in routine trading and funding transactions could be affected adversely 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. 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. Losses arising in connection with counterparty defaults may have a material adverse effect on our results of operations.

We continue to experience pricing pressures in areas of our business, which may impair our future revenue and profitability.

We continue to experience 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 price competition and decreased trading margins. In the equity market, we experience pricing pressure from institutional clients to reduce commissions, partially due to the industry trend toward the separate payment for research and execution services. Our trading margins have been further compressed by the use of electronic and direct market access trading, which has created additional competitive pressure. 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.

The growth of our bank subsidiaries 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 growth in the loan portfolio and the investment portfolio, which includes available-for-sale and held-to-maturity securities, of Stifel Bancorp, which is funded by affiliated customer deposits. Although our stock-secured loans are collateralized by assets held in our clients' brokerage accounts, we are exposed to some credit and operational risk associated with these loans. With the increase in deposits and resulting liquidity, we have been able to expand our investment portfolio. In addition, Stifel Bancorp has significantly grown its mortgage and commercial lending businesses. Although we believe we have conservative underwriting policies in place, there are inherent risks associated with the mortgage banking business.

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 Fed 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.

Decreases in short-term interest rates, such as those announced by the Federal Reserve late in our 2019 fiscal year and during the first fiscal quarter of 2020, have had a negative impact on our results, in particular on our net interest income, the difference between the interest earned on interest-earning assets and interest paid on funding sources. The Federal Reserve significantly further lowered interest rates in response to COVID-19 pandemic concerns. These market interest rate declines will negatively affect our results of operations.

In addition, our bank subsidiaries are 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 titled "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 advisers. 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, and hedge funds, among 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. The inability to develop new products and services, or enhance existing offerings, could have a material adverse effect on our profitability. In addition, we may incur substantial expenditures to keep pace with the constant changes and enhancements being made in technology.

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. 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 miscon-

duct 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 associates 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.

A continued interruption to our telecommunications or data processing systems, or the failure to effectively update the technology we utilize, could be materially adverse to our business.

Our businesses rely extensively on 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: (i) successfully maintain and upgrade the capability of our technology systems on a regular basis; (ii) maintain the quality of the information contained in our data processing and communications systems; (iii) address the needs of our clients by using technology to provide products and services that satisfy their demands; and (iv) retain skilled information technology associates. Failure of our technology systems, which could result from events beyond our control, including a systems malfunction or cyber attack, 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 applicable laws, and regulatory sanctions. See Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations – Risk Management" in this Form 10-K for additional information regarding our exposure to and approaches for managing operational risks.

Any cyber attack or other security breach of our technology systems, or those of our clients or other third-party vendors we rely on, could subject us to significant liability and harm our reputation.

Our operations rely heavily on the secure processing, storage, and transmission of sensitive and confidential financial, personal, and other information in our computer systems and networks. There have been several highly publicized cases involving financial services companies reporting the unauthorized disclosure of client or other confidential information in recent years, as well as cyber attacks involving the theft, dissemination, and destruction of corporate information or other assets, in some cases as a result of failure to follow procedures by employees or contractors or as a result of actions by third parties. Like other financial services firms, we experience malicious cyber activity directed at our computer systems, software, networks, and its users on a daily basis. This malicious activity includes attempts at unauthorized access, implantation of computer viruses or malware, and denial-of-service attacks. We also experience large volumes of phishing and other forms of social engineering attempted for the purpose of perpetrating fraud against our company, our associates, our advisors, or our clients. We seek to continuously monitor for and nimbly react to any and all such activity, and we develop our systems to protect our technology infrastructure and data from misuse, misappropriation, or corruption.

Cyber attacks can originate from a variety of sources, including third parties affiliated with foreign governments, organized crime, or terrorist organizations. Third parties may also attempt to place individuals within our company or induce associates, clients, or other users of our systems to disclose sensitive information or provide access to our data, and these types of risks may be difficult to detect or prevent. Although cybersecurity incidents among financial services firms are on the rise, we have not experienced any material losses relating to cyber attacks or other information security breaches. However,

the techniques used in these attacks are increasingly sophisticated, change frequently and are often not recognized until launched. Although we seek to maintain a robust suite of authentication and layered information security controls, including our cyber threat analytics, data encryption and tokenization technologies, anti-malware defenses and vulnerability management program, any one or combination of these controls could fail to detect, mitigate or remediate these risks in a timely manner. Despite our implementation of protective measures and endeavoring 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 result in significant liability and damage to our reputation, and have an ongoing impact on the security and stability of our operations.

We also rely on numerous third party service providers to conduct other aspects of our business operations, and we face similar risks relating to them. While we regularly conduct security assessments on these third party vendors, we cannot be certain that their information security protocols are sufficient to withstand a cyber attack or other security breach. In addition, in order to access our products and services, our customers may use computers and other devices that are beyond our security control systems.

Notwithstanding the precautions we take, if a cyber attack or other information security breach were to occur, this could jeopardize the information we confidentially maintain, or otherwise cause interruptions in our operations or those of our clients and counterparties, exposing us to liability. As attempted attacks continue to evolve in scope and sophistication, we may be required to expend substantial additional resources to modify or enhance our protective measures, to investigate and remediate vulnerabilities or other exposures or to communicate about cyber attacks to our customers. Though we have insurance against some cyber risks and attacks, we may be subject to litigation and financial losses that exceed our policy limits or are not covered under any of our current insurance policies. 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. Additionally, the SEC issued guidance in February 2018 stating that, as a public company, we are expected to have controls and procedures that relate to cybersecurity disclosure, and are required to disclose information relating to certain cyber attacks or other information security breaches in disclosures required to be made under the federal securities laws. Further, successful cyber attacks at other large financial institutions or other market participants, whether or not we are affected, could lead to a general loss of customer confidence in financial institutions that could negatively affect us, including harming the market perception of the effectiveness of our security measures or the financial system in general, which could result in reduced use of our financial products and services.

Further, in light of the high volume of transactions we process, the large number of our clients, partners and counterparties, and the increasing sophistication of malicious actors, a cyber attack could occur and persist for an extended period of time without detection. We expect that any investigation of a cyber attack would take substantial amounts of time, and that there may be extensive delays before we obtain full and reliable information. During such time we would not necessarily know the extent of the harm or how best to remediate it, and certain errors or actions could be repeated or compounded before they are discovered and remediated, all of which would further increase the costs and consequences of such an attack.

We may also be subject to liability under various data protection laws. In providing services to clients, we manage, utilize, and store sensitive or confidential client or associate data, including personal data. As a result, we are subject to numerous laws and regulations designed to protect this information, such as U.S. federal, state, and international laws governing the protection of personally identifiable information. These laws and regulations are increasing in complexity and number. If any person, including any of our associates, negligently disregards or intentionally breaches our established controls with respect to client or associate data, or otherwise mismanages or misappropriates such data, we could be subject to significant monetary damages, regulatory enforcement actions, fines, and/or criminal prosecution. In addition, unauthorized disclosure of sensitive or confidential client or associate data, whether through system failure, associate negligence, fraud, or misappropriation, could damage our reputation and cause us to lose clients and related revenue. Potential liability in the event of a security breach of client data could be significant. Depending on the circumstances giving rise to the breach, this liability may not be subject to a contractual limit or an exclusion of consequential or indirect damages.

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.

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 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, and subjective, judgments. One of our most critical estimates is Stifel Bancorp's allowance for loan losses. At any given point in time, conditions in real estate and credit markets may increase the complexity and uncertainty involved in estimating the losses inherent in Stifel Bancorp's loan portfolio. If management's underlying assumptions and judgments prove to be inaccurate, the allowance for loan losses could be insufficient to cover actual losses. Our financial condition, including our liquidity and capital, and results of operations could be materially and adversely impacted.

Our financial instruments, including certain trading assets and liabilities, available-for-sale securities, investments, and certain loans, 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 subjective judgment. Some of these instruments and other assets and liabilities may have no directly observable inputs, making their valuation particularly subjective, and consequently, based on 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, as well as 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. The Financial Accounting Standards Board (the "FASB") and the SEC have at times revised 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.

The FASB has issued several new accounting standards in recent years, including on the topics of credit losses and leases, and the federal banking regulators have released implementation guidance and proposed implementation rules for some of these new standards. In particular, the new credit losses standard will replace multiple existing impairment models, including the replacement of the "incurred loss" model for loans with an "expected loss" model. The adoption of the new credit losses standard will not have a material impact on our consolidated financial statements. We are evaluating the potential impact that the proposed regulatory implementation rules will have on our regulatory capital.

For a further discussion of some of our significant accounting estimates, policies, and standards, see Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Estimates" and Note 2 of the Notes to Consolidated Financial Statements in this Form 10-K.

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

We seek to manage, monitor, and control our market, credit, operational, liquidity, and legal and regulatory compliance 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 effective. While we use limits and other risk mitigation techniques, those techniques and the judgments that accompany their application cannot always anticipate unforeseen economic and financial outcomes or the specifics and timing of such outcomes. Our risk management methods may not predict future risk exposures effectively. 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 or may have limited predictive value. A failure to manage our growth adequately, including growth in the products or services we offer, or to manage our risk effectively, could materially and adversely affect our business and financial condition.

Financial services firms are subject to numerous actual or perceived conflicts of interest, which are routinely examined by U.S. federal and state regulators and SROs such as FINRA. Our risk management processes include addressing potential conflicts of interest that arise in our business. Management of potential conflicts of interest has become increasingly complex as we expand our business activities. A perceived or actual failure to address conflicts of interest adequately 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 result in material harm to our business and financial condition.

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.

Associate misconduct, which is difficult to detect and deter, could harm us by impairing our ability to attract and retain clients and subject us to significant legal liability and reputational harm.

There is a risk that our associates could engage in misconduct that adversely affects our business. For example, our banking business often requires that we deal with confidential matters of great significance to our clients. Our associates interact with clients, customers, and counterparties on an ongoing basis. All associates are expected to exhibit the behaviors and ethics that are reflected in our framework of principles, policies, and technology to protect both our own information as well as that of our clients. It is not possible to deter or prevent every instance of associate misconduct, and the precautions we take to prevent and detect this activity will likely not be effective in all cases. If our associates improperly use or disclose confidential information provided by our clients, we could be subject to future regulatory sanctions and suffer serious harm to our reputation, financial position, current client relationships, and ability to attract future clients. We are also subject to a number of obligations and standards arising from our asset management business and our authority over our assets under management. In addition, our financial advisors may act in a fiduciary capacity, providing financial planning, investment advice, and discretionary asset management. The violation of these obligations and standards by any of our associates would adversely affect our clients and us. It is not always possible to deter associate misconduct, and the precautions we take to detect and prevent this activity may not be effective. If our associates engage in misconduct, our business would be adversely affected.

A significant decline in our domestic client cash balances could negatively impact our net revenues and/or our ability to fund Stifel Bancorp's growth.

We rely heavily on bank deposits as a low-cost source of funding for Stifel Bancorp to extend loans to clients and purchase investment securities. Our bank deposits are primarily driven by our multi-bank sweep program in which clients' cash deposits in their brokerage accounts are swept into FDIC-insured interest-bearing accounts at our bank subsidiaries and various third-party banks. A significant reduction in our domestic clients' cash balances, a change in the allocation of that cash between our bank subsidiaries and third-party banks, or a transfer of cash away from our company, could significantly impact our ability to continue growing interest-earning assets and/or require us to use higher-cost deposit sources to grow interest-earning assets.

Growth of our business could increase costs and regulatory and integration risks.

We continue to grow, including through acquisitions and through our recruiting efforts. Integrating acquired businesses, providing a platform for new businesses, and partnering with other firms involve risks and present financial, managerial, and operational challenges. We may incur significant expense in connection with expanding our existing businesses, recruiting financial advisors, or making strategic acquisitions or investments. Our overall profitability would be negatively affected if investments and expenses associated with such growth are not matched or exceeded by the revenues derived from such investments or growth.

Expansion may also create a need for additional compliance, documentation, risk management, and internal control procedures, and often involves hiring additional personnel to address these procedures. To the extent such procedures are not adequate or not adhered to with respect to our expanded business or any new business, we could be exposed to a material loss or regulatory sanction.

Moreover, to the extent we pursue acquisitions, we may be unable to complete such acquisitions on acceptable terms. We may be unable to integrate any acquired business into our existing business successfully. 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 capital or borrow funds in order to finance an acquisition, which could result in dilution or increased leverage. We may not be able to obtain financing on favorable terms or perhaps at all.

LEGAL AND REGULATORY RISKS

Financial services firms are highly regulated, and the increased regulatory scrutiny over the last several years may increase the risk of financial liability and reputational harm resulting from adverse regulatory actions.

Over the last several years, financial services firms have been operating in an evolving regulatory environment. The industry has experienced an extended period of significant change in laws and regulations governing the financial services industry, as well as increased scrutiny from various regulators, including the SEC, the Fed, the OCC, and the CFPB, in addition to stock exchanges, FINRA, and state attorneys general. For example, the Dodd-Frank Act resulted in sweeping changes to the regulatory regime, including a significant increase in the supervision and regulation of the financial services industry. Penalties and fines imposed by regulatory authorities have increased substantially in recent years. We may be adversely affected by changes in the interpretation or enforcement of existing laws, rules, and regulations.

Existing and new laws and regulations could affect our revenue, limit our ability to pursue business opportunities, impact the value of our assets, require us to alter at least some of our business practices, impose additional compliance costs, and otherwise adversely affect our businesses.

There is also increased regulatory scrutiny (and related compliance costs) as we continue to grow and surpass certain consolidated asset thresholds established under the Dodd-Frank Act, which have the effect of imposing enhanced standards and requirements on larger institutions. These include, but are not limited to, our bank subsidiaries' oversight by the CFPB. Any action taken by the CFPB could result in requirements to alter or cease offering affected products and services, make such products and services less attractive, impose additional compliance measures, or result in fines, penalties, or required remediation.

We are also required to comply with the Volcker Rule's provisions. Although we have not historically engaged in significant levels of proprietary trading, due to our underwriting and market-making activities and our investments in covered funds, we have experienced and expect to continue to experience increased operational and compliance costs and changes to our private equity investments. Any changes to regulations or changes to the supervisory approach may also result in increased compliance costs to the extent we are required to modify our existing compliance policies, procedures and practices.

Broker-dealers and investment advisers 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 clients' funds and securities; capital structure of securities firms; anti-money laundering efforts; recordkeeping; and the conduct of directors, officers and employees. Any violation of these laws or regulations could subject us to the following events, any of which could have a material adverse effect on our business, financial condition and prospects: civil and criminal liability; sanctions, which could include the revocation of our subsidiaries' registrations as investment advisers or broker-dealers; the revocation of the licenses of our financial advisors; censures; fines; or a temporary suspension or permanent bar from conducting business.

Regulatory actions brought against us may result in judgments, settlements, fines, penalties, or other results, any of which could have a material adverse effect on our business, financial condition, or results of operations. There is no assurance that regulators will be satisfied with the policies and procedures implemented by our company and its subsidiaries. In addition, from time to time, the Company and its affiliates may become subject to additional findings with respect to supervisory, compliance, or other regulatory deficiencies, which could subject us to additional liability, including penalties, and restrictions on our business activities. Among other things, these restrictions could limit our ability to make investments, complete acquisitions, expand into new business lines, pay dividends, and/or engage in share repurchases. See Item 1, "Regulation," of this report for additional information regarding our regulatory environment and Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations – Risk Management," in this report regarding our approaches to managing regulatory 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, associates, or regulatory agencies, among others, seeking damages for mistakes, errors, negligence, or acts of fraud by our associates.

Many aspects of our business involve substantial risk 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 associates. In addition, our bylaws provide for the indemnification of our officers, directors, and associates 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 associates who have or may become defendants in litigation. These claims for indemnification may subject us to substantial risks of potential liability.

In challenging market conditions, the volume of claims and amount of damages sought in litigation and regulatory proceedings against financial institutions has historically increased. Litigation risks include potential liability under securities laws 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 impact or cause us significant reputational harm, which, in turn, could seriously harm our business and future business 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 Basel III regulatory capital standards impose additional capital and other requirements on us that could decrease our profitability.

The Fed, the OCC, and the FDIC have implemented the global regulatory capital reforms of Basel III and certain changes required by the Dodd-Frank Act. The U.S. Basel III Rules increase the quantity and quality of regulatory capital, establish a capital conservation buffer, and make selected changes to the calculation of risk-weighted assets. We became subject to the requirements under the final U.S. Basel III Rules as of January 1, 2015, subject to a phase-in period for several of its provisions, including the new minimum capital ratio requirements, the capital conservation buffer, and the regulatory capital adjustments and deductions. The increased capital requirements stipulated under the U.S. Basel III Rules 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, and prospects could be adversely affected.

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

Our company and its bank subsidiaries are subject to various regulatory and capital requirements administered by various federal regulators in the U.S. and, accordingly, must meet specific capital guidelines that involve quantitative measures of our company's and our bank subsidiaries' assets, liabilities, and certain off-balance sheet items as calculated under regulatory guidelines. The capital amounts and classifications for both our company and its bank subsidiaries are also subject to qualitative judgments by U.S. federal regulators based on 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 its bank subsidiaries to maintain minimum amounts and ratios of Common Equity Tier 1, Tier 1, and Total capital to risk-weighted assets, Tier 1 capital to average assets, and capital conservation buffers (as defined in the regulations). Failure to meet minimum capital requirements can trigger certain mandatory (and potentially additional discretionary) actions by regulators that, if undertaken, could harm either our company or our bank subsidiaries' operations and financial condition.

We are subject to the SEC's uniform net capital rule (Rule 15c3-1) and FINRA's net capital rule, 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 that 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 certain thresholds. In addition, our Canada-based broker-dealer subsidiary is subject to similar limitations under applicable regulation in that jurisdiction by IIROC. 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 18 of the Notes to Consolidated Financial Statements of this Form 10-K for further information on regulations and capital requirements.

Changes in requirements relating to the standard of conduct for broker-dealers applicable under federal and state law may adversely affect our businesses.

In June 2019, the SEC adopted a package of rulemakings and interpretations related to the provision of advice by broker-dealers and investment advisers, including Regulation Best Interest. Among other things, Regulation Best Interest requires a broker-dealer to act in the best interest of a retail customer when making a recommendation to that customer of any securities transaction or investment strategy involving securities. The regulation will impose heightened standards on broker-dealers, and we anticipate incurring additional costs in order to review and modify our policies and procedures, as well as associated supervisory and compliance controls.

In addition to the SEC, various states have proposed, or are considering adopting, laws and regulations seeking to impose new standards of conduct on broker-dealers that, as written, differ from the SEC's new regulations and may lead to additional implementation costs if adopted.

Implementation of the new SEC regulations, as well as any new state rules that are adopted addressing similar matters, may negatively impact our results, including the impact of increased costs related to compliance, legal, operations, and information technology.

Numerous regulatory changes and enhanced regulatory and enforcement activity relating to the asset management business may increase our compliance and legal costs and otherwise adversely affect our business.

Investment management businesses have been affected by a number of highly publicized regulatory matters, which have resulted in increased scrutiny within the industry and new rules and regulations for mutual funds, investment advisers, and broker-dealers. As broker-dealers review and potentially make changes to the availability of mutual funds and mutual fund share classes available on their distribution platforms, such changes could affect our profitability.

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 advisers, and broker-dealers. As some of our wholly owned subsidiaries are registered as investment advisers with the SEC, increased regulatory scrutiny and rule-making initiatives may result in additional 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 have been or may be proposed, or whether any of the pro-

posals 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, including our product and service offerings.

In addition, U.S. and foreign governments have taken regulatory actions impacting the investment management industry, and may continue to do so, 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 U.S. have 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.

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 be limited or modified in the future. The research relied on in our investment management activities in the investment decision-making process is typically generated internally by our investment analysts or external research, including external research paid for with soft dollars. This external research is generally 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.

New regulations regarding the management of hedge funds and the use of certain investment products, including additional recordkeeping and disclosure requirements, may impact our asset management business and result in increased costs.

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, 2020. 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 2036.

Location	Approximate Square Footage	Use
St. Louis, Missouri	434,000	Headquarters and administrative offices of Stifel, Global Wealth Management operations (including CSA), and Institutional Group operations
New York, New York	282,000	Global Wealth Management and Institutional Group operations
Baltimore, Maryland	97,500	Institutional Group operations and administrative offices
San Francisco, California	88,500	Global Wealth Management and Institutional Group operations
Chicago, Illinois	62,500	Global Wealth Management and Institutional Group operations
Birmingham, Alabama	62,500	Global Wealth Management and Institutional Group operations
Florham Park, New Jersey	49,000	Global Wealth Management and Institutional Group operations

We also maintain operations in 450 leased offices in various locations throughout the United States and in certain foreign countries, primarily for our broker-dealer business. We lease 392 private client offices. In addition, Stifel Bancorp leases one location for its administrative offices and operations. Our Institutional Group segment leases 58 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 19 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 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 inher-

As a financial holding company, our company's liquidity depends on payments from its subsidiaries, which may be subject to regulatory restrictions.

We are a financial holding company and therefore depend on dividends, distributions, and other payments from our subsidiaries in order to meet our obligations, including debt service obligations. Our subsidiaries are subject to laws and regulations that restrict dividend payments or authorize regulatory bodies to prevent or reduce the flow of funds from those subsidiaries to our company. Our broker-dealers and bank subsidiaries are limited in their ability to lend or transact with affiliates and are subject to minimum regulatory capital and other requirements, as well as limitations on their ability to use funds deposited with them in brokerage or bank accounts to fund their businesses. These requirements may hinder our company's ability to access funds from its subsidiaries. We may also become subject to a prohibition or limitations on our ability to pay dividends or repurchase our common stock. The federal banking regulators, including the OCC, the Federal Reserve, and the FDIC, as well as the SEC (through FINRA) have the authority and under certain circumstances, the obligation, to limit or prohibit dividend payments and stock repurchases by the banking organizations they supervise, including our company and its bank subsidiaries. See Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources” of this report for additional information on liquidity and how we manage our liquidity risk.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ently difficult to determine whether any loss is probable or reasonably 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, 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.

Karegnondi Water Authority

Stifel has been named as a defendant in a United States District Court, Eastern District of Michigan, Southern Division, litigation in connection with the underwriting of bonds to finance the Karegnondi Water Authority (“KWA”) pipeline, a new water pipeline intended to serve Flint, Michigan, and surrounding areas. The lawsuit is filed against JP Morgan Chase, as senior manager, and Stifel and Wells Fargo, as co-managers, who underwrote the bonds for the KWA in 2014. The complaint alleges novel claims against the underwriter defendants, including conspiracy and professional negligence. We intend to defend vigorously against the allegations.

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 12, 2021, was \$58.46. As of that date, our common stock was held by approximately 38,000 shareholders. The following table sets forth for the periods indicated the high and low trades for our common stock. Share and per share information has been retroactively adjusted to reflect the December 2020 three-for-two stock split.

	2020		2019	
	High	Low	High	Low
First Quarter	\$46.07	\$20.75	\$38.02	\$26.53
Second Quarter	37.66	23.26	39.95	35.27
Third Quarter	37.14	29.52	41.29	33.83
Fourth Quarter	52.67	33.47	42.35	33.09

Cash dividends per share of common stock paid during the year are reflected below. The dividends were declared during the quarter of payment.

	Fiscal Year 2020	Fiscal Year 2019
First Quarter	\$0.11	\$0.10
Second Quarter	0.11	0.10
Third Quarter	0.11	0.10
Fourth Quarter	0.11	0.10

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 18 of the Notes to Consolidated Financial Statements for more information on the capital restrictions placed on our broker-dealer subsidiaries and bank subsidiaries.

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

There were no unregistered sales of equity securities during the quarter ended December 31, 2020. The following table 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, 2020. Share and per share information has been retroactively adjusted to reflect the December 2020 three-for-two stock split.

	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publically Announced Plans	Maximum Number of Shares That May Yet be Purchased Under the Plan or Program
October 1-31, 2020	—	—	—	13,291,500
November 1-30, 2020	38,433	45.37	38,433	13,253,067
December 1-31, 2020	—	—	—	13,253,067
	38,433	45.37	38,433	

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 9, 2020, our Chief Executive Officer surrendered 38,433 shares of our common stock to the Company. The disposition was made at the closing price for the day, which was \$45.37. At December 31, 2020, the maximum number of shares that may yet be purchased under this plan was 13.3 million.

Stock Performance Graph

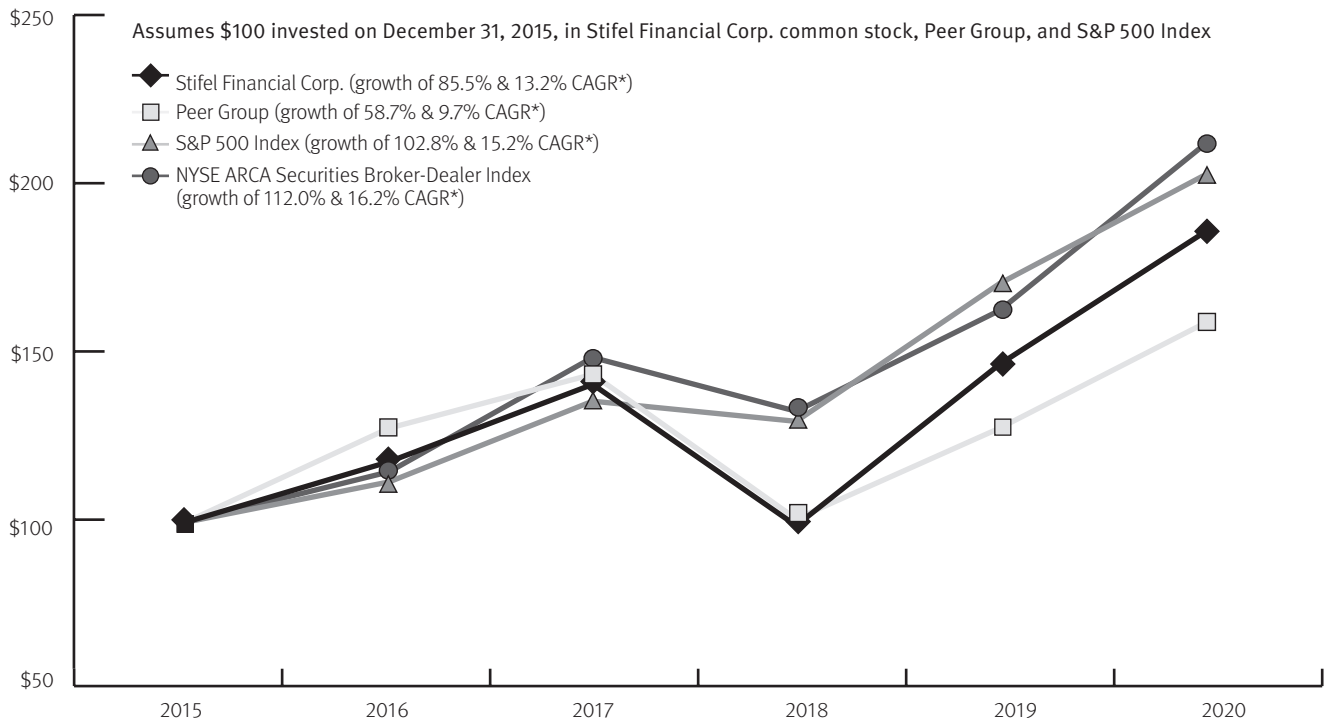
Five-Year Shareholder Return Comparison

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, 2020. The NYSE ARCA Securities Broker-Dealer Index consists of twelve 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, 2015, 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.

	2016	2017	2018	2019	2020
Stifel Financial Corp.	\$118	\$141	\$ 99	\$147	\$186
Peer Group	128	144	101	128	159
S&P 500 Index	112	136	130	171	203
NYSE ARCA Securities Broker-Dealer Index	115	149	133	163	212



* 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:

- | | |
|----------------------------|-------------------------------|
| Stifel Financial Corp. | Raymond James Financial, Inc. |
| Oppenheimer Holdings, Inc. | Goldman Sachs Group, Inc. |
| JMP Group, Inc. | Morgan Stanley |
| Piper Sandler Companies | |

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." Share and per share information has been retroactively adjusted to reflect the December 2020 three-for-two stock split.

	Year Ended December 31,				
	2020	2019	2018	2017	2016
Revenues:					
Commissions	\$ 760,627	\$ 667,494	\$ 657,732	\$ 678,904	\$ 729,989
Principal transactions	588,303	404,751	351,378	396,826	475,428
Investment banking	952,308	817,421	707,670	726,763	513,034
Asset management and service fees	917,424	848,035	806,175	702,064	582,789
Interest	523,832	724,882	646,449	454,381	294,332
Other income	75,345	52,378	25,553	37,524	46,798
Total revenues	3,817,839	3,514,961	3,194,957	2,996,462	2,642,370
Interest expense	65,778	177,931	170,076	70,030	66,874
Net revenues	3,752,061	3,337,030	3,024,881	2,926,432	2,575,496
Non-interest expenses:					
Compensation and benefits	2,279,335	1,978,116	1,770,762	1,958,929	1,726,016
Occupancy and equipment rental	274,664	242,893	222,384	222,708	231,324
Communications and office supplies	164,736	147,428	140,254	133,493	139,644
Commissions and floor brokerage	55,960	44,011	41,967	44,132	44,315
Provision for credit losses	33,925	9,977	18,366	25,320	15,659
Other operating expenses	292,281	315,467	296,786	272,314	275,956
Total non-interest expenses	3,100,901	2,737,892	2,490,519	2,656,896	2,432,914
Income from operations before income taxes	651,160	599,138	534,362	269,536	142,582
Provision for income taxes	147,688	149,152	140,394	86,665	61,062
Net Income	503,472	449,986	393,968	182,871	81,520
Net income applicable to non-controlling interests	—	1,590	—	—	—
Net income applicable to Stifel Financial Corp.	503,472	448,396	393,968	182,871	81,520
Preferred dividends	27,261	17,319	9,375	9,375	3,906
Net Income available to common shareholders	\$ 476,211	\$ 431,077	\$ 384,593	\$ 173,496	\$ 77,614
Earnings per common share:					
Basic	\$ 4.49	\$ 3.99	\$ 3.57	\$ 1.69	\$ 0.77
Diluted	4.16	3.66	3.15	1.43	0.67
Cash dividends declared per common share	\$ 0.45	\$ 0.40	\$ 0.32	\$ 0.13	\$ —
Weighted-average number of common shares outstanding:					
Basic	106,174	107,997	107,679	102,843	100,307
Diluted	114,573	117,878	121,982	121,553	116,345
Financial Condition					
Total assets	\$26,604,254	\$24,610,225	\$24,519,598	\$21,383,953	\$19,129,356
Long-term obligations ⁽¹⁾	\$ 1,185,000	\$ 1,085,000	\$ 1,085,000	\$ 1,092,500	\$ 867,500
Total Stifel Financial Corp. shareholders' equity	\$ 4,238,766	\$ 3,614,791	\$ 3,167,593	\$ 2,861,576	\$ 2,738,408
Book value per common share ⁽²⁾	\$ 35.91	\$ 32.24	\$ 28.41	\$ 25.51	\$ 25.89

⁽¹⁾ Includes senior notes excluding debt issuance costs (presented net on the consolidated statements of financial condition) and debentures to Stifel Financial Capital Trusts.

⁽²⁾ Excludes preferred stock and non-controlling interests.

The following items should be considered when comparing the data from year to year: 1) the acquisitions of Eaton Partners and ISM and the expensing of stock awards issued as retention as part of the Barclays acquisition during 2016; 2) the acquisition of City Securities; the actions taken by the Company in response to the Tax Cuts and Jobs Act ("Tax Legislation") to maximize tax savings; merger-related charges; litigation-related expenses associated with previously disclosed legal matters; the revaluation of the Company's deferred tax assets as a result of the enacted Tax Legislation; and the favorable impact of the adoption of new accounting guidance associated with stock-based compensation during 2017; 3) the acquisitions of Ziegler and BBI during 2018; and 4) the acquisitions of First Empire, Mooreland, B&F, GKB, MainFirst, and GMP Capital during 2019. 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, 2020.

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 associate 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. Our major geographic area of concentration is throughout the United States, with a growing presence in the United Kingdom, Europe, and Canada. Our principal customers are individual investors, corporations, municipalities, and institutions.

Our ability to attract and retain highly skilled and productive associates 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 associates who are motivated and committed to providing the highest quality of service and guidance to our clients.

On May 19, 2020, the Company completed an underwritten registered public offering of \$225 million 6.125% Non-Cumulative Perpetual Preferred Stock, Series C ("Series C Preferred"), which included the sale of \$25.0 million of Series C Preferred pursuant to an over-allotment option.

On May 20, 2020, we sold in a registered underwritten public offering, \$400.0 million in aggregate principal amount of 4.00% senior notes due May 2030.

On November 11, 2020, our Board approved a 50% stock dividend, in the form of a three-for-two stock split, of our common stock payable on December 16, 2020, to shareholders of record as of December 2, 2020. All share and per share information has been retroactively adjusted to reflect the stock split.

COVID-19 Pandemic

In the first quarter of 2020, the World Health Organization declared the outbreak of a novel strand of the coronavirus ("COVID-19") a pandemic. Since that time, authorities have implemented numerous measures attempting to contain the spread and impact of COVID-19, such as travel bans and restrictions, quarantines, shelter-in-place orders, and limitations on business activity, including closures. Certain jurisdictions have begun reopening only to return to restrictions in the face of increases in new COVID-19 cases. Recent developments include the phased reopening of domestic and global markets and other economic activity to varying degrees. These measures have severely restricted global economic activity, which is disrupting global supply chains, lowering asset valuations, significantly increasing unemployment and underemployment levels, decreasing liquidity in markets for certain securities, and causing significant volatility and disruptions in the financial, energy, and commodity markets. Recent outbreaks in various states indicate that COVID-19, and related measures to address the pandemic, will continue to impact and disrupt the global and domestic economy and, by extension, our business, well into 2021.

To address the economic impact in the U.S., in March and April 2020, the President signed into law various stimulus packages to provide relief to businesses and individuals. In addition, the Board of Governors of the Federal Reserve System ("Federal Reserve") has taken additional steps to bolster the economy by providing additional funding sources for small and mid-sized businesses as well as for state and local governments as they work through cash flow stresses caused by the COVID-19 pandemic, as well as reducing the federal funds rate and the interest rate on the Federal Reserve's discount window, and implementing programs to promote liquidity in certain securities markets.

Subsequently, in light of the foregoing government actions and more clarity from the U.S. Federal Reserve Bank on future interest rate policy, the equity markets experienced a strong rebound, and a supportive trading environment for investors has emerged along with renewed activity in the equity and debt new issue capital markets. We have experienced strong market volumes and increased client activity across our capital markets business with considerably improved performance.

In response to the pandemic, we implemented protocols and processes to help protect our associates and clients. These measures include:

- Operating our businesses from remote locations, leveraging our business continuity plans and capabilities that include having the majority of associ-

ates work from home, and other associates operating using pre-planned contingency strategies for critical site-based operations. These capabilities have allowed us to continue to service our clients.

- Providing support to our associates during the pandemic through expanded access to wellness and healthcare remotely.
- Our information technology group has deployed remote technologies that allow associates to effectively work remotely. Since March, the technology team has made a number of upgrades and changes to these systems to ensure optimal performance.
- Our information security team is focused on protecting data by continuously reviewing, monitoring, and training associates.
- Participating in the CARES Act and Federal Reserve lending programs for businesses, including the SBA PPP, and continuing to provide access to the important financial services to our clients.

We continue to monitor the effects of the pandemic, both on a national level as well as regionally and locally, and are responding accordingly. In addition, we continue to provide frequent communications to our clients, employees, and regulators.

We test goodwill for impairment on an annual basis and on an interim basis when certain events or circumstances exist. We performed our annual impairment testing on October 1, 2020, with no impairment charges resulting from the annual impairment test. In addition, in light of the pandemic, we evaluated our assets, including goodwill and other intangibles, for potential impairment and reviewed fair values of financial instruments that are carried at fair value. Based upon our review as of December 31, 2020, no impairments have been recorded and there have been no significant changes in fair value hierarchy classifications.

Results for the Year Ended December 31, 2020

For the year ended December 31, 2020, net revenues increased 12.4% to a record \$3.8 billion compared to \$3.3 billion during the comparable period in 2019. This represents our 25th consecutive year of record net revenues. Net income available to common shareholders for the year ended December 31, 2020, increased 10.5% to \$476.2 million, or \$4.16 per diluted common share, compared to \$431.1 million, or \$3.66 per diluted common share, in 2019. For the year ended December 31, 2020, our Global Wealth Management and Institutional Group segments posted record net revenues. For the year ended December 31, 2020, our Institutional Group recorded record pre-tax income.

Our revenue growth for the year ended December 31, 2020, was primarily attributable to an increase in brokerage revenues, increased capital-raising revenues, and asset management and service fees, partially offset by lower net interest income and advisory fee revenues.

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 COVID-19 pandemic has severely impacted, and will likely continue to severely impact, global economic conditions, resulting in substantial volatility in the global financial markets, increased unemployment, and operational challenges such as the temporary closures of businesses, sheltering-in-place directives, and increased remote work protocols. Governments and central banks around the world have reacted to the economic crisis caused by the pandemic by implementing stimulus and liquidity programs and cutting interest rates, though it is unclear whether these or future actions will be successful in countering the economic disruption. If the pandemic is prolonged or the actions of governments and central banks are unsuccessful, the adverse impact on the global economy will deepen, and our results of operations and financial condition in future quarters will be adversely affected.

Effective January 1, 2020, we adopted the new accounting standard on current expected credit losses ("CECL"), under which the allowance is measured based on management's best estimate of lifetime expected credit losses. Upon adop-

tion of the new accounting standard, we recorded a \$10.4 million, or a 10.7% increase to the allowance for credit losses. In addition, during the twelve months ended December 31, 2020, we recorded additional net credit loss reserves reflecting the impact of changes in our company's outlook on estimated lifetime expected credit losses under the CECL standard due to the COVID-19 pandemic.

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, 2020, the key indicators of the markets'

performance, the NASDAQ, the S&P 500, and Dow Jones Industrial Average closed 43.6%, 16.3%, and 7.2% higher than their December 31, 2019, closing prices, respectively.

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.

RESULTS OF OPERATIONS

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

	For the Year Ended December 31,			Percentage Change		As a Percentage of Net Revenues for the Year Ended December 31,		
	2020	2019	2018	2020	2019	2020	2019	2018
				vs. 2019	vs. 2018			
Revenues:								
Commissions	\$ 760,627	\$ 667,494	\$ 657,732	14.0 %	1.5 %	20.3%	20.0%	21.7%
Principal transactions	588,303	404,751	351,378	45.3	15.2	15.7	12.1	11.6
Investment banking	952,308	817,421	707,670	16.5	15.5	25.4	24.5	23.4
Asset management and service fees	917,424	848,035	806,175	8.2	5.2	24.5	25.4	26.7
Interest	523,832	724,882	646,449	(27.7)	12.1	14.0	21.7	21.4
Other income	75,345	52,378	25,553	43.8	105.0	1.9	1.6	0.8
Total revenues	3,817,839	3,514,961	3,194,957	8.6	10.0	101.8	105.3	105.6
Interest expense	65,778	177,931	170,076	(63.0)	4.6	1.8	5.3	5.6
Net revenues	3,752,061	3,337,030	3,024,881	12.4	10.3	100.0	100.0	100.0
Non-interest expenses:								
Compensation and benefits	2,279,335	1,978,116	1,770,762	15.2	11.7	60.7	59.3	58.5
Occupancy and equipment rental	274,664	242,893	222,384	13.1	9.2	7.3	7.3	7.4
Communication and office supplies	164,736	147,428	140,254	11.7	5.1	4.4	4.4	4.6
Commissions and floor brokerage	55,960	44,011	41,967	27.2	4.9	1.5	1.3	1.4
Provision for credit losses	33,925	9,977	18,366	240.0	(45.7)	0.9	0.3	0.6
Other operating expenses	292,281	315,467	296,786	(7.3)	6.3	7.8	9.4	9.8
Total non-interest expenses	3,100,901	2,737,892	2,490,519	13.3	9.9	82.6	82.0	82.3
Income before income taxes	651,160	599,138	534,362	8.7	12.1	17.4	18.0	17.7
Provision for income taxes	147,688	149,152	140,394	(1.0)	6.2	4.0	4.5	4.7
Net Income	503,472	449,986	393,968	11.9	14.2	13.4	13.5	13.0
Net income applicable to non-controlling interests	—	1,590	—	n/m	n/m	0.0	0.1	—
Net income applicable to Stifel Financial Corp.	503,472	448,396	393,968	12.3	13.8	13.4	13.4	13.0
Preferred dividends	27,261	17,319	9,375	57.4	84.7	0.7	0.5	0.3
Net Income available to common shareholders	\$ 476,211	\$ 431,077	\$ 384,593	10.5 %	12.1 %	12.7%	12.9%	12.7%

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	
	2020	2019	2018	2020	2019
				vs. 2019	vs. 2018
Revenues:					
Commissions	\$ 760,627	\$ 667,494	\$ 657,732	14.0 %	1.5%
Principal transactions	588,303	404,751	351,378	45.3	15.2
<i>Brokerage revenues</i>	1,348,930	1,072,245	1,009,110	25.8	6.3
Capital raising	524,161	369,442	336,188	41.9	9.9
Advisory fees	428,147	447,979	371,482	(4.4)	20.6
<i>Investment banking</i>	952,308	817,421	707,670	16.5	15.5
Asset management and service fees	917,424	848,035	806,175	8.2	5.2
Net interest	458,054	546,951	476,373	(16.3)	14.8
Other income	75,345	52,378	25,553	43.8	105.0
Total net revenues	\$ 3,752,061	\$ 3,337,030	\$ 3,024,881	12.4 %	10.3%

Year Ended December 31, 2020, Compared With Year Ended December 31, 2019

For the year ended December 31, 2020, net revenues increased 12.4% to a record \$3.8 billion from \$3.3 billion in 2019. This represents our 25th consecutive year of record net revenues. The increase was primarily attributable to an increase in brokerage revenues, increased capital-raising revenues, and asset management and service fees, partially offset by lower net interest income and advisory fee revenues.

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, 2020, commission revenues increased 14.0% to \$760.6 million from \$667.5 million in 2019. The increase is primarily attributable to an increase in equities trading and private placement commissions over 2019. The increase in trading volumes during 2020 was primarily due to market volatility caused by the economic uncertainty created by the COVID-19 pandemic.

Principal transactions – Principal transaction revenues are gains and losses on secondary trading, principally fixed income brokerage revenues.

For the year ended December 31, 2020, principal transactions revenues increased 45.3% to \$588.3 million from \$404.8 million in 2019. The increase is primarily attributable to strong client engagement and market volatility, as well as an increase in trading gains over 2019.

Investment banking – Investment banking revenues include: (i) capital-raising revenues representing fees earned from the underwriting of debt and equity securities, and (ii) 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, 2020, investment banking revenues increased 16.5% to a record \$952.3 million from \$817.4 million in 2019. The increase is primarily attributable to the growth of equity and fixed income capital-raising revenues, partially offset by lower advisory fee revenue.

Capital-raising revenues increased 41.9% to \$524.2 million for the year ended December 31, 2020, from \$369.4 million in 2019. For the year ended December 31, 2020, equity capital-raising revenues increased 51.8% to \$343.3 million from \$226.2 million in 2019. For the year ended December 31, 2020, fixed income capital-raising revenues increased 26.3% to \$180.9 million from \$143.2 million in 2019.

Advisory fees decreased 4.4% to \$428.1 million for the year ended December 31, 2020, from \$448.0 million in 2019. Advisory fee revenues were negatively impacted by the decrease in industry-wide completed mergers and acquisitions transactions, which was driven by an increase in market volatility and the economic slow-down in 2020.

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, 2020, asset management and service fee revenues increased 8.2% to a record \$917.4 million from \$848.0 million in 2019. The increase is primarily attributable to higher asset values and strong

fee-based asset flows. Please refer to “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, 2020, other income increased 43.8% to \$75.3 million from \$52.4 million during 2019. The increase is primarily attributable to the gain recognized on the sale of Ziegler Capital Management, LLC in the first quarter of 2020 and an increase in loan origination fees, partially offset by investment losses.

Year Ended December 31, 2019, Compared With Year Ended December 31, 2018

For the year ended December 31, 2019, net revenues increased 10.3% to \$3.3 billion from \$3.0 billion in 2018. The increase is primarily attributable to an increase in investment banking revenues, higher net interest income as a result of an increase in interest-earning assets at Stifel Bancorp, an increase in brokerage revenues, and the growth in asset management and service fees as a result of increased assets under management.

Commissions – For the year ended December 31, 2019, commission revenues increased 1.5% to \$667.5 million from \$657.7 million in 2018. The increase is primarily attributable to an increase in trading volumes.

Principal transactions – For the year ended December 31, 2019, principal transactions revenues increased 15.2% to \$404.8 million from \$351.4 million in 2018. The increase is primarily attributable to higher institutional fixed income brokerage revenues, as well as the contribution from the First Empire acquisition that closed during the first quarter of 2019.

Investment banking – For the year ended December 31, 2019, investment banking revenues increased 15.5% to \$817.4 million from \$707.7 million in 2018. The increase is primarily attributable to the growth of advisory fee revenue and fixed income capital-raising revenues, partially offset by lower equity capital-raising revenues.

Advisory fees increased 20.6% to \$448.0 million for the year ended December 31, 2019, from \$371.5 million in 2018. The increase is primarily attributable to an increase in the number of completed advisory transactions during 2019, including growth in our fund placement business.

Capital-raising revenues increased 9.9% to \$369.4 million for the year ended December 31, 2019, from \$336.2 million in 2018. For the year ended December 31, 2019, equity capital-raising revenues decreased 0.1% to \$226.2 million from \$226.5 million in 2018. For the year ended December 31, 2019, fixed income capital-raising revenues increased 30.5% to \$143.2 million from \$109.7 million in 2018.

Asset management and service fees – For the year ended December 31, 2019, asset management and service fee revenues increased 5.2% to \$848.0 million from \$806.2 million in 2018. The increase is primarily a result of an increase in the number and value of fee-based accounts, an increase in fees earned on client cash balances, and an increase of interest rates on fees earned on client cash. 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, 2019, other income increased 105.0% to \$52.4 million from \$25.6 million in 2018. The increase is primarily attributable to an increase in loan origination fees and a decline in investment losses from 2018.

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, 2020			December 31, 2019			December 31, 2018		
	Average Balance	Interest Income/Expense	Average Interest Rate	Average Balance	Interest Income/Expense	Average Interest Rate	Average Balance	Interest Income/Expense	Average Interest Rate
Interest-earning assets:									
Interest-bearing cash and federal funds sold	\$ 1,488,666	\$ 6,883	0.46 %	\$ 960,450	\$ 21,465	2.23%	\$ 466,451	\$ 10,140	2.17%
Financial instruments owned	827,658	12,594	1.52	1,207,452	23,528	1.95	1,204,946	21,407	1.78
Margin balances	988,694	28,155	2.85	1,287,498	52,008	4.04	1,289,167	49,515	3.84
Investment portfolio	6,297,475	149,915	2.38	6,690,488	231,021	3.45	7,744,490	252,200	3.26
Loans	10,929,464	331,813	3.04	9,312,199	379,848	4.08	7,912,740	300,541	3.80
Other interest-bearing assets	525,350	(5,528)	(1.05)	722,246	17,012	2.36	773,783	12,646	1.63
Total interest-earning assets/interest income	\$ 21,057,307	\$ 523,832	2.49 %	\$ 20,180,333	\$ 724,882	3.59%	\$ 19,391,577	\$ 646,449	3.33%
Interest-bearing liabilities:									
Short-term borrowings	\$ 25,678	\$ 112	0.44 %	\$ 37,626	\$ 1,032	2.74%	\$ 88,961	\$ 2,322	2.61%
Stock loan	215,309	(18,031)	(8.37)	488,989	6,269	1.28	436,606	8,191	1.88
Senior notes	1,234,427	54,063	4.38	1,016,443	44,507	4.38	1,015,973	44,610	4.39
Stifel Capital Trusts	60,000	1,601	2.67	60,000	2,571	4.29	66,226	2,645	3.99
Deposits	16,216,699	14,550	0.09	14,901,655	95,813	0.64	13,806,965	82,256	0.60
Federal Home Loan Bank advances	283,128	3,667	1.30	448,333	7,872	1.76	942,492	15,173	1.61
Other interest-bearing liabilities	822,883	9,816	1.19	1,106,301	19,867	1.80	1,014,766	14,879	1.47
Total interest-bearing liabilities/interest expense	\$ 18,858,124	\$ 65,778	0.35 %	\$ 18,059,347	\$ 177,931	0.99%	\$ 17,371,989	\$ 170,076	0.98%
Net interest income/margin		\$ 458,054	2.18 %		\$ 546,951	2.71%		\$ 476,373	2.46%

*Please refer to 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 Bancorp's average balances and interest income and expense.

Year Ended December 31, 2020, Compared With Year Ended December 31, 2019

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, 2020, net interest income decreased 16.3% to \$458.1 million from \$547.0 million in 2019. Decreases in short-term interest rates have had a negative impact on our results, in particular on our net interest income. The Federal Reserve significantly further lowered interest rates in response to COVID-19 pandemic concerns.

For the year ended December 31, 2020, interest revenue decreased 27.7% to \$523.8 million from \$724.9 million in 2019, principally as a result of a decrease in interest revenue generated from interest-earning assets of Stifel Bancorp due to lower interest rates. The average interest-earning assets of Stifel Bancorp increased to \$18.0 billion during the year ended December 31, 2020, compared to \$16.5 billion during 2019 at average interest rates of 2.70% and 3.78%, respectively.

For the year ended December 31, 2020, interest expense decreased 63.0% to \$65.8 million from \$177.9 million in 2019. The decrease is primarily driven

by the impact of lower interest rates, partially offset by the increase interest expense on our senior notes. In May 2020, we sold in a registered underwritten public offering, \$400.0 million in aggregate principal amount of 4.00% senior notes due May 2030. In December 2020, our \$300.0 million notes matured.

Year Ended December 31, 2019, Compared With Year Ended December 31, 2018

Net interest income – For the year ended December 31, 2019, net interest income increased 14.8% to \$547.0 million from \$476.4 million in 2018.

For the year ended December 31, 2019, interest revenue increased 12.1% to \$724.9 million from \$646.4 million in 2018, principally as a result of a \$66.4 million increase in interest revenue generated from the growth in interest-earning assets of Stifel Bancorp and higher margin interest income. The average interest-earning assets of Stifel Bancorp increased to \$16.5 billion during the year ended December 31, 2019, compared to \$15.8 billion in 2018 at average interest rates of 3.78% and 3.52%, respectively.

For the year ended December 31, 2019, interest expense increased 4.6% to \$177.9 million from \$170.1 million in 2018. The increase is primarily attributable to an increase in interest-bearing liabilities (deposits) at Stifel Bancorp, partially offset by a decrease in Federal Home Loan Bank advances.

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	
	2020	2019	2018	2020 vs. 2019	2019 vs. 2018
	Non-interest expenses:				
Compensation and benefits	\$ 2,279,335	\$ 1,978,116	\$ 1,770,762	15.2 %	11.7 %
Occupancy and equipment rental	274,664	242,893	222,384	13.1	9.2
Communications and office supplies	164,736	147,428	140,254	11.7	5.1
Commissions and floor brokerage	55,960	44,011	41,967	27.2	4.9
Provision for credit losses	33,925	9,977	18,366	240.0	(45.7)
Other operating expenses	292,281	315,467	296,786	(7.3)	6.3
Total non-interest expenses	\$ 3,100,901	\$ 2,737,892	\$ 2,490,519	13.3 %	9.9 %

Year Ended December 31, 2020, Compared With Year Ended December 31, 2019

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 associate-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, 2020, compensation and benefits expense increased 15.2% to \$2.3 billion from \$2.0 billion in 2019. The increase is primarily attributable to higher variable compensation expense as a result of strong revenue growth over 2019. Compensation and benefits expense as a percentage of net revenues was 60.7% for the year ended December 31, 2020, compared to 59.3% for the year ended December 31, 2019. The increase was primarily attributable to the change in the composition of revenues as compared to 2019.

Occupancy and equipment rental – For the year ended December 31, 2020, occupancy and equipment rental expense increased 13.1% to \$274.7 million from \$242.9 million in 2019. The increase is primarily attributable to higher occupancy costs as a result of an increase in locations and higher data processing costs associated with an increase in business activity.

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, 2020, communications and office supplies expense increased 11.7% to \$164.7 million from \$147.4 million in 2019. The increase is primarily attributable to higher communication and quote equipment expenses and shipping costs associated with the continued growth of our business.

Commissions and floor brokerage – For the year ended December 31, 2020, commissions and floor brokerage expense increased 27.2% to \$56.0 million from \$44.0 million in 2019. The increase is primarily attributable to higher volume-related expenses, including brokerage trading costs, reflecting an increase in activity levels.

Provision for credit losses – For the year ended December 31, 2020, provision for credit losses increased 240.0% to \$33.9 million from \$10.0 million in 2019. The provision for credit losses was impacted by growth in the loan portfolio and the impact of accounting for credit losses under the CECL standard, which was heightened by the impact of COVID-19 on the broader economic environment.

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, investment banking deal costs, and professional service expenses.

For the year ended December 31, 2020, other operating expenses decreased 7.3% to \$292.3 million from \$315.5 million in 2019. The decrease is primarily attributable to significantly lower travel, entertainment, and conference-related expenses. In addition, net provisions for litigation matters were lower. These decreases were partially offset by higher taxes and licensing fees, professional fees, investment banking transaction expenses, reflecting an increase in activity levels, and insurance costs.

Provision for income taxes – For the year ended December 31, 2020, our provision for income taxes was \$147.7 million, representing an effective tax rate of 22.7%, compared to \$149.2 million in 2019, representing an effective tax rate of 25.0%.

Year Ended December 31, 2019, Compared With Year Ended December 31, 2018

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, 2019, compensation and benefits expense increased 11.7% to \$2.0 billion from \$1.8 billion in 2018. The increase is primarily attributable to higher compensation costs associated with the current year acquisitions.

Compensation and benefits expense as a percentage of net revenues was 59.3% for the year ended December 31, 2019, compared to 58.5% for the year ended December 31, 2018.

Occupancy and equipment rental – For the year ended December 31, 2019, occupancy and equipment rental expense increased 9.2% to \$242.9 million from \$222.4 million in 2018. The increase is primarily attributable to an increase in depreciation expense as a result of the expansion of our aircraft engine leasing business, an increase in data processing costs associated with the growth of our business, and higher rent expense as a result of an increase in locations.

Communications and office supplies – For the year ended December 31, 2019, communications and office supplies expense increased 5.1% to \$147.4 million from \$140.3 million in 2018. The increase is primarily attributable to higher communication and quote equipment expenses associated with the continued growth of our business.

Commissions and floor brokerage – For the year ended December 31, 2019, commissions and floor brokerage expense increased 4.9% to \$44.0 million from \$42.0 million in 2018. The increase is primarily attributable to an increase in institutional fixed income brokerage trading volumes.

Provision for credit losses – For the year ended December 31, 2019, provision for credit losses decreased 45.7% to \$10.0 million from \$18.4 million in 2018.

Other operating expenses – For the year ended December 31, 2019, other operating expenses increased 6.3% to \$315.5 million from \$296.8 million in 2018. The increase is primarily attributable to higher investment banking deal costs, travel costs, litigation expense, dues and assessments, and subscription costs.

Provision for income taxes – For the year ended December 31, 2019, our provision for income taxes was \$149.2 million, representing an effective tax rate of 25.0%, compared to \$140.4 million in 2018, representing an effective tax rate of 26.3%.

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 Bancorp. 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 our bank subsidiaries, which provide 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.

The Other segment includes interest income from stock borrow activities, unallocated interest expense, interest income and gains and losses from investments held, amortization of stock-based awards, 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.

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,			Percentage Change		As a Percentage of Net Revenues for the Year Ended December 31,		
	2020	2019	2018	2020 vs. 2019	2019 vs. 2018	2020	2019	2018
Revenues:								
Commissions	\$ 513,247	\$ 477,401	\$ 472,135	7.5 %	1.1 %	23.4%	22.4%	23.7%
Principal transactions	174,101	172,298	166,038	1.0	3.8	8.0	8.1	8.3
<i>Brokerage revenues</i>	687,348	649,699	638,173	5.8	1.8	31.4	30.5	32.0
Asset management and service fees	917,353	847,977	806,132	8.2	5.2	41.9	39.8	40.5
Interest	516,918	682,696	614,731	(24.3)	11.1	23.6	32.0	30.9
Investment banking	36,024	37,915	31,374	(5.0)	20.8	1.6	1.8	1.6
Other income	71,153	36,077	11,455	97.2	214.9	3.2	1.7	0.6
Total revenues	2,228,796	2,254,364	2,101,865	(1.1)	7.3	101.7	105.8	105.6
Interest expense	37,970	123,805	111,546	(69.3)	11.0	1.7	5.8	5.6
Net revenues	2,190,826	2,130,559	1,990,319	2.8	7.0	100.0	100.0	100.0
Non-interest expenses:								
Compensation and benefits	1,138,525	1,046,429	968,102	8.8	8.1	52.0	49.1	48.6
Occupancy and equipment rental	122,888	119,916	105,197	2.5	14.0	5.6	5.6	5.3
Communication and office supplies	58,214	57,249	62,249	1.7	(8.0)	2.7	2.7	3.1
Commissions and floor brokerage	22,269	19,931	18,734	11.7	6.4	1.0	0.9	0.9
Provision for credit losses	33,542	9,977	18,366	236.2	(45.7)	1.5	0.5	0.9
Other operating expenses	89,504	91,097	80,668	(1.7)	12.9	4.1	4.3	4.2
Total non-interest expenses	1,464,942	1,344,599	1,253,316	9.0	7.3	66.9	63.1	63.0
Income before income taxes	\$ 725,884	\$ 785,960	\$ 737,003	(7.6)%	6.6 %	33.1%	36.9%	37.0%

	December 31,		
	2020	2019	2018
Branch offices	392	382	369
Financial advisors ⁽¹⁾	2,187	2,127	2,051
Independent contractors	93	95	101
Total financial advisors	2,280	2,222	2,152

⁽¹⁾ Reflects change in the definition of producing brokers as of January 1, 2019. Prior period amounts have been restated to conform with the current period presentation.

Year Ended December 31, 2020, Compared With Year Ended December 31, 2019

NET REVENUES

For the year ended December 31, 2020, Global Wealth Management net revenues increased 2.8% to a record \$2.2 billion from \$2.1 billion in 2019. The increase in net revenues for the year ended December 31, 2020, over 2019, is primarily attributable to the growth in asset management and service fee revenues and higher brokerage revenues and other income, partially offset by a decrease in net interest income and investment banking.

Commissions – For the year ended December 31, 2020, commission revenues increased 7.5% to \$513.2 million from \$477.4 million in 2019. The increase is primarily attributable to an increase in equities trading and private placement commissions over 2019.

Principal transactions – For the year ended December 31, 2020, principal transactions revenues increased 1.0% to \$174.1 million from \$172.3 million in 2019. The increase is primarily attributable to strong client engagement and market volatility.

Brokerage revenues – For the year ended December 31, 2020, brokerage revenues increased 5.8% to \$687.3 million from \$649.7 million in the comparable period in 2019. The increase is primarily attributable to higher trading volumes during 2020, driven by market volatility, as a result of the economic uncertainty created by the COVID-19 pandemic.

Asset management and service fees – For the year ended December 31, 2020, asset management and service fees increased 8.2% to \$917.4 million from \$848.0 million in 2019. Asset management revenues increased from 2019, reflecting higher asset levels and strong fee-based asset flows. Fee-based account revenues are primarily billed based on asset values at the end of the prior quarter.

Client asset metrics as of the periods indicated (*in thousands*):

	December 31,			Percentage Change	
	2020	2019	2018	2020 vs. 2019	2019 vs. 2018
Client assets	\$357,429,000	\$329,495,000	\$269,862,000	8.5%	22.1%
Fee-based client assets	129,372,000	117,189,000	90,174,000	10.4	30.0
Number of client accounts	1,075,000	1,020,000	983,000	5.4	3.8
Number of fee-based client accounts	262,000	229,000	208,000	14.4	10.1

The increase in the value of our client assets and fee-based assets was primarily attributable to the rise in the markets, as well as asset growth resulting from strong recruiting efforts. The growth of our client assets was negatively impacted by the sale of Ziegler Capital Management LLC during the first quarter of 2020.

Interest revenue – For the year ended December 31, 2020, interest revenue decreased 24.3% to \$516.9 million from \$682.7 million in 2019. The decrease is primarily driven by the impact of lower interest rates. Please refer to “Net Interest Income – Stifel Bancorp” below for a further discussion of the changes in net interest income.

Investment banking – Investment banking, which represents sales credits for investment banking underwritings, decreased 5.0% to \$36.0 million for the year ended December 31, 2020, from \$37.9 million in 2019. See “Investment banking” in the Institutional Group segment discussion for information on the changes in investment banking revenues.

Other income – For the year ended December 31, 2020, other income increased 97.2% to \$71.2 million from \$36.1 million in 2019. The increase is primarily attributable to the gain recognized on the sale of Ziegler Capital Management, LLC in the first quarter of 2020 and an increase in loan origination fees, partially offset by investment losses.

Interest expense – For the year ended December 31, 2020, interest expense decreased 69.3% to \$38.0 million from \$123.8 million in 2019. The decrease is primarily driven by the impact of lower interest rates. Please refer to “Net Interest Income – Stifel Bancorp” below for a further discussion of the changes in net interest income.

NON-INTEREST EXPENSES

For the year ended December 31, 2020, Global Wealth Management non-interest expenses increased 9.0% to \$1.5 billion from \$1.3 billion in 2019.

Compensation and benefits – For the year ended December 31, 2020, compensation and benefits expense increased 8.8% to \$1.1 billion from \$1.0 billion in 2019. The increase is primarily attributable to higher variable compensation expense as a result of strong revenue growth over 2019. Compensation and benefits expense as a percentage of net revenues was 52.0% for the year ended December 31, 2020, compared to 49.1% in 2019. The increase was primarily attributable to the change in the composition of revenues as compared to 2019.

Occupancy and equipment rental – For the year ended December 31, 2020, occupancy and equipment rental expense increased 2.5% to \$122.9 million from \$119.9 million in 2019. The increase is primarily attributable to higher occupancy costs as a result of an increase in locations and higher data processing costs associated with an increase in business activity.

Communications and office supplies – For the year ended December 31, 2020, communications and office supplies expense increased 1.7% to \$58.2 million from \$57.2 million in 2019. The increase is primarily attributable to higher communication and quote equipment expenses and shipping costs associated with the continued growth of our business.

Commissions and floor brokerage – For the year ended December 31, 2020, commissions and floor brokerage expense increased 11.7% to \$22.3 million from \$19.9 million in 2019. The increase is primarily attributable to higher volume-related expenses, including brokerage trading costs, reflecting an increase in activity levels.

Provision for credit losses – For the year ended December 31, 2020, provision for credit losses increased 236.2% to \$33.5 million from \$10.0 million in 2019. The provision for credit losses was impacted by growth in the loan portfolio and the impact of accounting for credit losses under the CECL standard, which was heightened by the impact of COVID-19 on the broader economic environment.

Other operating expenses – For the year ended December 31, 2020, other operating expenses decreased 1.7% to \$89.5 million from \$91.1 million in 2019. The decrease is primarily attributable to significantly lower travel, entertainment, and conference-related expenses. The decrease was partially offset by higher professional fees and insurance costs.

INCOME BEFORE INCOME TAXES

For the year ended December 31, 2020, income before income taxes decreased 7.6% to \$725.9 million from \$786.0 million in 2019. Profit margins (income before income taxes as a percent of net revenues) have decreased to 33.1% for the year ended December 31, 2020, from 36.9% in 2019. Profit

margins were negatively impacted by the composition of net revenues compared to 2019. The impact caused by lower net interest income was partially offset by the growth of our asset management and service fee revenues and brokerage revenues.

Year Ended December 31, 2019, Compared With Year Ended December 31, 2018

NET REVENUES

For the year ended December 31, 2019, Global Wealth Management net revenues increased 7.0% to \$2.1 billion from \$2.0 billion in 2018. The increase in net revenues for the year ended December 31, 2019, over 2018, is primarily attributable to an increase in net interest income, as a result of the growth of interest-earning assets at Stifel Bancorp; the growth in asset management and service fees; an increase in other income, brokerage revenues, and investment banking revenues.

Commissions – For the year ended December 31, 2019, commission revenues increased 1.1% to \$477.4 million from \$472.1 million in 2018.

Principal transactions – For the year ended December 31, 2019, principal transactions revenues increased 3.8% to \$172.3 million from \$166.0 million in 2018.

Brokerage revenues – For the year ended December 31, 2019, brokerage revenues increased 1.8% to \$649.7 million from \$638.2 million in the comparable period in 2018.

Asset management and service fees – For the year ended December 31, 2019, asset management and service fees increased 5.2% to \$848.0 million from \$806.1 million in 2018. The increase is primarily a result of continued migration to fee-based accounts and our continued expansion in the asset management business. Fee-based account revenues are primarily billed based on values as of the prior quarter end.

The value of assets in fee-based accounts at December 31, 2019, increased 30.0% to \$117.2 billion from \$90.2 billion at December 31, 2018.

Interest revenue – For the year ended December 31, 2019, interest revenue increased 11.1% to \$682.7 million from \$614.7 million in 2018. The increase is primarily due to the growth of the interest-earning assets of Stifel Bancorp and an increase in the weighted-average yield. See “Net Interest Income – Stifel Bancorp” below for a further discussion of the changes in net interest income.

Investment banking – Investment banking increased 20.8% to \$37.9 million for the year ended December 31, 2019, from \$31.4 million in 2018. See “Investment banking” in the Institutional Group segment discussion for information on the changes in investment banking revenues.

Other income – For the year ended December 31, 2019, other income increased 214.9% to \$36.1 million from \$11.5 million in 2018. The increase is primarily attributable to an increase in loan origination fees and the rental income generated from our aircraft engine leasing business.

Interest expense – For the year ended December 31, 2019, interest expense increased 11.0% to \$123.8 million from \$111.5 million in 2018. The increase is primarily attributable to an increase in interest-earning liabilities at Stifel Bancorp. See “Net Interest Income – Stifel Bancorp” below for a further discussion of the changes in net interest income.

NON-INTEREST EXPENSES

For the year ended December 31, 2019, Global Wealth Management non-interest expenses increased 7.3% to \$1.34 billion from \$1.25 billion in 2018.

Compensation and benefits – For the year ended December 31, 2019, compensation and benefits expense increased 8.1% to \$1.0 billion from \$968.1 million in 2018. The increase is principally due to increased variable compensation as a result of increased production. Compensation and benefits expense as a percentage of net revenues was 49.1% for the year ended December 31, 2019, compared to 48.6% in 2018.

Occupancy and equipment rental – For the year ended December 31, 2019, occupancy and equipment rental expense increased 14.0% to \$119.9 million from \$105.2 million in 2018. The increase is primarily attributable to an increase in locations in 2019.

Communications and office supplies – For the year ended December 31, 2019, communications and office supplies expense decreased 8.0% to \$57.2 million from \$62.2 million in 2018. The decrease is primarily attributable to lower postage and shipping costs, and telecommunication costs.

Commissions and floor brokerage – For the year ended December 31, 2019, commissions and floor brokerage expense increased 6.4% to \$19.9 million from \$18.7 million in 2018. The increase is primarily attributable to higher trading and clearing expenses.

Provision for credit losses – For the year ended December 31, 2019, provision for credit losses decreased 45.7% to \$10.0 million from \$18.4 million in 2019.

Other operating expenses – For the year ended December 31, 2019, other operating expenses increased 12.9% to \$91.1 million from \$80.7 million in

2018. The increase in other operating expenses is primarily attributable to increases in professional fees, dues and assessments, and litigation expenses, partially offset by decreases in travel costs and insurance expense.

INCOME BEFORE INCOME TAXES

For the year ended December 31, 2019, income before income taxes increased 6.6% to \$786.0 million from \$737.0 million in 2018. Profit margins (income before income taxes as a percent of net revenues) have decreased to 36.9% for the year ended December 31, 2019, from 37.0% in 2018.

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

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

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

	For the Year Ended					
	December 31, 2020			December 31, 2019		
	Average Balance	Interest Income/Expense	Average Interest Rate	Average Balance	Interest Income/Expense	Average Interest Rate
Assets:						
Interest-bearing cash and federal funds sold	\$ 687,087	\$ 2,002	0.29%	\$ 462,400	\$ 10,693	2.31%
U.S. government agencies	4,990	96	1.93	3,466	91	2.63
U.S. Treasuries	—	—	—	—	—	—
State and municipal securities (tax-exempt) ⁽¹⁾	8,829	188	2.13	39,976	870	2.18
Mortgage-backed securities	888,018	16,352	1.84	1,308,128	29,248	2.24
Corporate fixed income securities	633,778	16,831	2.66	818,135	24,565	3.00
Asset-backed securities	4,761,860	116,448	2.45	4,520,783	176,247	3.90
Federal Home Loan Bank and other capital stock	47,994	1,536	3.20	53,609	2,626	4.90
Loans⁽²⁾						
Securities-based loans	1,884,701	45,219	2.40	1,935,722	77,669	4.01
Commercial and industrial	3,975,492	132,547	3.33	3,365,939	158,771	4.72
Residential real estate	3,635,034	104,689	2.88	3,006,243	92,204	3.07
Commercial real estate	406,576	16,904	4.16	363,737	20,726	5.70
Home equity lines of credit	63,288	1,988	3.14	47,818	2,270	4.75
Construction and land	474,714	16,684	3.51	234,778	12,236	5.21
Other	36,910	952	2.58	128,697	2,945	2.29
Loans held for sale	452,749	12,830	2.83	229,265	13,027	5.68
Total interest-earning assets⁽³⁾	\$17,962,020	\$485,266	2.70%	\$16,518,696	\$624,188	3.78%
Cash and due from banks	14,705			46,356		
Other non-interest-earning assets	264,368			381,824		
Total assets	\$18,241,093			\$16,946,876		
Liabilities and stockholders' equity:						
Deposits:						
Money market	\$15,260,033	\$ 5,614	0.04%	\$12,830,875	\$ 51,172	0.40%
Time deposits	221,479	4,975	2.25	1,154,180	28,010	2.43
Demand deposits	698,107	3,678	0.53	645,814	10,171	1.57
Savings	37,080	283	0.76	270,786	6,460	2.39
Federal Home Loan Bank advances	283,128	3,667	1.30	448,333	7,872	1.76
Other borrowings	1,490	109	7.37	1,663	126	7.58
Total interest-bearing liabilities⁽³⁾	\$ 16,501,317	\$ 18,326	0.11%	\$ 15,351,651	\$103,811	0.68%
Non-interest-bearing deposits	288,222			138,001		
Other non-interest-bearing liabilities	101,948			144,013		
Total liabilities	\$16,891,487			\$15,633,665		
Stockholders' equity	1,349,606			1,313,211		
Total liabilities and stockholders' equity	\$18,241,093			\$16,946,876		
Net interest income/spread		\$466,940	2.59%		\$520,377	3.10%
Net interest margin			2.60%			3.15%

⁽¹⁾ Due to the immaterial amount of income recognized on tax-exempt securities, yields were not calculated on a tax-equivalent basis.

⁽²⁾ Loans on non-accrual status are included in average balances.

⁽³⁾ Please refer to the Net Interest Income table included in "Results of Operations" for additional information on our company's average balances and operating interest and expenses.

	For the Year Ended December 31, 2018		
	Average Balance	Interest Income/Expense	Average Interest Rate
Assets:			
Interest-bearing cash and federal funds sold	\$ 101,843	\$ 2,223	2.18%
U.S. government agencies	1,695	25	1.47
U.S. Treasuries	478	7	1.46
State and municipal securities (tax-exempt) ⁽¹⁾	73,437	1,349	1.84
Mortgage-backed securities	1,674,239	36,702	2.19
Corporate fixed income securities	1,242,644	34,429	2.77
Asset-backed securities	4,751,997	179,688	3.78
Federal Home Loan Bank and other capital stock	69,828	2,800	4.01
Loans⁽²⁾			
Securities-based loans	1,831,443	69,960	3.82
Commercial and industrial	2,818,008	128,421	4.56
Residential real estate	2,727,987	77,917	2.86
Commercial real estate	181,317	9,031	4.98
Home equity lines of credit	22,366	1,060	4.74
Construction and land	55,206	2,946	5.34
Other	55,979	2,706	4.83
Loans held for sale	220,434	8,500	3.86
Total interest-earning assets⁽³⁾	\$ 15,828,901	\$ 557,764	3.52%
Cash and due from banks	19,163		
Other non-interest-earning assets	236,906		
Total assets	\$ 16,084,970		
Liabilities and stockholders' equity:			
Deposits:			
Money market	\$ 12,357,434	\$ 54,715	0.44%
Time deposits	1,021,220	21,930	2.15
Demand deposits	402,662	5,064	1.26
Savings	25,649	547	2.13
Federal Home Loan Bank advances	942,492	15,173	1.61
Other borrowings	17,767	786	4.42
Total interest-bearing liabilities⁽³⁾	\$ 14,767,224	\$ 98,215	0.67%
Non-interest-bearing deposits	73,677		
Other non-interest-bearing liabilities	110,789		
Total liabilities	\$ 14,951,690		
Stockholders' equity	1,133,280		
Total liabilities and stockholders' equity	\$ 16,084,970		
Net interest income/spread		\$ 459,549	2.85%
Net interest margin			2.90%

⁽¹⁾ Due to the immaterial amount of income recognized on tax-exempt securities, yields were not calculated on a tax-equivalent basis.

⁽²⁾ Loans on non-accrual status are included in average balances.

⁽³⁾ Please refer to the 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, 2020, interest revenue for Stifel Bancorp of \$485.3 million was generated from weighted-average interest-earning assets of \$18.0 billion at a weighted-average interest rate of 2.70%. For the year ended December 31, 2019, interest revenue for Stifel Bancorp of \$624.2 million was generated from weighted-average interest-earning assets of \$16.5 billion at a weighted-average interest rate of 3.78%. For the year ended December 31, 2018, interest revenue for Stifel Bancorp of \$557.8 million was generated from weighted-average interest-earning assets of \$15.8 billion at a weighted-average interest rate of 3.52%. Interest-earning assets principally consist of commercial and industrial, residential, and securities-based loans, investment securities, and interest-bearing cash and federal funds sold.

For the year ended December 31, 2020, interest expense for Stifel Bancorp of \$18.3 million was incurred from weighted-average interest-bearing liabilities of \$16.5 billion at a weighted-average interest rate of 0.11%. For the year ended December 31, 2019, interest expense for Stifel Bancorp of \$103.8 million was incurred from weighted-average interest-bearing liabilities of \$15.4 billion at a weighted-average interest rate of 0.68%. For the year ended December 31, 2018, interest expense for Stifel Bancorp of \$98.2 million was incurred from weighted-average interest-bearing liabilities of \$14.8 billion at a weighted-average interest rate of 0.67%. Interest expense represents interest on customer money market accounts, time deposits, Federal Home Loan Bank advances, and other borrowings.

Decreases in short-term interest rates have had a negative impact on our results, in particular on our net interest income. The Federal Reserve significantly further lowered interest rates in response to COVID-19 pandemic concerns.

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, 2020 Compared to Year Ended December 31, 2019			Year Ended December 31, 2019 Compared to Year Ended December 31, 2018		
	Increase (decrease) due to			Increase (decrease) due to		
	Volume	Rate	Total	Volume	Rate	Total
Interest income:						
Interest-bearing cash and federal funds sold	\$ 3,573	\$ (12,264)	\$ (8,691)	\$ 8,346	\$ 124	\$ 8,470
U.S. government agencies	13	(8)	5	38	28	66
U.S. Treasuries	—	—	—	(4)	(3)	(7)
State and municipal securities (tax-exempt) ⁽¹⁾	(665)	(17)	(682)	(696)	217	(479)
Mortgage-backed securities	(8,323)	(4,573)	(12,896)	(8,202)	748	(7,454)
Corporate fixed income securities	(5,112)	(2,622)	(7,734)	(13,066)	3,202	(9,864)
Asset-backed securities	9,984	(69,783)	(59,799)	(9,491)	6,050	(3,441)
Federal Home Loan Bank and other capital stock	(253)	(837)	(1,090)	(3,772)	3,598	(174)
Loans						
Securities-based loans	(1,997)	(30,453)	(32,450)	4,090	3,619	7,709
Commercial and industrial	42,373	(68,597)	(26,224)	25,712	4,638	30,350
Residential real estate	17,625	(5,140)	12,485	8,288	5,999	14,287
Commercial real estate	2,950	(6,772)	(3,822)	10,231	1,464	11,695
Home equity lines of credit	6,167	(6,449)	(282)	1,208	2	1,210
Construction and land	6,528	(2,080)	4,448	9,357	(67)	9,290
Other	(2,427)	434	(1,993)	402	(163)	239
Loans held for sale	8,495	(8,692)	(197)	326	4,201	4,527
	\$ 78,931	\$ (217,853)	\$ (138,922)	\$ 32,767	\$ 33,657	\$ 66,424
Interest expense:						
Deposits:						
Money market	\$ 33,991	\$ (79,549)	\$ (45,558)	\$ 2,227	\$ (5,770)	\$ (3,543)
Time deposits	(21,092)	(1,943)	(23,035)	3,041	3,039	6,080
Demand deposits	900	(7,393)	(6,493)	3,601	1,506	5,107
Savings	(3,454)	(2,723)	(6,177)	5,841	72	5,913
Federal Home Loan Bank advances	(2,456)	(1,749)	(4,205)	(8,827)	1,526	(7,301)
Other borrowings	(14)	(3)	(17)	(997)	337	(660)
	\$ 7,875	\$ (93,360)	\$ (85,485)	\$ 4,886	\$ 710	\$ 5,596

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, 2020			
	Amortized Cost	Gross Unrealized Gains ⁽¹⁾	Gross Unrealized Losses ⁽¹⁾	Fair Value
Available-for-sale securities				
U.S. government agency securities	\$ 4,293	\$ 68	\$ —	\$ 4,361
State and municipal securities	2,395	58	—	2,453
Mortgage-backed securities:				
Agency	777,025	16,401	(16)	793,410
Commercial	91,237	4,376	—	95,613
Non-agency	4,550	28	(9)	4,569
Corporate fixed income securities	604,662	27,096	—	631,758
Asset-backed securities	700,177	3,522	(5,566)	698,133
	\$2,184,339	\$51,549	\$ (5,591)	\$2,230,297
Held-to-maturity securities⁽²⁾				
Asset-backed securities	\$ 4,117,384	\$ 8,111	\$(17,535)	\$ 4,107,960
December 31, 2019				
	Amortized Cost	Gross Unrealized Gains ⁽¹⁾	Gross Unrealized Losses ⁽¹⁾	Fair Value
Available-for-sale securities				
U.S. government agency securities	\$ 5,028	\$ 39	\$ —	\$ 5,067
State and municipal securities	24,198	99	—	24,297
Mortgage-backed securities:				
Agency	840,659	3,070	(5,851)	837,878
Commercial	109,982	269	(714)	109,537
Non-agency	9,731	50	(23)	9,758
Corporate fixed income securities	664,028	11,283	—	675,311
Asset-backed securities	1,600,415	679	(8,205)	1,592,889
	\$3,254,041	\$15,489	\$(14,793)	\$3,254,737
Held-to-maturity securities⁽²⁾				
Asset-backed securities	\$2,856,219	\$ 5,960	\$(34,296)	\$2,827,883

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

⁽²⁾ 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.

	December 31, 2018			
	Amortized Cost	Gross Unrealized Gains ⁽¹⁾	Gross Unrealized Losses ⁽¹⁾	Fair Value
Available-for-sale securities				
U.S. government agency securities	\$ 5,237	\$ 13	\$ (35)	\$ 5,215
State and municipal securities	72,487	—	(4,261)	68,226
Mortgage-backed securities:				
Agency	234,292	88	(3,972)	230,408
Commercial	74,411	4	(4,700)	69,715
Non-agency	1,245	—	(26)	1,219
Corporate fixed income securities	958,406	—	(26,802)	931,604
Asset-backed securities	1,779,496	672	(16,108)	1,764,060
	\$3,125,574	\$ 777	\$ (55,904)	\$3,070,447
Held-to-maturity securities⁽²⁾				
Mortgage-backed securities:				
Agency	\$1,198,442	\$1,307	\$ (31,689)	\$1,168,060
Commercial	51,524	185	—	51,709
Asset-backed securities	2,968,888	4,585	(70,335)	2,903,138
	\$4,218,854	\$6,077	\$(102,024)	\$4,122,907

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

⁽²⁾ 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.

We evaluate each available-for-sale security where the value has declined below amortized cost. If our company intends to sell or believes it is more likely than not that it will be required to sell the debt security, it is written down to fair value through earnings. For available-for-sale debt securities our company intends to hold, we evaluate the debt securities for expected credit losses except for debt securities that are guaranteed by the U.S. Treasury or U.S. government agencies where we apply a zero credit loss assumption. For the remaining available-for-sale debt securities, we consider qualitative parameters such as internal and external credit ratings and the value of underlying collateral. If an available-for-sale debt security fails any of the qualitative parameters, a discounted cash flow analysis is used by our company to determine if a portion of the unrealized loss is a result of a credit loss. Any credit losses determined are recognized as an increase to the allowance for credit losses through provision expense recorded in the consolidated

statement of operations in provision for credit losses. Cash flows expected to be collected are estimated using all relevant information available, such as remaining payment terms, prepayment speeds, the financial condition of the issuer, expected defaults, and the value of the underlying collateral. If any of the decline in fair value is related to market factors, that amount is recognized in accumulated other comprehensive income. In certain instances, the credit loss may exceed the total decline in fair value, in which case, the allowance recorded is limited to the difference between the amortized cost and the fair value of the asset. We separately evaluate our held-to-maturity debt securities for any credit losses. We perform a discounted cash flow analysis to estimate any credit losses, which are then recognized as part of the allowance for credit losses. For available-for-sale and held-to-maturity debt securities, we have established a nonaccrual policy that results in timely write-off of accrued interest.

The maturities and related weighted-average yields of available-for-sale and held-to-maturity securities at December 31, 2020, are as follows (*in thousands, except rates*):

	Within 1 Year	1-5 Years	5-10 Years	After 10 Years	Total
Available-for-sale securities⁽¹⁾					
U.S. government agency securities	\$ 2,518	\$ 1,843	\$ —	\$ —	\$ 4,361
State and municipal securities	—	—	2,453	—	2,453
Mortgage-backed securities:					
Agency	3	355	86,324	706,728	793,410
Commercial	16,602	16	—	78,995	95,613
Non-agency	3,841	—	—	728	4,569
Corporate fixed income securities	121,398	401,550	108,810	—	631,758
Asset-backed securities	—	—	237,524	460,609	698,133
	\$144,362	\$403,764	\$ 435,111	\$1,247,060	\$2,230,297
Held-to-maturity securities					
Asset-backed securities	\$ —	\$ 17,460	\$1,932,439	\$ 2,167,485	\$ 4,117,384
Weighted-average yield⁽²⁾	1.91%	2.52%	1.91%	1.73%	1.86%

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

² 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, 2020.

III. Loan Portfolio

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

	As of December 31,				
	2020	2019	2018	2017	2016
Commercial and industrial	\$ 4,296,089	\$ 3,438,953	\$3,304,234	\$ 2,437,938	\$ 1,710,399
Residential real estate	3,956,670	3,309,548	2,875,014	2,593,576	2,161,400
Securities-based loans	1,933,974	2,098,211	1,786,966	1,819,206	1,614,033
Construction and land	501,681	398,839	138,245	7,896	12,623
Commercial real estate	366,485	428,549	318,961	116,258	78,711
Home equity lines of credit	75,507	51,205	38,098	15,039	15,008
Other	40,407	27,311	120,129	24,508	45,391
Total gross loans	11,170,813	9,752,616	8,581,647	7,014,421	5,637,565
Unamortized loan premium/(discount), net	(1,822)	(6,588)	(12,155)	788	858
Loans in process	(48,222)	(27,717)	27,984	(856)	(49)
Unamortized loan origination costs, net	(1,980)	1,310	5,972	872	(2,021)
Allowance for loan losses	(112,029)	(95,579)	(85,833)	(67,466)	(45,163)
	\$11,006,760	\$ 9,624,042	\$ 8,517,615	\$ 6,947,759	\$ 5,591,190

The maturities of the loan portfolio at December 31, 2020, are as follows (*in thousands*):

	Within 1 Year	1-5 Years	Over 5 Years	Total
	\$ 2,760,225	\$3,666,591	\$4,743,997	\$ 11,170,813

The sensitivity of loans with maturities in excess of one year at December 31, 2020, is as follows (*in thousands*):

	1-5 Years	Over 5 Years	Total
Variable or adjustable rate loans	\$ 2,919,557	\$4,244,515	\$ 7,164,072
Fixed rate loans	747,034	499,482	1,246,516
	\$3,666,591	\$4,743,997	\$8,410,588

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

	Year Ended December 31,				
	2020	2019	2018	2017	2016
Allowance for loan losses, beginning of period	\$ 95,579	\$ 85,833	\$ 67,466	\$ 45,163	\$ 29,787
CECL Adoption	(11,736)	—	—	—	—
Provision for loan losses	28,264	9,977	18,366	25,320	15,659
Charge-offs:					
Commercial and industrial	(153)	(239)	(12)	(355)	(267)
Residential real estate	—	(41)	—	—	(13)
Commercial real estate	—	—	—	(2,703)	—
Other	(40)	(106)	(2)	—	(16)
Total charge-offs	(193)	(386)	(14)	(3,058)	(296)
Recoveries	115	155	15	41	13
Allowance for loan losses, end of period	\$ 112,029	\$ 95,579	\$ 85,833	\$ 67,466	\$ 45,163
Net charge-offs to average bank loans outstanding, net	0.00%	0.00%	0.00%	0.00%	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, 2020		December 31, 2019	
	Balance	Percent ⁽¹⁾	Balance	Percent ⁽¹⁾
Commercial and industrial	\$ 67,222	38.5%	\$69,949	35.3%
Construction and land	17,275	4.5	4,613	4.1
Residential real estate	16,300	35.4	14,253	33.9
Commercial real estate	8,580	3.3	3,564	4.4
Securities-based loans	2,015	17.3	2,361	21.5
Home equity lines of credit	374	0.7	442	0.5
Other	263	0.3	194	0.3
Unallocated	—	—	203	—
	\$112,029	100.0%	\$95,579	100.0%

	December 31, 2018		December 31, 2017	
	Balance	Percent ⁽¹⁾	Balance	Percent ⁽¹⁾
Commercial and industrial	\$ 68,367	38.5%	\$ 54,474	34.8%
Residential real estate	11,228	33.5	8,430	37.0
Securities-based loans	1,978	20.8	2,088	25.9
Commercial real estate	1,778	3.7	1,520	1.7
Construction and land	1,241	1.6	100	0.1
Home equity lines of credit	310	0.4	162	0.2
Other	88	1.5	16	0.3
Unallocated	843	—	676	—
	\$ 85,833	100.0%	\$ 67,466	100.0%

	December 31, 2016	
	Balance	Percent ⁽¹⁾
Commercial and industrial	\$ 35,127	30.3%
Securities-based loans	3,094	28.6
Residential real estate	2,660	38.4
Commercial real estate	1,363	1.4
Home equity lines of credit	371	0.3
Construction and land	232	0.2
Other	129	0.8
Unallocated	2,187	—
	\$45,163	100.0%

⁽¹⁾ 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, 2020, we had \$13.8 million of impaired loans, net of discounts, which included \$0.2 million in troubled debt restructurings. At December 31, 2019, 2018, 2017, and 2016, we had \$14.6 million, \$24.4 million, \$29.2 million, and \$26.9 million of impaired loans, respectively, which included \$0.2 million, \$9.1 million, \$9.1 million, and \$9.7 million of trouble debt restructurings, respectively. The specific allowance on impaired loans at December 31, 2020, 2019, 2018,

2017, and 2016 was \$8.2 million, \$8.2 million, \$8.7 million, \$9.1 million, and \$3.4 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, 2020, 2019, 2018, 2017, and 2016, were insignificant to the consolidated financial statements.

Please refer to 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,					
	2020		2019		2018	
	Average Balance	Average Interest Rate	Average Balance	Average Interest Rate	Average Balance	Average Interest Rate
Demand deposits (interest-bearing)	\$15,958,140	0.06%	\$13,476,689	0.46%	\$12,760,096	0.47%
Certificates of deposit (time deposits)	221,479	2.25	1,154,180	2.43	1,021,220	2.15
Demand deposits (non-interest-bearing)	288,222	*	138,001	*	73,677	*
Savings accounts	37,080	0.76	270,786	2.39	25,649	2.13

* Not applicable

Scheduled maturities of certificates of deposit greater than \$100,000 at December 31, 2020, were as follows (*in thousands*):

	0-3 Months	3-6 Months	6-12 Months	Over 12 Months	Total
	\$40,917	\$10,990	\$11,743	\$30,622	\$94,272

V. Return on Equity and Assets

	Year Ended December 31,		
	2020	2019	2018
Return on assets (net income available to common shareholders as a percentage of average total assets)	1.86%	1.78%	1.71%
Return on equity (net income available to common shareholders as a percentage of average Stifel Financial Corp. shareholders' equity)	13.12	13.46	13.61
Dividend payout ratio	10.82	10.93	10.15
Equity to assets ratio (average Stifel Financial Corp. shareholders' equity as a percentage of average total assets)	14.21	13.24	12.59

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	Federal Home Loan Bank Advances	Stock Loan
Year Ended December 31, 2020:			
Amount outstanding at December 31, 2020	\$ —	\$ —	\$ 145,124
Weighted-average interest rate thereon	0.96%	0.00%	(26.79%)
Maximum amount outstanding at any month-end	\$235,000	\$ 1,259,000	\$ 430,300
Average amount outstanding during the year	\$ 25,678	\$ 283,128	\$ 215,309
Weighted-average interest rate thereon	0.44%	1.30%	(8.37%)
Year Ended December 31, 2019:			
Amount outstanding at December 31, 2019	\$ —	\$ 250,000	\$ 608,333
Weighted-average interest rate thereon	2.42%	1.90%	1.53%
Maximum amount outstanding at any month-end	\$276,000	\$ 1,317,000	\$ 608,333
Average amount outstanding during the year	\$ 37,626	\$ 448,333	\$ 488,989
Weighted-average interest rate thereon	2.74%	1.76%	1.28%
Year Ended December 31, 2018:			
Amount outstanding at December 31, 2018	\$ 56,000	\$ 540,000	\$ 392,163
Weighted-average interest rate thereon	3.11%	2.64%	2.62%
Maximum amount outstanding at any month-end	\$361,000	\$ 1,360,000	\$ 691,150
Average amount outstanding during the year	\$ 88,961	\$ 942,492	\$ 436,606
Weighted-average interest rate thereon	2.61%	1.61%	1.88%

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,			Percentage Change		As a Percentage of Net Revenues for the Year Ended December 31,		
	2020	2019	2018	2020 vs. 2019	2019 vs. 2018	2020	2019	2018
Revenues:								
Commissions	\$ 247,380	\$ 190,093	\$ 185,597	30.1 %	2.4%	15.6%	15.7%	17.6%
Principal transactions	414,202	232,453	185,340	78.2	25.4	26.2	19.1	17.5
<i>Brokerage revenues</i>	661,582	422,546	370,937	56.6	13.9	41.8	34.8	35.1
Capital raising	488,152	331,527	304,895	47.2	8.7	30.8	27.3	28.9
Advisory fees	428,132	447,979	371,401	(4.4)	20.6	27.1	36.9	35.2
<i>Investment banking</i>	916,284	779,506	676,296	17.5	15.3	57.9	64.2	64.1
Interest	16,837	24,139	19,237	(30.2)	25.5	1.1	2.0	1.8
Other income ⁽¹⁾	376	12,101	8,533	(96.9)	41.8	0.0	1.0	0.8
Total revenues	1,595,079	1,238,292	1,075,003	28.8	15.2	100.8	102.0	101.8
Interest expense	11,932	24,275	19,508	(50.8)	24.4	0.8	2.0	1.8
Net revenues	1,583,147	1,214,017	1,055,495	30.4	15.0	100.0	100.0	100.0
Non-interest expenses:								
Compensation and benefits	942,769	736,298	633,297	28.0	16.3	59.6	60.6	60.0
Occupancy and equipment rental	68,457	53,533	47,746	27.9	12.1	4.3	4.4	4.5
Communication and office supplies	88,054	74,149	67,631	18.8	9.6	5.6	6.1	6.4
Commissions and floor brokerage	33,691	24,078	23,232	39.9	3.6	2.1	2.0	2.2
Other operating expenses	124,891	150,289	126,538	(16.9)	18.8	7.9	12.4	12.0
Total non-interest expenses	1,257,862	1,038,347	898,444	21.1	15.6	79.5	85.5	85.1
Income before income taxes	\$ 325,285	\$ 175,670	\$ 157,051	85.2 %	11.9%	20.5%	14.5%	14.9%

* Includes asset management and service fees.

Year Ended December 31, 2020, Compared With Year Ended December 31, 2019

NET REVENUES

For the year ended December 31, 2020, Institutional Group net revenues increased 30.4% to a record \$1.6 billion from \$1.2 billion in 2019. The increase in net revenues for the year ended December 31, 2020, was primarily attributable to an increase in brokerage revenues and capital-raising revenues, partially offset by a decrease in advisory fees and other income.

Commissions – For the year ended December 31, 2020, commission revenues increased 30.1% to \$247.4 million from \$190.1 million in 2019. The increase is primarily attributable to the growth in equities commissions from 2019.

Principal transactions – For the year ended December 31, 2020, principal transactions revenues increased 78.2% to \$414.2 million from \$232.5 million in 2019. The increase is primarily attributable to strong client engagement and market volatility, as well as an increase in trading gains over 2019.

Brokerage revenues – For the year ended December 31, 2020, institutional brokerage revenues increased 56.6% to \$661.6 million from \$422.5 million in 2019.

For the year ended December 31, 2020, fixed income brokerage revenues increased 58.1% to \$404.8 million from \$256.0 million in 2019. For the year ended December 31, 2020, equity brokerage revenues increased 54.2% to \$256.8 million from \$166.6 million in 2019. The increases are primarily attributable to higher trading volumes during 2020, driven by market volatility, as a result of the economic uncertainty created by the COVID-19 pandemic and an increase in trading gains.

Investment banking – For the year ended December 31, 2020, investment banking revenues increased 17.5% to \$916.3 million from \$779.5 million in 2019. The increase is primarily attributable to an increase in capital-raising revenues, partially offset by a decrease in advisory fees.

For the year ended December 31, 2020, capital-raising revenues increased 47.2% to \$488.2 million from \$331.5 million in 2019.

For the year ended December 31, 2020, equity capital markets capital-raising revenues increased 49.7% to \$306.0 million from \$204.4 million in 2019. The increase in equity capital-raising revenues is primarily attributable to an increase in deals compared to 2019.

For the year ended December 31, 2020, fixed income capital markets capital-raising revenues increased 43.3% to \$182.1 million from \$127.1 million in 2019. The increase is primarily attributable to an increase in the municipal bond origination business. Fixed income capital-raising revenues increased from a year ago as clients accessed the market to benefit from the lower rate environment and to raise additional liquidity.

For the year ended December 31, 2020, advisory fees decreased 4.4% to \$428.1 million from \$448.0 million in 2019. Advisory fee revenues were negatively impacted by the decrease in industry-wide completed mergers and acquisitions transactions, which was driven by an increase in market volatility and the economic slow-down in 2020.

Interest income – For the year ended December 31, 2020, interest income decreased 30.2% to \$16.8 million from \$24.1 million in 2019. The decrease is primarily driven by the impact of lower interest rates and lower inventory levels.

Other income – For the year ended December 31, 2020, other income decreased 96.9% to \$0.4 million from \$12.1 million in 2019.

Interest expense – For the year ended December 31, 2020, interest expense decreased 50.8% to \$11.9 million from \$24.3 million in 2019. The decrease is primarily driven by the impact of lower interest rates and lower inventory levels.

NON-INTEREST EXPENSES

For the year ended December 31, 2020, Institutional Group non-interest expenses increased 21.1% to \$1.3 billion from \$1.0 billion in 2019.

Compensation and benefits – For the year ended December 31, 2020, compensation and benefits expense increased 28.0% to \$942.8 million from \$736.3 million in 2019. The increase is primarily attributable to higher variable compensation expense as a result of strong revenue growth over 2019. Compensation and benefits expense as a percentage of net revenues was 59.6% for the year ended December 31, 2020, compared to 60.6% in 2019.

Occupancy and equipment rental – For the year ended December 31, 2020, occupancy and equipment rental expense increased 27.9% to \$68.5 million from \$53.5 million in 2019. The increase is primarily attributable to higher occupancy costs as a result of an increase in locations and higher data processing costs associated with an increase in business activity.

Communications and office supplies – For the year ended December 31, 2020, communications and office supplies expense increased 18.8% to \$88.1

million from \$74.1 million in 2019. The increase is primarily attributable to higher communication and quote equipment expenses associated with the continued growth of our business.

Commissions and floor brokerage – For the year ended December 31, 2020, commissions and floor brokerage expense increased 39.9% to \$33.7 million from \$24.1 million in 2019. The increase is primarily attributable to higher volume-related expenses, including brokerage trading costs, reflecting an increase in activity levels.

Other operating expenses – For the year ended December 31, 2020, other operating expenses decreased 16.9% to \$124.9 million from \$150.3 million in 2019. The decrease is primarily attributable to significantly lower travel, entertainment, and conference-related expenses. These decreases were partially offset by an increase in net provisions for litigation matters, higher investment banking transaction expenses, reflecting an increase in activity levels, and an increase in professional fees.

INCOME BEFORE INCOME TAXES

For the year ended December 31, 2020, income before income taxes for the Institutional Group segment increased 85.2% to \$325.3 million from \$175.7 million in 2019. Profit margins (income before income taxes as a percentage of net revenues) have increased to 20.5% for the year ended December 31, 2020, from 14.5% in 2019 as a result of strong revenue growth and our continued expense discipline.

Year Ended December 31, 2019, Compared With Year Ended December 31, 2018

NET REVENUES

For the year ended December 31, 2019, Institutional Group net revenues increased 15.0% to \$1.2 billion from \$1.1 billion in 2018. The increase in net revenues for the year ended December 31, 2019, was primarily attributable to an increase in advisory fees, fixed income institutional brokerage revenues, and fixed income capital-raising revenues, partially offset by a decrease in equity brokerage and equity capital-raising revenues.

Commissions – For the year ended December 31, 2019, commission revenues increased 2.4% to \$190.1 million from \$185.6 million in 2018.

Principal transactions – For the year ended December 31, 2019, principal transactions revenues increased 25.4% to \$232.5 million from \$185.3 million in 2018.

Brokerage revenues – For the year ended December 31, 2019, institutional brokerage revenues increased 13.9% to \$422.5 million from \$370.9 million in 2018. Brokerage revenues were favorably impacted by higher market volatility and trading volumes and negatively impacted by the continued migration from active to passive management strategies.

For the year ended December 31, 2019, fixed income brokerage revenues increased 38.4% to \$256.0 million from \$185.0 million in 2018. The increase is primarily attributable to higher fixed income trading volumes and, to a lesser extent, from the contribution of our acquisition of First Empire, which closed during the first quarter of 2019.

For the year ended December 31, 2019, equity brokerage revenues decreased 10.4% to \$166.6 million from \$186.0 million in 2018. The decrease is primarily attributable to the continued migration from active to passive management strategies.

Investment banking – For the year ended December 31, 2019, investment banking revenues increased 15.3% to \$779.5 million from \$676.3 million in 2018. The increase is primarily attributable to an increase in advisory fees and fixed income capital-raising revenues, partially offset by a decrease in equity capital-raising

revenues. Investment banking revenues benefited from the contribution of our acquisition of Mooreland, which closed in the third quarter of 2019.

For the year ended December 31, 2019, advisory fees increased 20.6% to \$448.0 million from \$371.4 million in 2018. The increase is primarily attributable to an increase in the number of advisory transactions over 2018, including growth in our fund placement business.

For the year ended December 31, 2019, capital-raising revenues increased 8.7% to \$331.5 million from \$304.9 million in 2018.

For the year ended December 31, 2019, equity capital markets capital-raising revenues decreased 4.3% to \$204.4 million from \$213.6 million in 2018.

For the year ended December 31, 2019, fixed income capital markets capital-raising revenues increased 39.3% to \$127.1 million from \$91.3 million in 2018. The increase is primarily attributable to an increase in the municipal bond origination business.

Interest income – For the year ended December 31, 2019, interest income increased 25.5% to \$24.1 million from \$19.2 million in 2018. The increase is primarily attributable to an increase in inventory levels.

Other income – For the year ended December 31, 2019, other income increased 41.8% to \$12.1 million from \$8.5 million in 2018.

Interest expense – For the year ended December 31, 2019, interest expense increased 24.4% to \$24.3 million from \$19.5 million in 2018. The increase is primarily attributable to an increase in inventory levels.

NON-INTEREST EXPENSES

For the year ended December 31, 2019, Institutional Group non-interest expenses increased 15.6% to \$1.0 billion from \$898.4 million in 2018.

Compensation and benefits – For the year ended December 31, 2019, compensation and benefits expense increased 16.3% to \$736.3 million from \$633.3 million in 2018. Compensation and benefits expense as a percentage of net revenues was 60.6% for the year ended December 31, 2019, compared to 60.0% in 2018.

Occupancy and equipment rental – For the year ended December 31, 2019, occupancy and equipment rental expense increased 12.1% to \$53.5 million from \$47.7 million in 2018. The increase is primarily attributable to higher rent expense.

Communications and office supplies – For the year ended December 31, 2019, communications and office supplies expense increased 9.6% to \$74.1 million from \$67.6 million in 2018. The increase is primarily attributable to an increase in communication and quote equipment expenses associated with the continued growth of our business.

Commissions and floor brokerage – For the year ended December 31, 2019, commissions and floor brokerage expense increased 3.6% to \$24.1 million from \$23.2 million in 2018. The increase is primarily attributable to increased fixed income brokerage volumes.

Other operating expenses – For the year ended December 31, 2019, other operating expenses increased 18.8% to \$150.3 million from \$126.5 million in 2018. The increase is primarily attributable to an increase in investment banking deal costs, dues and assessments, and conference and travel costs.

INCOME BEFORE INCOME TAXES

For the year ended December 31, 2019, income before income taxes for the Institutional Group segment increased 11.9% to \$175.7 million from \$157.1 million in 2018. Profit margins (income before income taxes as a percentage of net revenues) have decreased to 14.5% for the year ended December 31, 2019, from 14.9% in 2018 as a result of an increase in expenses, partially offset by higher revenues.

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	
	2020	2019	2018	2020 vs. 2019	2019 vs. 2018
Net revenues	\$ (21,912)	\$ (7,546)	\$ (20,933)	(190.4)%	64.0 %
Non-interest expenses:					
Compensation and benefits	198,041	195,389	169,364	1.4	15.4
Other operating expenses	180,056	159,557	169,395	12.8	(5.8)
Total non-interest expenses	378,097	354,946	338,759	6.5	4.8
Loss before income taxes	\$ (400,009)	\$ (362,492)	\$ (359,692)	10.3 %	0.8 %

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 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	
	2020	2019	2018	2020 vs. 2019	2019 vs. 2018
Non-interest expenses:					
Compensation and benefits	\$30,259	\$32,367	\$17,333	(6.5)%	86.7%
Other operating expenses	30,054	32,171	40,654	(6.6)	(20.9)
Total non-interest expenses	\$60,313	\$64,538	\$57,987	(6.5)%	11.3%

For the year ended December 31, 2020, compensation and benefits expense decreased 6.5% to \$30.3 million from \$32.4 million in 2019.

For the year ended December 31, 2020, other operating expenses decreased 6.6% to \$30.1 million from \$32.2 million in 2019.

The expenses not associated with the activities described above in the other segment are as follows:

	For the Year Ended December 31,			Percentage Change	
	2020	2019	2018	2020 vs. 2019	2019 vs. 2018
Non-interest expenses:					
Compensation and benefits	\$167,782	\$163,022	\$152,031	2.9%	7.2%
Other operating expenses	150,002	127,386	128,741	17.8	(1.1)
Total non-interest expenses	\$317,784	\$290,408	\$280,772	9.4%	3.4%

For the year ended December 31, 2020, compensation and benefits expense increased 2.9% to \$167.8 million from \$163.0 million in 2019.

For the year ended December 31, 2020, other operating expenses increased 17.8% to \$150.0 million from \$127.4 million in 2019.

Analysis of Financial Condition

Our company's consolidated statements of financial condition consist primarily of cash and cash equivalents, receivables, financial instruments owned, bank loans, investments, goodwill, loans and advances to financial advisors, bank deposits, and payables. Total assets of \$26.6 billion at December 31, 2020, were up 8.1% over December 31, 2019. Our broker-dealer subsidiary's gross assets and liabilities, including financial instruments owned, 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, 2020, our liabilities were comprised primarily of deposits of \$17.4 billion at Stifel Bancorp, accounts payable and accrued expenses of \$1.2 billion, senior notes, net of debt issuance costs, of \$1.1 billion, payables to customers of \$1.1 billion at our broker-dealer subsidiaries, and accrued employee compensation of \$638.3 million. To meet our obligations to clients and operating needs, we had \$2.3 billion in cash and cash equivalents at December 31, 2020. We also had highly liquid assets consisting of held-to-maturity securities of \$4.1 billion, available-for-sale securities of \$2.2 billion, client brokerage receivables of \$936.5 million, and financial instruments of \$694.0 million.

Cash Flow

Cash and cash equivalents increased \$1.1 billion to \$2.3 billion at December 31, 2020, from \$1.1 billion at December 31, 2019. Operating activities provided cash of \$1.7 billion primarily due to net income recognized in 2020 adjusted for non-cash activities. Investing activities used cash of \$1.7 billion due to the growth of the loan portfolio, investment securities purchases, and fixed asset purchases, partially offset by proceeds from the sale and maturity of securities in our investment portfolio and the proceeds received from the sale of ZCM. Financing activities provided cash of \$1.2 billion primarily due

to an increase in bank deposits and proceeds received from the issuance of senior notes and preferred stock, partially offset by a decrease in securities loaned, repayments of senior notes and Federal Home Loan Bank advances, dividends paid on our common and preferred stock, and share repurchases.

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, repurchase agreements, 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 Bancorp's current liquidity needs are generally met through deposits from brokerage clients and equity capital. We monitor the liquidity of our bank subsidiaries daily to ensure their ability to meet customer deposit withdrawals, maintain reserve requirements, and support asset growth.

As of December 31, 2020, we had \$26.6 billion in assets, \$10.1 billion of which consisted of cash or assets readily convertible into cash as follows (*in thousands, except average days to conversion*):

	December 31,		Average Conversion
	2020	2019	
Cash and cash equivalents	\$ 2,279,274	\$1,142,596	
Receivables from brokers, dealers, and clearing organizations	549,492	627,790	5 days
Securities purchased under agreements to resell	217,930	385,008	1 day
Financial instruments owned at fair value	682,744	963,606	3 days
Available-for-sale securities at fair value	2,230,297	3,254,737	3 days
Held-to-maturity securities at amortized cost	4,117,384	2,856,219	4 days
Investments	42,429	49,980	10 days
Total cash and assets readily convertible to cash	\$10,119,550	\$9,279,936	

As of December 31, 2020 and 2019, the amount of collateral by asset class is as follows (*in thousands*):

	December 31, 2020		December 31, 2019	
	Contractual	Contingent	Contractual	Contingent
Cash and cash equivalents	\$ 155,081	\$ —	\$ 98,250	\$ —
Financial instruments owned at fair value	190,955	190,955	391,634	391,634
Investment portfolio (AFS & HTM)	—	1,764,421	—	1,617,688
	\$346,036	\$1,955,376	\$489,884	\$2,009,322

Liquidity Available From Subsidiaries

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

Stifel is required to maintain net capital equal to the greater of \$1 million or two percent of aggregate debit items arising from client transactions. Covenants in the Company's committed financing facilities require the excess net capital of Stifel, our principal broker-dealer subsidiary, to be above a defined amount. At December 31, 2020, Stifel's excess net capital exceeded the minimum requirement, as defined. There are also limitations on the amount of dividends that may be declared by a broker-dealer without FINRA approval. See Note 18 of the Notes to Consolidated Financial Statements for more information on the capital restrictions placed on our broker-dealer subsidiaries.

Stifel Bancorp 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 Bancorp's current calendar year and the previous two calendar years' retained net income and Stifel Bancorp maintains its targeted capital to risk-weighted assets ratios.

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, 2020, the maximum number of shares that may yet be purchased under this plan was 13.3 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.

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. These liquidity risk management practices have allowed us to effectively manage the market stress from the COVID-19 pandemic. For more information on the effects of the pandemic, see Executive Summary – COVID-19 Pandemic on page 21.

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, respond to acquisition opportunities, expand our recruiting efforts, 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 our bank subsidiaries, 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 (Firmwide) – 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 and liquidity position. 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
- Client cash withdrawals and inability to accept new deposits
- Increased demand from customers on the funding of loans and lines of credit

At December 31, 2020, the Company maintained sufficient liquidity to meet current and contingent funding obligations as modeled in its liquidity stress test model.

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

Under all stress tests, our bank subsidiaries consider cash and highly liquid investments as available to meet liquidity needs. In their analysis, our bank subsidiaries consider 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, our bank subsidiaries estimate 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, 2020, available cash and highly liquid investments comprised approximately 18% of Stifel Bancorp's assets, which was well in excess of its internal target.

In addition to these stress tests, management performs a daily liquidity review. The daily analysis provides management with all major fluctuations in liquidity. The analysis also tracks the proportion of deposits that Stifel Bancorp 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. Our banking subsidiaries have 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, Federal Home Loan Bank advances, and federal funds agreements.

Cash and Cash Equivalents – We held \$2.3 billion of cash and cash equivalents at December 31, 2020, compared to \$1.1 billion at December 31, 2019. Cash and cash equivalents provide immediate sources of funds to meet our liquidity needs.

Securities Available-for-Sale – We held \$2.2 billion in available-for-sale investment securities at December 31, 2020, compared to \$3.3 billion at December 31, 2019. As of December 31, 2020, the weighted-average life of the investment securities portfolio was approximately 0.9 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 our largest funding source. Deposits provide a stable, low-cost source of funds that we utilize to fund 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, 2020, we had \$17.4 billion in deposits compared to \$15.3 billion at December 31, 2019. Our core deposits are primarily comprised of money market deposit accounts, non-interest-bearing deposits, and CDs.

Short-term borrowings – Our short-term financing is generally obtained through short-term bank line financing on an uncommitted, secured basis, securities lending arrangements, repurchase agreements, advances from the Federal Home Loan Bank, term loans, and committed bank line financing on an unsecured basis. 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. We also have an unsecured, committed bank line available.

Our uncommitted secured lines of credit at December 31, 2020, totaled \$1.0 billion with five 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 \$490.0 million during the year ended December 31, 2020. 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, 2020, we had no outstanding balances on our uncommitted secured lines of credit.

Federal Home Loan advances are floating-rate advances. The weighted average interest rates during the year ended December 31, 2020, on these advances was 1.30%. The advances are secured by Stifel Bancorp's residential mortgage loan portfolio and investment portfolio. The interest rates reset on a daily basis. Stifel Bancorp has the option to prepay these advances without penalty on the interest reset date. At December 31, 2020, there were no Federal Home Loan advances.

Unsecured borrowings – On March 5, 2019, we amended our existing Credit Agreement, which now expires in March 2024. The applicable interest rate under the revolving credit facility is calculated as a per annum rate equal to LIBOR plus 1.75%, as defined.

We can draw upon this line as long as certain restrictive covenants are maintained. Under our amended and restatement Credit Agreement, 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. In addition, Stifel, our broker-dealer subsidiary, is required to maintain compliance with a minimum regulatory excess net capital covenant, as defined, and our bank subsidiaries are required to maintain its status as well-capitalized, as defined.

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. At December 31, 2020, we had no advances on the \$200.0 million revolving credit facility and were in compliance with all covenants and currently do not expect any covenant violations due to the impacts of the COVID-19 pandemic.

Stifel, our broker-dealer subsidiary, has a 364-day Credit Agreement ("Stifel Credit Facility") with a maturity date of June 2021 in which the lenders are a number of financial institutions. This committed unsecured borrowing facility provides for maximum borrowings of up to \$300.0 million at variable rates of interest.

Under the Stifel Credit Facility, Stifel is required to maintain compliance with a minimum consolidated tangible net worth covenant, as defined, and to maintain compliance with a minimum regulatory excess net capital covenant, as defined.

The Stifel Credit Facility contains customary events of default, including, without limitation, payment defaults, breaches of representations and war-

ranties, covenant defaults, cross-defaults to similar obligations, certain events of bankruptcy and insolvency, and judgment defaults. At December 31, 2020, there were no advances on the Stifel Credit Facility and we were in compliance with all covenants and currently do not expect any covenant violations due to the impacts of the COVID-19 pandemic.

Federal Home Loan Bank Advances and other secured financing – Stifel Bancorp has borrowing capacity with the Federal Home Loan Bank of \$3.1 billion at December 31, 2020, and \$59.5 million in federal funds agreements for the purpose of purchasing short-term funds should additional liquidity be needed. At December 31, 2020, there were no outstanding Federal Home Loan Bank advances. Stifel Bancorp is eligible to participate in the Federal Reserve’s discount window program; however, Stifel Bancorp does not view borrowings from the Federal Reserve as a primary means of funding. The credit available in this program is subject to periodic review, may be terminated or reduced at the discretion of the Federal Reserve, and is secured by securities. Stifel Bancorp has borrowing capacity of \$1.4 billion with the Federal Reserve’s discount window at December 31, 2020. Stifel Bancorp receives overnight funds from excess cash held in Stifel brokerage accounts, which are deposited into a money market account. These balances totaled \$16.0 billion at December 31, 2020. At December 31, 2020, there was \$22.8 billion in client money market and FDIC-insured product balances.

Public Offering of Senior Notes – On July 15, 2014, we sold in a registered underwritten public offering, \$300.0 million in aggregate principal amount of 4.25% 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. In July 2016, we issued an additional \$200.0 million in aggregate principal amount of 4.25% senior notes due 2024. 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. In December 2015, we received a BBB- rating on the 2015 Notes. The 2015 Notes matured in December 2020.

On October 4, 2017, we completed the pricing of a registered underwritten public offering of \$200.0 million in aggregate principal amount of 5.20% senior notes due October 2047. Interest on the senior notes is payable quarterly in arrears in January, April, July, and October. On or after October 15, 2022, we may redeem some or all of the senior notes at any time at a redemption price equal to 100% of the principal amount of the notes being redeemed plus accrued interest thereon to the redemption date. On October 27, 2017, we completed the sale of an additional \$25.0 million aggregate principal amount of Notes pursuant to the over-allotment option. In October 2017, we received a BBB- rating on the notes.

On May 20, 2020, we sold in a registered underwritten public offering, \$400.0 million in aggregate principal amount of 4.00% senior notes due May 2030. Interest on these senior notes is payable semi-annually in arrears in May and November. We may redeem the notes in whole or in part, at our option, at a redemption price equal to the greater of a) 100% of their principal amount or b) discounted present value at Treasury rate plus 50 basis points prior to February 15, 2030, and on or after February 15, 2030, at 100% of their principal amount, and accrued and unpaid interest, if any, to the date of redemption. In May 2020, we received a BBB- rating on the notes.

Public Offering of Preferred Stock – In July 2016, the Company completed an underwritten registered public offering of \$150 million perpetual 6.25% Non-Cumulative Perpetual Preferred Stock, Series A.

In February 2019, the Company completed an underwritten registered public offering of \$150 million 6.25% Non-Cumulative Perpetual Preferred Stock, Series B (“Series B Preferred”). In March 2019, we completed a public offering of an additional \$10.0 million of Series B Preferred, pursuant to the over-allotment option.

On May 19, 2020, the Company completed an underwritten registered public offering of \$225 million 6.125% Non-Cumulative Perpetual Preferred Stock, Series C (“Series C Preferred”), which included the sale of \$25.0 million of Series C Preferred pursuant to an over-allotment option.

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, a significant portion 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 December 2, 2020, our \$300.0 million senior notes matured.

During the year ended December 31, 2020, we repurchased \$58.3 million, or 1.7 million shares, at an average price of \$33.35 per share.

The following table summarizes the activity related to our company’s notes receivable from January 1, 2019 to December 31, 2020 (*in thousands*):

	2020	2019
Beginning balance – January 1	\$ 525,332	\$408,436
Notes issued – organic growth	179,698	209,178
Notes issued – acquisitions ⁽¹⁾	—	4,065
Amortization	(103,983)	(95,053)
Other	(4,054)	(1,294)
Ending balance – December 31	\$596,993	\$ 525,332

⁽¹⁾ Notes issued in conjunction with the acquisition of First Empire in 2019.

We have paid \$179.7 million in the form of upfront notes to financial advisors for transition pay during the year ended December 31, 2020. As we continue to take advantage of the opportunities created by market displacement and as competition for skilled professionals in the industry increases, we may decide to devote more significant resources to attracting and retaining qualified personnel.

We utilize transition pay, principally in the form of upfront demand notes, to aid financial advisors, who have elected to join our firm, to supplement their lost compensation while transitioning their customers’ accounts to the Stifel platform. The initial value of the notes is determined primarily by the financial advisors’ trailing production and assets under management. These notes are generally forgiven over a five- to ten-year period based on production. The future estimated amortization expense of the upfront notes, assuming current-year production levels and static growth for the years ended December 31, 2021, 2022, 2023, 2024, 2025, and thereafter, is \$123.5 million, \$97.0 million, \$86.3 million, \$73.0 million, \$54.1 million, and \$163.1 million, respectively. These estimates could change if we continue to grow our business through expansion or experience increased production levels.

We maintain an incentive stock plan and a wealth accumulation plan that provides for the granting of stock options, stock appreciation rights, restricted stock, performance awards, stock units, and debentures (collectively, “deferred awards”) to our associates. Historically, we have granted stock units to our associates as part of our retention program. A restricted stock unit or restricted stock award represents the right to receive a share of the Company’s common stock at a designated time in the future without cash payment by the associate and is issued in lieu of cash incentive, principally for deferred compensation and employee retention plans. The restricted stock units or restricted stock awards generally vest over the next one to ten years after issuance and are distributed at predetermined future payable dates once vesting occurs. Restricted stock awards are restricted as to sale or disposition. These restrictions lapse over the next one to five years.

At December 31, 2020, the total number of restricted stock units, Performance-based Restricted Stock Units (“PRSUs”), and restricted stock awards outstanding was 20.9 million, of which 17.9 million were unvested. At December 31, 2020, there was approximately \$491.1 million of unrecognized compensation cost for deferred awards, which is expected to be recognized over a weighted-average period of 2.7 years.

The future estimated compensation expense of the deferred awards, assuming current year forfeiture levels and static growth for the years ended December 31, 2021, 2022, 2023, 2024, 2025, and thereafter, is \$142.9 million, \$127.1 million,

\$95.6 million, \$66.9 million, \$28.3 million, and \$30.3 million, respectively. These estimates could change if our forfeitures change from historical levels.

Net Capital Requirements – We operate in a highly regulated environment and are subject to capital requirements, which may limit distributions to our company from our subsidiaries. Distributions from our broker-dealer subsidiaries are subject to net capital rules. These subsidiaries have historically operated in excess of minimum net capital requirements. However, if distributions were to be limited in the future due to the failure of our subsidiaries to comply with the net capital rules or a change in the net capital rules, it could have a material and adverse effect to our company by limiting our operations that require intensive use of capital, such as underwriting or trading activities, or limit our ability to implement our business and growth strategies, pay interest on and repay the principal of our debt, and/or repurchase our common stock. Our non-broker-dealer subsidiaries, Stifel Bank & Trust, Stifel Bank, Stifel Trust Company, N.A., and Stifel Trust Company Delaware, N.A., are also subject to various regulatory capital requirements administered by the federal banking agencies. Our broker-dealer subsidiaries and our bank subsidiaries have consistently operated in excess of their capital adequacy requirements. Our Canadian subsidiary, SNC, is subject to the regulatory supervision and requirements of IIROC.

At December 31, 2020, Stifel had net capital of \$487.7 million, which was 40.0% of aggregate debit items and \$463.3 million in excess of its minimum required net capital. At December 31, 2020, all of our broker-dealer subsidiaries' net capital exceeded the minimum net capital required under the SEC rule. At December 31, 2020, SNEI's capital and reserves were in excess of the financial resources requirement under the rules of the FCA. At December 31, 2020, our banking subsidiaries were considered well capitalized under the regulatory framework for prompt corrective action. At December 31, 2020, SNC's net capital and reserves were in excess of the financial resources requirement under the rules of the IIROC. See Note 18 of the Notes to Consolidated Financial Statements for details of our regulatory capital requirements.

Critical Accounting Policies and Estimates

In preparing our consolidated financial statements in accordance with U.S. generally accepted accounting principles and pursuant to the rules and regulations of the SEC, we make assumptions, judgments, and estimates that affect the reported amounts of assets, liabilities, revenues, and expenses, and related disclosures of contingent assets and liabilities. We base our assumptions, judgments, and estimates on historical experience and various other factors that we believe to be reasonable under the circumstances. Actual results could differ materially from these estimates under different assumptions or conditions. On a regular basis, we evaluate our assumptions, judgments, and estimates. We also discuss our critical accounting policies and estimates with the Audit Committee of the Board of Directors.

We believe that the assumptions, judgments, and estimates involved in the accounting policies described below have the greatest potential impact on our consolidated financial statements. These areas are key components of our results of operations and are based on complex rules that require us to make assumptions, judgments, and estimates, so we consider these to be our critical accounting policies. Historically, our assumptions, judgments, and estimates relative to our critical accounting policies and estimates have not differed materially from actual results.

For a full description of these and other accounting policies, see Note 2 of the Notes to Consolidated Financial Statements.

Valuation of Financial Instruments

We measure certain financial assets and liabilities at fair value on a recurring basis, including trading securities owned, available-for-sale securities, investments, trading securities sold, but not yet purchased, and derivatives.

Trading securities owned and pledged and trading securities sold, but not yet purchased, are carried at fair value on the consolidated statements of financial condition, with unrealized gains and losses reflected on the consolidated statements of operations.

The fair value of a financial instrument is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, or an exit price. The degree of judgment used in measuring the fair value of financial instruments generally correlates to the level of pricing observability. Financial instruments with readily available active quoted prices or for which fair value can be measured from actively quoted prices in active markets generally have more pricing observability and less judgment used in measuring fair value.

Conversely, financial instruments rarely traded or not quoted have less pricing observability and are measured at fair value using valuation models that require more judgment. Pricing observability is impacted by a number of factors, including the type of financial instrument, whether the financial instrument is new to the market and not yet established, the characteristics specific to the transaction, and overall market conditions generally.

When available, we use observable market prices, observable market parameters, or broker or dealer quotes (bid and ask prices) to derive the fair value of financial instruments. In the case of financial instruments transacted on recognized exchanges, the observable market prices represent quotations for completed transactions from the exchange on which the financial instrument is principally traded.

A substantial percentage of the fair value of our trading securities and other investments owned, trading securities pledged as collateral, and trading securities sold, but not yet purchased, are based on observable market prices, observable market parameters, or derived from broker or dealer prices. The availability of observable market prices and pricing parameters can vary from product to product. Where available, observable market prices and pricing or market parameters in a product may be used to derive a price without requiring significant judgment. In certain markets, observable market prices or market parameters are not available for all products, and fair value is determined using techniques appropriate for each particular product. These techniques involve some degree of judgment.

For investments in illiquid or privately held securities that do not have readily determinable fair values, the determination of fair value requires us to estimate the value of the securities using the best information available. Among the factors we consider in determining the fair value of investments are the cost of the investment, terms and liquidity, developments since the acquisition of the investment, the sales price of recently issued securities, the financial condition and operating results of the issuer, earnings trends and consistency of operating cash flows, the long-term business potential of the issuer, the quoted market price of securities with similar quality and yield that are publicly traded, and other factors generally pertinent to the valuation of investments. In instances where a security is subject to transfer restrictions, the value of the security is based primarily on the quoted price of a similar security without restriction but may be reduced by an amount estimated to reflect such restrictions. The fair value of these investments is subject to a high degree of volatility and may be susceptible to significant fluctuation in the near term, and the differences could be material.

We have categorized our financial instruments measured at fair value into a three-level classification in accordance with Topic 820, "Fair Value Measurement and Disclosures." Fair value measurements of financial instruments that use quoted prices in active markets for identical assets or liabilities are generally categorized as Level 1, and fair value measurements of financial instruments that have no direct observable levels are generally categorized as Level 3. All other fair value measurements of financial instruments that do not fall within the Level 1 or Level 3 classification are considered Level 2. The lowest level input that is significant to the fair value measurement of a financial instrument is used to categorize the instrument and reflects the judgment of management.

Level 3 financial instruments have little to no pricing observability as of the report date. These financial instruments do not have active two-way markets and are measured using management's best estimate of fair value, where the inputs into the determination of fair value require significant management judgment or estimation. We have identified Level 3 financial instruments to include certain asset-backed securities, consisting of collateral loan obligation securities, that have experienced low volumes of executed transactions, certain corporate bonds and equity securities where there was less frequent or nominal market activity, investments in private equity funds, and auction rate securities for which the market has been dislocated and largely ceased to function. Our Level 3 asset-backed securities are valued using cash flow models that utilize unobservable inputs. Level 3 corporate bonds are valued using prices from comparable securities. Equity securities with unobservable inputs are valued using management's best estimate of fair value, where the inputs require significant management judgment. Auction rate securities are valued based upon our expectations of issuer redemptions and using internal models.

Contingencies

We are involved in various pending and potential legal proceedings related to our business, including litigation, arbitration, and regulatory proceedings. Some of these matters involve claims for substantial amounts, including claims for punitive damages. We have, after consultation with outside legal

counsel and consideration of facts currently known by management, recorded estimated losses in accordance with Topic 450 (“Topic 450”), “Contingencies,” to the extent that claims are probable of loss and the amount of the loss can be reasonably estimated. The determination of these reserve amounts requires us to use significant judgment, and our final liabilities may ultimately be materially different. This determination is inherently subjective, as it requires estimates that are subject to potentially significant revision as more information becomes available and due to subsequent events. In making these determinations, we consider many factors, including, but not limited to, the loss and damages sought by the plaintiff or claimant, the basis and validity of the claim, the likelihood of a successful defense against the claim, and the potential for, and magnitude of, damages or settlements from such pending and potential litigation and arbitration proceedings, and fines and penalties or orders from regulatory agencies. See Item 3, “Legal Proceedings,” in Part I of this report for information on our legal, regulatory, and arbitration proceedings.

Allowance for Credit Losses

On January 1, 2020, we adopted the new accounting standard that requires the measurement of the allowance for credit losses, which includes the allowance for loan losses and the reserve for unfunded lending commitments, to be based on management’s best estimate of lifetime expected credit losses inherent in the Company’s relevant financial assets.

The expected credit losses on our loan portfolio are referred to as the allowance for loan losses and are reported separately as a contra-asset to loans on the consolidated statement of financial condition. The expected credit losses for unfunded lending commitments, including standby letters of credit and binding unfunded loan commitments, are reported on the consolidated statement of financial condition in accounts payable and accrued expenses. The provision for loan losses related to the loan portfolio and the provision for unfunded lending commitments are reported in the consolidated statement of operations in provision for credit losses.

For loans, the expected credit loss is typically estimated using quantitative methods that consider a variety of factors, such as historical loss experience derived from proxy data, the current credit quality of the portfolio, as well as an economic outlook over the life of the loan. The life of the loan for closed-ended products is based on the contractual maturity of the loan adjusted for any expected prepayments. The contractual maturity includes any extension options that are at the sole discretion of the borrower. For open-ended products, the expected credit loss is determined based on the maximum repayment term associated with future draws from credit lines.

In our loss forecasting framework, we incorporate forward-looking information through the use of macroeconomic scenarios applied over the forecasted life of the assets. These macroeconomic scenarios include variables that have historically been key drivers of increases and decreases in credit losses. These variables include, but are not limited to, unemployment rates, real estate prices, gross domestic product levels, corporate bond spreads, and long-term interest rate forecasts. To estimate losses for contractual periods that extend beyond the forecast horizon, we revert to an average historical loss experience. As any one economic outlook is inherently uncertain, we leverage multiple scenarios. The scenarios that are chosen each quarter and the amount of weighting given to each scenario depend on a variety of factors, including recent economic events, leading economic indicators, and industry trends. The reserve for unfunded lending commitments is estimated using the same scenarios, models, and economic data as the loan portfolio.

The allowance for loan losses includes adjustments for qualitative reserves based on our company’s assessment that may not be adequately represented in the quantitative methods or the economic assumptions described above. For example, factors that we consider include changes in lending policies and procedures, business conditions, the nature and size of the portfolio, portfolio concentrations, the volume and severity of past due loans and nonaccrual loans, the effect of external factors such as competition, and legal and regulatory requirements, among others. Further, we consider the inherent uncertainty in quantitative models that are built on historical data. As a result of the uncertainty inherent in the quantitative models, other quantitative and qualitative factors are considered in adjusting allowance amounts, including, but not limited to, the following: model imprecision, imprecision in macroeconomic scenario forecasts, or changes in the economic environment affecting specific portfolio segments that deviate from the macroeconomic forecasts. The evaluation is inherently subjective, as it requires estimates that are susceptible to significant revision as more information becomes available. Depending on changes in circumstances, future assessments of credit risk may yield materially different results from the prior estimates, which may require an increase or a decrease in the allowance for loan losses.

The allowance for credit losses can also be impacted by unanticipated changes in asset quality of the portfolio. In addition, while we have incorporated our estimated impact of the coronavirus (“COVID-19”) pandemic on the economy into our allowance for credit losses, the ultimate impact of COVID-19 is still unknown, including how long economic activities will be impacted and what effect the unprecedented levels of government fiscal and monetary actions will have on the economy and our credit losses.

As described above, the process to determine the allowance for credit losses requires numerous estimates and assumptions, some of which require a high degree of judgment and are often interrelated. Changes in the estimates and assumptions can result in significant changes in the allowance for credit losses. Our process for determining the allowance for credit losses is further discussed in Note 1 of the Notes to Consolidated Financial Statements.

Income Taxes

The provision for income taxes and related tax reserves is based on our consideration of known liabilities and tax contingencies for multiple taxing authorities. Known liabilities are amounts that will appear on current tax returns, amounts that have been agreed to in revenue agent revisions as the result of examinations by the taxing authorities, and amounts that will follow from such examinations but affect years other than those being examined. Tax contingencies are liabilities that might arise from a successful challenge by the taxing authorities taking a contrary position or interpretation regarding the application of tax law to our tax return filings. Factors considered in estimating our liability are results of tax audits, historical experience, and consultation with tax attorneys and other experts.

Accounting Standards Codification (“ASC”) Topic 740 (“Topic 740”), “Income Taxes,” clarifies the accounting for uncertainty in income taxes recognized in an entity’s financial statements and prescribed recognition threshold and measurement attributes for financial statement disclosure of tax positions taken or expected to be taken on a tax return. The impact of an uncertain income tax position on the income tax return must be recognized at the largest amount that is more likely than not to be sustained upon audit by the relevant taxing authority. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained. Additionally, Topic 740 provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition.

Goodwill and Intangible Assets

Under the provisions of ASC Topic 805, “Business Combinations,” we record all assets and liabilities acquired in purchase acquisitions, including goodwill and other intangible assets, at fair value. Determining the fair value of assets and liabilities requires certain estimates.

Goodwill for certain acquisitions is deductible for tax purposes. The amortization of goodwill for tax purposes creates a cash tax savings due to a reduction in the current taxes payable. We have recorded cash tax savings for the year ending December 31, 2020, of \$7.5 million and anticipate cumulative future cash savings of \$61.0 million as of result of the tax amortization of goodwill.

In accordance with ASC Topic 350, “Intangibles – Goodwill and Other,” indefinite-life intangible assets and goodwill are not amortized. Rather, they are subject to impairment testing on an annual basis, or more often if events or circumstances indicate there may be impairment. This test involves assigning tangible assets and liabilities as well as identified intangible assets and goodwill to reporting units and comparing the fair value of each reporting unit to its carrying amount. If the fair value is less than the carrying amount, a further test is required to measure the amount of the impairment.

We test goodwill for impairment on an annual basis and on an interim basis when certain events or circumstances exist. We test for impairment at the reporting unit level, which is generally at the level of or one level below our company’s business segments. For both the annual and interim tests, we have the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, we determine it is more likely than not that the fair value of a reporting unit is greater than its carrying amount, then performing the two-step impairment test is not required. However, if we conclude otherwise, we are then required to perform the first step of the two-step impairment test. Goodwill impairment is determined by comparing the estimated fair value of a reporting unit with its respective carrying value. If the estimated fair value exceeds the carrying value, goodwill at the reporting unit level is not deemed to be impaired. If the estimated fair value is below carrying value, however, further analysis is

required to determine the amount of the impairment. Additionally, if the carrying value of a reporting unit is zero or a negative value and it is determined that it is more likely than not the goodwill is impaired, further analysis is required. The estimated fair values of the reporting units are derived based on valuation techniques we believe market participants would use for each of the reporting units. Our annual goodwill impairment testing was completed as of October 1, 2020, with no impairment charges resulting from the annual impairment tests.

The goodwill impairment test requires us to make judgments in determining what assumptions to use in the calculation. Assumptions, judgments, and estimates about future cash flows and discount rates are complex and often subjective. They can be affected by a variety of factors, including, among others, economic trends and market conditions, changes in revenue growth trends or business strategies, unanticipated competition, discount rates, technology, or government regulations. In assessing the fair value of our reporting units, the volatile nature of the securities markets and industry requires us to consider the business and market cycle and assess the stage of the cycle in estimating the timing and extent of future cash flows. In addition to discounted cash flows, we consider other information, such as public market comparables and multiples of recent mergers and acquisitions of similar businesses. Although we believe the assumptions, judgments, and estimates we have made in the past have been reasonable and appropriate, different assumptions, judgments, and estimates could materially affect our reported financial results.

Identifiable intangible assets, which are amortized over their estimated useful lives, are tested for potential impairment whenever events or changes in circumstances suggest that the carrying value of an asset or asset group may not be fully recoverable.

Recent Accounting Pronouncements

See Note 2 of the Notes to Consolidated Financial Statements for information regarding the effect of new accounting pronouncements on our consolidated financial statements.

Off-Balance Sheet Arrangements

Information concerning our off-balance sheet arrangements is included in Note 23 of the Notes to Consolidated Financial Statements. Such information is hereby incorporated by reference.

Dilution

As of December 31, 2020, there were 20,908,412 outstanding restricted stock units, PRSUs, and restricted stock awards. A restricted stock unit represents the right to receive a share of the Company's common stock at a designated time in the future without cash payment by the associate and is issued in lieu of cash incentive, principally for deferred compensation and employee retention plans. The restricted stock units vest on an annual basis over the next one to ten years and are distributable, if vested, at future specified dates. Restricted stock awards are restricted as to sale or disposition. These restrictions lapse over the next one to five years. Of the outstanding restricted stock units, PRSUs, and restricted stock awards, 2,978,980 shares are currently vested and 17,929,432 are unvested. Assuming vesting requirements are met, the Company anticipates that 4,290,447 shares under these awards will be distributed in 2021, 3,637,251 will vest in 2022, 3,026,662 will vest in 2023, and the balance of 6,975,072 will be distributed thereafter.

An associate will realize income as a result of an award of stock units at the time shares are distributed in an amount equal to the fair market value of the shares at that time, and we are entitled to a corresponding tax deduction in the year of vesting in some instances, or delivery in other instances. Unless an associate elects to satisfy the withholding in another manner, either by paying the amount in cash or by delivering shares of Stifel Financial Corp. common stock already owned by the individual for at least six months, we may satisfy tax withholding obligations on income associated with the grants by reducing the number of shares otherwise deliverable in connection with the awards. The reduction will be calculated based on a current market price of our common stock. Based on current tax law, we anticipate that the shares issued when the awards are paid to the associates will be reduced by approximately 35% to satisfy the maximum withholding obligations, so that approximately 65% of the total restricted stock units that are distributable in any particular year will be converted into issued and outstanding shares.

It has been our practice historically to satisfy almost all tax withholding obligations on income associated with the grants by reducing the number of shares otherwise deliverable in connection with the awards. We anticipate that practice will continue, as recently our Compensation Committee made a determination to satisfy tax withholding obligations through the cancellation of shares subject to an award. In addition, the plan pursuant to which we issue restricted stock units and restricted stock awards permits us to elect to settle certain awards entirely in cash, and we may elect to do so as those awards vest and become deliverable.

Contractual Obligations

The following table sets forth our contractual obligations to make future payments as of December 31, 2020 (in thousands):

	Total	2021	2022	2023	2024	2025	Thereafter
Senior notes ⁽¹⁾	\$ 1,125,000	\$ —	\$ —	\$ —	\$ 500,000	\$ —	\$ 625,000
Interest on senior notes	540,763	48,950	48,950	48,950	40,096	27,700	326,117
Debtenture to Stifel Financial Capital Trusts ⁽²⁾	60,000	—	—	—	—	—	60,000
Interest on debtenture	23,942	1,500	1,500	1,500	1,500	1,500	16,442
Operating leases	1,084,403	93,544	96,278	95,359	94,249	93,040	611,933
Commitments to extend credit – Stifel Bancorp ⁽³⁾	3,372,817	1,828,231	284,380	413,743	398,538	310,046	137,879
Earn-out payments ⁽⁴⁾	54,637	35,424	11,268	7,945	—	—	—
Commitments to fund partnership interests	3,723	3,723	—	—	—	—	—
Certificates of deposit	97,654	66,369	23,470	7,561	200	54	—
	\$6,362,939	\$ 2,077,741	\$465,846	\$575,058	\$1,034,583	\$432,340	\$ 1,777,371

⁽¹⁾ See Note 12 of the Notes to the Consolidated Financial Statements for further discussion of our Senior Notes.

⁽²⁾ See Note 14 of the Notes to the Consolidated Financial Statements for further discussion of our Capital Trusts.

⁽³⁾ Commitments to extend credit include commitments to originate loans, outstanding standby letters of credit, and lines of credit which may expire without being funded and, as such, do not represent estimates of future cash flow.

⁽⁴⁾ Information concerning our acquisitions is included in Note 3 of the Notes to the Consolidated Financial Statements. Such information is hereby incorporated by reference.

The amounts presented in the table above may not necessarily reflect our actual future cash funding requirements, because the actual timing of the future payments made may vary from the stated contractual obligation. In addition, due to the uncertainty with respect to the timing of future cash flows associated with our unrecognized tax benefits as of December 31, 2020, we are unable to make reasonably reliable estimates of the period of cash settlement with the respective taxing authority. Therefore, \$4.4 million of unrecognized tax benefits have been excluded from the contractual obligation table above. See Note 24 to the consolidated financial statements for a discussion of income taxes.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Risk Management

Risks are an inherent part of our business and activities. Management of these risks is critical to our soundness and profitability. Risk management at our company is a multi-faceted process that requires communication, judgment, and knowledge of financial products and markets. Our senior management group takes an active role in the risk management process and requires specific administrative and business functions to assist in the identification, assessment, monitoring, and control of various risks. The principal risks involved in our business activities are: market (interest rates and equity prices), credit, capital and liquidity, operational, and regulatory and legal.

We have been affected, and expect to continue to be affected, by market stress resulting from the COVID-19 pandemic that began in the first quarter of 2020. For more information on the effects of the pandemic, see Executive Summary – COVID-19 Pandemic on page 21.

We have adopted policies and procedures concerning Enterprise Risk Management. The Risk Management/Corporate Governance Committee of the Board of Directors, in exercising its oversight of management's activities, conducts periodic reviews and discussions with management regarding the guidelines and policies governing the processes by which risk assessment and risk management are handled.

Market Risk

The potential for changes in the value of financial instruments owned by our company resulting from changes in interest rates and equity prices is referred to as "market risk." Market risk is inherent to financial instruments, and accordingly, the scope of our market risk management procedures includes all market risk-sensitive financial instruments.

We trade tax-exempt and taxable debt obligations, including U.S. treasury bills, notes, and bonds; U.S. government agency and municipal notes and bonds; bank certificates of deposit; mortgage-backed securities; and corporate obligations. We are also an active market-maker in over-the-counter equity securities. In connection with these activities, we may maintain inventories in order to ensure availability and to facilitate customer transactions.

Changes in value of our financial instruments may result from fluctuations in interest rates, credit ratings, equity prices, and the correlation among these factors, along with the level of volatility.

We manage our trading businesses by product and have established trading departments that have responsibility for each product. The trading inventories are managed with a view toward facilitating client transactions, considering the risk and profitability of each inventory position. Position limits in trading inventory accounts are established by our Enterprise Risk Management department and monitored on a daily basis within the business units. We monitor inventory levels and results of the trading departments, as well as inventory aging, pricing, concentration, securities ratings, and risk sensitivities.

We are also exposed to market risk based on our other investing activities. These investments consist of investments in private equity partnerships, startup companies, venture capital investments, and zero coupon U.S. government securities and are included under the caption "Investments" on the consolidated statements of financial condition.

Interest Rate Risk

We are exposed to interest rate risk as a result of maintaining inventories of interest rate-sensitive financial instruments and from changes in the interest rates on our interest-earning assets (including client loans, stock borrow activities, investments, inventories, and resale agreements) and our funding sources (including client cash balances, Federal Home Loan Bank advances, stock lending activities, bank borrowings, and repurchase agreements), which finance these assets. The collateral underlying financial instruments at the broker-dealer is repriced daily, thus requiring collateral to be delivered as necessary. Interest rates on client balances and stock borrow and lending produce a positive spread to our company, with the rates generally fluctuating in parallel.

We manage our inventory exposure to interest rate risk by setting and monitoring limits and, where feasible, hedging with offsetting positions in securities with similar interest rate risk characteristics. While a significant portion of our securities inventories have contractual maturities in excess of five years, these inventories, on average, turn over several times per year.

Additionally, we monitor, on a daily basis, the Value-at-Risk ("VaR") in our trading portfolios using a ten-day horizon and report VaR at a 99% confidence level. VaR is a statistical technique used to estimate the probability of portfolio losses based on the statistical analysis of historical price trends and volatility. This model assumes that historical changes in market conditions are representative of future changes, and trading losses on any given day could exceed the reported VaR by significant amounts in unusually volatile markets. Further, the model involves a number of assumptions and inputs. While we believe that the assumptions and inputs we use in our risk model are reasonable, different assumptions and inputs could produce materially different VaR estimates.

The following table sets forth the high, low, and daily average VaR for our trading portfolios during the year ended December 31, 2020, and the daily VaR at December 31, 2020 and 2019 (*in thousands*):

	Year Ended December 31, 2020			VaR Calculation at December 31,	
	High	Low	Daily Average	2020	2019
Daily VaR	\$17,205	\$1,482	\$ 7,296	\$8,435	\$2,162

Stifel Bancorp's interest rate risk is principally associated with changes in market interest rates related to residential, consumer, and commercial lending activities, as well as FDIC-insured deposit accounts to customers of our broker-dealer subsidiaries and to the general public.

Our primary emphasis in interest rate risk management for Stifel Bancorp is the matching of assets and liabilities of similar cash flow and repricing time frames. This matching of assets and liabilities reduces exposure to interest rate movements and aids in stabilizing positive interest spreads. Stifel Bancorp has established limits for acceptable interest rate risk and acceptable portfolio value risk. To ensure that Stifel Bancorp is within the limits established for net interest income, an analysis of net interest income based on various shifts in interest rates is prepared each quarter and presented to Stifel Bancorp's Board of Directors. Stifel Bancorp utilizes a third-party model to analyze the available data.

The following table illustrates the estimated change in net interest income at December 31, 2020, based on shifts in interest rates of up to positive 200 basis points and negative 200 basis points:

Hypothetical Change in Interest Rates	Projected Change in Net Interest Income
+200	41.1 %
+100	20.6
0	—
-100	(6.5)
-200	(6.5)

The following GAP Analysis table indicates Stifel Bancorp's interest rate sensitivity position at December 31, 2020 (*in thousands*):

	Repricing Opportunities			
	0-6 Months	7-12 Months	1-5 Years	5+ Years
Interest-earning assets:				
Loans	\$ 7,266,031	\$ 594,943	\$2,559,827	\$1,129,416
Securities	5,012,691	219,078	745,539	359,871
Interest-bearing cash	672,350	—	—	—
	\$ 12,951,072	\$ 814,021	\$3,305,366	\$1,489,287
Interest-bearing liabilities:				
Transaction accounts and savings	\$16,904,031	\$ —	\$ —	\$ —
Certificates of deposit	53,902	12,518	31,284	—
Borrowings	—	—	—	—
	\$ 16,957,933	\$ 12,518	\$ 31,284	\$ —
GAP	(4,006,861)	801,503	3,274,082	1,489,287
Cumulative GAP	\$(4,006,861)	\$(3,205,358)	\$ 68,724	\$ 1,558,011

We maintain a risk management strategy that incorporates the use of derivative instruments to minimize significant unplanned fluctuations in earnings caused by interest rate volatility. Our goal is to manage sensitivity to changes in rates by hedging the maturity characteristics of Fed funds-based affiliated deposits, thereby limiting the impact on earnings. By using derivative instruments, we are exposed to credit and market risk on those derivative positions. We manage the market risk associated with interest rate contracts by establishing and monitoring limits as to the types and degree of risk that may be undertaken. Our interest rate hedging strategies may not work in all market environments and, as a result, may not be effective in mitigating interest rate risk.

Equity Price Risk

We are exposed to equity price risk as a consequence of making markets in equity securities. We attempt to reduce the risk of loss inherent in our inventory of equity securities by monitoring those security positions constantly throughout each day.

Our equity securities inventories are repriced on a regular basis, and there are no unrecorded gains or losses. Our activities as a dealer are client-driven, with the objective of meeting clients' needs while earning a positive spread.

Credit Risk

We are engaged in various trading and brokerage activities, with the counterparties primarily being broker-dealers. In the event counterparties do not fulfill their obligations, we may be exposed to risk. The risk of default depends on the creditworthiness of the counterparty or issuer of the instrument. We manage this risk by imposing and monitoring position limits for each counterparty, monitoring trading counterparties, conducting regular credit reviews of financial counterparties, reviewing security concentrations, holding and marking to market collateral on certain transactions, and conducting business through clearing organizations, which guarantee performance.

Our client activities involve the execution, settlement, and financing of various transactions on behalf of our clients. Client activities are transacted on either a cash or margin basis. Credit exposure associated with our private client business consists primarily of customer margin accounts, which are monitored daily and are collateralized. We monitor exposure to industry sectors and individual securities and perform analyses on a regular basis in connection with our margin lending activities. We adjust our margin requirements if we believe our risk exposure is not appropriate based on market conditions.

We have accepted collateral in connection with resale agreements, securities borrowed transactions, and customer margin loans. Under many agreements, we are permitted to sell or repledge these securities held as collateral and use these securities to enter into securities lending arrangements or to deliver to counterparties to cover short positions. At December 31, 2020, the fair value of securities accepted as collateral where we are permitted to sell or repledge the securities was \$1.8 billion and the fair value of the collateral that had been sold or repledged was \$191.0 million.

By using derivative instruments, we are exposed to credit and market risk on those derivative positions. Credit risk is equal to the fair value gain in a derivative, if the counterparty fails to perform. When the fair value of a derivative contract is positive, this generally indicates that the counterparty owes our company and, therefore, creates a repayment risk for our company. When the fair value of a derivative contract is negative, we owe the counterparty and, therefore, have no repayment risk. We minimize the credit (or repayment) risk in derivative instruments by entering into transactions with high-quality counterparties that are reviewed periodically by senior management.

Stifel Bancorp extends credit to individual and commercial borrowers through a variety of loan products, including residential and commercial mortgage loans, home equity loans, construction loans, and non-real-estate commercial and consumer loans. Bank loans are generally collateralized by real estate, real property, or other assets of the borrower. Stifel Bancorp's loan policy includes criteria to adequately underwrite, document, monitor, and manage credit risk. Underwriting requires reviewing and documenting the fundamental characteristics of credit, including character, capacity to service the debt, capital, conditions, and collateral. Benchmark capital and coverage ratios are utilized, which include liquidity, debt service coverage, credit, working capital, and capital to asset ratios. Lending limits are established to include individual, collective, committee, and board authority. Monitoring credit risk is accomplished through defined loan review procedures, including frequency and scope.

We are subject to concentration risk if we hold large positions, extend large loans to, or have large commitments with a single counterparty, borrower, or group of similar counterparties or borrowers (i.e., in the same industry). Securities purchased under agreements to resell consist of securities issued by the U.S. government or its agencies. Receivables from and payables to clients and stock borrow and lending activities, both with a large number of clients and counterparties, and any potential concentration are carefully monitored. Stock borrow and lending activities are executed under master netting agreements, which gives our company right of offset in the event of counterparty default. Inventory and investment positions taken and commitments made, including underwritings, may involve exposure to individual issuers and businesses. We seek to limit this risk through careful review of counterparties and borrowers and the use of limits established by our senior management group, taking into consideration factors including the financial strength of the counterparty, the size of the position or commitment, the expected duration of the position or commitment, and other positions or commitments outstanding.

Operational Risk

Operational risk generally refers to the risk of loss resulting from our operations, including, but not limited to, business disruptions, improper or unauthorized execution and processing of transactions, deficiencies in our technology or financial operating systems, and inadequacies or breaches in our control processes, including cyber security incidents (see Item 1A, Risk Factors in this report for a discussion of certain cyber security risks).

We operate different businesses in diverse markets and are reliant on the ability of our associates and systems to process a large number of transactions. These risks are less direct than credit and market risk, but managing them is critical, particularly in a rapidly changing environment with increasing transaction volumes. In the event of a breakdown or improper operation of systems or improper action by associates, we could suffer financial loss, regulatory sanctions, and damage to our reputation. In order to mitigate and control operational risk, we have developed and continue to enhance specific policies and procedures that are designed to identify and manage operational risk at appropriate levels throughout the organization and within such departments as Accounting, Operations, Information Technology, Legal, Compliance, and Internal Audit. These control mechanisms attempt to ensure

that operational policies and procedures are being followed and that our various businesses are operating within established corporate policies and limits. Business continuity plans exist for critical systems, and redundancies are built into the systems as deemed appropriate.

Regulatory and Legal Risk

Legal risk includes the risk of private client group customer claims for sales practice violations. While these claims may not be the result of any wrongdoing, we do, at a minimum, incur costs associated with investigating and defending against such claims. See further discussion on our legal reserves policy under "Critical Accounting Policies and Estimates" in Item 7, Part II and "Legal Proceedings" in Item 3, Part I of this report. In addition, we are subject to potentially sizable adverse legal judgments or arbitration awards, and fines, penalties, and other sanctions for non-compliance with applicable legal and regulatory requirements. We are generally subject to extensive regulation by the SEC, FINRA, and state securities regulators in the different jurisdictions in which we conduct business. As a bank holding company, we are subject to regulation by the Federal Reserve. Our bank subsidiaries are subject to regulation by the FDIC. As a result, we are subject to a risk of loss resulting from failure to comply with banking laws. Our international subsidiary, SNEL, is subject to the regulatory supervision and requirements of the FCA in the United Kingdom. Our Canadian subsidiary, SNC, is subject to the regulatory supervision and requirements of the IIROC. We have comprehensive procedures addressing issues such as regulatory capital requirements, sales and trading practices, use of and safekeeping of customer funds, the extension of credit, including margin loans, collection activities, money laundering, and record keeping. We act as an underwriter or selling group member in both equity and fixed income product offerings. When acting as lead or co-lead manager, we have potential legal exposure to claims relating to these securities offerings. To manage this exposure, a committee of senior executives review proposed underwriting commitments to assess the quality of the offering and the adequacy of due diligence investigation.

Our company, as a bank and financial holding company, is subject to regulation, including capital requirements, by the Federal Reserve. Stifel Bancorp is subject to various regulatory capital requirements administered by the FDIC and state banking authorities. 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 Bancorp's financial statements.

Effects of Inflation

Our assets are primarily monetary, consisting of cash, securities inventory, and receivables from customers and brokers and dealers. These monetary assets are generally liquid and turn over rapidly and, consequently, are not significantly affected by inflation. However, the rate of inflation affects various expenses of our company, such as employee compensation and benefits, communications and office supplies, and occupancy and equipment rental, which may not be readily recoverable in the price of services we offer to our clients. Further, to the extent inflation results in rising interest rates and has other adverse effects upon the securities markets, it may adversely affect our financial position and results of operations.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of Stifel Financial Corp.

Opinion on the Financial Statements

We have audited the accompanying consolidated statements of financial condition of Stifel Financial Corp. (the Company) as of December 31, 2020 and 2019, the related consolidated statements of operations, comprehensive income, changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2020, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 19, 2021 expressed an unqualified opinion thereon.

Adoption of ASU 2016-13

As discussed in Note 2 to the consolidated financial statements, the Company changed its method for accounting for the Allowance for Credit Losses in the year ending December 31, 2020, due to the adoption of ASU 2016-13 Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. As explained below, auditing the Company's Allowance for Credit Losses was a critical audit matter.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

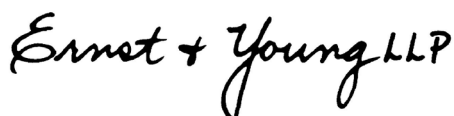
Allowance for Credit Losses

Description of the Matter The Company's bank loan portfolio totaled \$11.2 billion as of December 31, 2020 and the associated allowance for credit losses (ACL) was \$135.3 million, which includes the allowance for loan losses of \$112.0 million and the reserve for unfunded commitments of \$23.3 million. The bank loan portfolio and associated ACL is comprised of commercial loans (as defined as commercial and industrial, commercial real estate, and construction and land) and consumer loans (as defined as residential real estate, securities-based loans, home equity lines of credit and other). As discussed above and in Notes 2 and 8 to the consolidated financial statements, effective January 1, 2020, the Company adopted new accounting guidance related to the estimate of the ACL, resulting in ACL increase of \$10.4 million. The ACL is calculated using: quantitative models that rely on a variety of factors such as historical loss experience derived from proxy data, the current credit quality of the portfolio and incorporating forward-looking information through the use of macroeconomic scenarios applied over the forecasted life of the asset and qualitative reserves for factors that are not adequately reflected in the quantitative models. Management considers various factors, as well as uncertainty inherent in the quantitative models, when assessing its qualitative reserves, including, but not limited to: model imprecision, imprecision in the macroeconomic scenario forecasts, or changes in the economic environment affecting specific portfolio segments that deviate from the macroeconomic forecasts.

How We Addressed the Matter in Our Audit Auditing management's estimate of the commercial qualitative allowance reserve involves a high degree of subjectivity. Management's considerations of the inherent uncertainty in the quantitative model due to model imprecision and resulting qualitative adjustments, are highly judgmental and could have a significant effect on the ACL.

We obtained an understanding of the Company's process for establishing the ACL, including the estimation of the qualitative allowance reserve. We evaluated the design and tested the operating effectiveness of controls and governance over the appropriateness of these components of the ACL, including controls over the review of the ACL methodology, the review over the identification and measurement of qualitative adjustments, including data and assumptions used in the measurement, and management's review of the overall adequacy of the allowance for losses.

To test the reasonableness of the qualitative adjustments used in the measurement of the ACL, we evaluated management's assessment of the quantitative results to determine whether qualitative adjustments are necessary. With the assistance of specialists, we assessed management's methodology and whether relevant risks were reflected in the quantitative models and whether qualitative adjustments to the model output were appropriate. We tested the sufficiency, reliability, and relevance of the information used in developing the qualitative adjustment, including portfolio specific risk assessments, historical proxy loss data, and management's analyses of economic scenario sensitivity. We also evaluated whether the overall ACL amount, including qualitative adjustments, appropriately reflects expected credit losses within the portfolio by comparing the overall ACL to those established by peer banking institutions with similar loan portfolios. Additionally, we evaluated the reasonableness of the economic scenarios used in calculating the ACL, including agreeing information to third-party sources and assessing the weighting of the economic scenarios with the assistance of our specialists. We also reviewed subsequent events and transactions and considered whether they corroborate or contradict the Company's conclusion.



We have served as the Company's auditor since 2008.

Stamford, Connecticut
February 19, 2021

STIFEL FINANCIAL CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(\$ in thousands)	December 31,	
	2020	2019
Assets		
Cash and cash equivalents	\$ 2,279,274	\$ 1,142,596
Cash segregated for regulatory purposes	172,932	131,374
Receivables:		
Brokerage clients, net	936,500	1,351,786
Broker, dealers, and clearing organizations	549,492	627,790
Securities purchased under agreements to resell	217,930	385,008
Financial instruments owned, at fair value	694,028	972,932
Available-for-sale securities, at fair value	2,230,297	3,254,737
Held-to-maturity securities, at amortized cost	4,117,384	2,856,219
Loans:		
Held for investment, net	11,006,760	9,624,042
Held for sale, at lower cost or market	551,248	389,693
Investments, at fair value	113,862	79,972
Fixed assets, net	961,096	1,107,928
Goodwill	1,181,998	1,194,074
Intangible assets, net	140,984	161,773
Loans and advances to financial advisors and other employees, net	596,993	525,332
Deferred tax assets, net	136,477	104,380
Other assets	716,999	700,589
Total assets	\$26,604,254	\$24,610,225

See accompanying Notes to Consolidated Financial Statements.

STIFEL FINANCIAL CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION (continued)

<i>(\$ in thousands, except share and per share amounts)</i>	December 31,	
	2020	2019
Liabilities		
Payables:		
Brokerage clients	\$ 1,063,937	\$ 740,444
Brokers, dealers, and clearing organizations	177,937	712,291
Drafts	117,737	119,758
Securities sold under agreements to repurchase	190,955	391,634
Bank deposits	17,396,497	15,332,581
Financial instruments sold, but not yet purchased, at fair value	437,978	662,852
Accrued compensation	638,298	507,009
Accounts payable and accrued expenses	1,169,740	1,146,856
Federal Home Loan Bank advances	—	250,000
Senior notes, net	1,112,409	1,017,010
Debenture to Stifel Financial Capital Trusts	60,000	60,000
Total liabilities	22,365,488	20,940,435
Equity:		
Preferred stock – \$1 par value; authorized 3,000,000 shares; issued 21,400 and 12,400 shares, respectively	535,000	310,000
Common stock – \$0.15 par value; authorized 194,000,000 shares; issued 111,661,621 and 111,661,670 shares, respectively	16,749	16,749
Additional paid-in capital	1,888,982	1,903,703
Retained earnings	2,078,135	1,715,704
Accumulated other comprehensive income/(loss)	27,639	(11,705)
Treasury stock, at cost, 8,512,584 and 9,169,626 shares, respectively	(307,739)	(319,660)
Total Stifel Financial Corp. shareholders' equity	4,238,766	3,614,791
Non-controlling interests	—	54,999
Total equity	\$ 4,238,766	\$ 3,669,790
Total liabilities and equity	\$26,604,254	\$24,610,225

See accompanying Notes to Consolidated Financial Statements.

STIFEL FINANCIAL CORP.
CONSOLIDATED STATEMENTS OF OPERATIONS

(\$ in thousands, except per share amounts)	Years Ended December 31,		
	2020	2019	2018
Revenues:			
Commissions	\$ 760,627	\$ 667,494	\$ 657,732
Principal transactions	588,303	404,751	351,378
Investment banking	952,308	817,421	707,670
Asset management and service fees	917,424	848,035	806,175
Interest	523,832	724,882	646,449
Other income	75,345	52,378	25,553
Total revenues	3,817,839	3,514,961	3,194,957
Interest expense	65,778	177,931	170,076
Net revenues	3,752,061	3,337,030	3,024,881
Non-interest expenses:			
Compensation and benefits	2,279,335	1,978,116	1,770,762
Occupancy and equipment rental	274,664	242,893	222,384
Communications and office supplies	164,736	147,428	140,254
Commissions and floor brokerage	55,960	44,011	41,967
Provision for credit losses	33,925	9,977	18,366
Other operating expenses	292,281	315,467	296,786
Total non-interest expenses	3,100,901	2,737,892	2,490,519
Income before income tax expense	651,160	599,138	534,362
Provision for income taxes	147,688	149,152	140,394
Net income	503,472	449,986	393,968
Net income applicable to non-controlling interests	—	1,590	—
Net income applicable to Stifel Financial Corp.	503,472	448,396	393,968
Preferred dividends	27,261	17,319	9,375
Net Income available to common shareholders	\$ 476,211	\$ 431,077	\$ 384,593
Earnings per common share:			
Basic	\$ 4.49	\$ 3.99	\$ 3.57
Diluted	4.16	3.66	3.15
Cash dividends declared per common share	0.45	0.40	0.32
Weighted-average number of common shares outstanding:			
Basic	106,174	107,997	107,679
Diluted	114,573	117,878	121,982

STIFEL FINANCIAL CORP.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(\$ in thousands)	Year Ended December 31,		
	2020	2019	2018
Net income	\$ 503,472	\$ 449,986	\$ 393,968
Other comprehensive income/(loss), net of tax: ⁽¹⁾⁽⁵⁾			
Changes in unrealized gains/(losses) on available-for-sale securities, net of tax ⁽²⁾⁽³⁾	33,133	60,288	(36,254)
Changes in unrealized losses on cash flow hedging instruments, net of tax ⁽⁴⁾	(651)	(4,402)	(792)
Foreign currency translation adjustment, net of tax	6,862	4,932	(5,691)
Total other comprehensive income/(loss), net of tax	39,344	60,818	(42,737)
Comprehensive income	542,816	510,804	351,231
Net income applicable to non-controlling interest	—	1,590	—
Comprehensive income applicable to Stifel Financial Corp.	\$ 542,816	\$ 509,214	\$ 351,231

⁽¹⁾ Net of a tax expense of \$11.5 million, tax expense of \$20.2 million, and tax benefit of \$11.2 million for the years ended December 31, 2020, 2019, and 2018, respectively.

⁽²⁾ Reclassifications to earnings were immaterial for the years ended December 31, 2020 and 2019. Amounts are net of reclassifications to earnings of realized losses of \$2.9 million for the year ended December 31, 2018.

⁽³⁾ As part of the adoption of ASU 2019-04, in the third quarter of 2019, the Company made a one-time election to transfer a portion of its held-to-maturity securities to available-for-sale. The transfer resulted in a net of tax increase

to comprehensive income of \$17.9 million. See Notes 2 and 7 for additional information on the transfer.

⁽⁴⁾ Reclassifications to earnings were immaterial for the year ended December 31, 2020. Amounts are net of reclassifications to earnings of gains of \$3.3 million and \$4.9 million for the years ended December 31, 2019 and 2018, respectively.

⁽⁵⁾ The adoption of ASU 2018-02 on January 1, 2018, resulted in a reclassification of \$3.1 million to retained earnings related to cash flow hedges and investment portfolio risk. The reclassification is reflected in the activity for the year ended December 31, 2018. See Note 2 for further details.

See accompanying Notes to Consolidated Financial Statements.

STIFEL FINANCIAL CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Year Ended December 31,		
(\$ in thousands, except share and per share amounts)	2020	2019	2018
Preferred stock, par value \$1.00 per share:			
Balance, beginning of year	\$ 310,000	\$ 150,000	\$ 150,000
Issuance of preferred stock	225,000	160,000	—
Balance, end of year	535,000	310,000	150,000
Common stock, par value \$0.15 per share:			
Balance, beginning of year	16,749	16,749	16,329
Distributions under employee plans	—	—	123
Issuance of common stock for acquisitions	—	—	297
Balance, end of year	16,749	16,749	16,749
Additional paid-in-capital:			
Balance, beginning of year	1,903,703	1,887,721	1,727,765
Unit amortization, net of forfeitures	118,229	112,864	102,971
Distributions under employee plans	(126,514)	(91,898)	(60,256)
Issuance of preferred stock	(7,005)	(5,012)	—
Dividends declared to equity-award holders	350	—	6,812
Issuance of common stock for acquisitions	—	—	110,374
Other	219	28	55
Balance, end of year	1,888,982	1,903,703	1,887,721
Retained earnings:			
Balance, beginning of year	1,715,704	1,366,503	1,033,526
Net income	503,472	449,986	393,968
Dividends declared:			
Common	(56,967)	(50,743)	(41,450)
Preferred	(27,261)	(17,319)	(9,375)
Distributions under employee plans	(49,427)	(19,819)	(10,985)
Cumulative adjustments for accounting changes ⁽¹⁾	(7,772)	(11,117)	(1,124)
Other	386	(1,787)	1,943
Balance, end of year	2,078,135	1,715,704	1,366,503
Accumulated other comprehensive income/(loss):			
Balance, beginning of year	(11,705)	(72,523)	(26,736)
Unrealized gains/(losses) on securities, net of tax	33,133	60,288	(36,254)
Unrealized losses on cash flow hedging activities, net of tax	(651)	(4,402)	(792)
Foreign currency translation adjustment, net of tax	6,862	4,932	(5,691)
Adjustments for accounting changes ⁽¹⁾	—	—	(3,050)
Balance, end of year	27,639	(11,705)	(72,523)
Treasury stock, at cost:			
Balance, beginning of year	(319,660)	(180,857)	(39,308)
Distributions under employee plans	70,182	76,627	28,655
Common stock repurchased	(58,261)	(215,430)	(170,204)
Balance, end of year	(307,739)	(319,660)	(180,857)
Total Stifel Financial Corp. Shareholders' Equity	4,238,766	3,614,791	3,167,593
Non-controlling interests:			
Balance, beginning of year	54,999	30,000	—
Net income applicable to non-controlling interests	—	1,590	—
Capital contributions from non-controlling interest holders	—	26,800	30,000
Distributions to non-controlling interest holders	—	(3,391)	—
Deconsolidation of non-controlling interest	(54,999)	—	—
Balance, end of year	—	54,999	30,000
Total Shareholders' Equity	\$4,238,766	\$3,669,790	\$3,197,593

⁽¹⁾ Cumulative adjustments for accounting changes relate to the adoption of certain accounting updates. See Note 2 of the Notes to Consolidated Financial Statements for additional information.

See accompanying Notes to Consolidated Financial Statements.

STIFEL FINANCIAL CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(\$ in thousands)	Year Ended December 31,		
	2020	2019	2018
Cash Flows From Operating Activities:			
Net income	\$ 503,472	\$ 449,986	\$ 393,968
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	40,863	38,369	27,896
Amortization of loans and advances to financial advisors and other employees	103,983	95,053	85,374
Amortization of premium on investment portfolio	20,739	34,229	25,307
Provision for credit losses and allowance for loans and advances to financial advisors and other employees	33,925	11,007	19,601
Amortization of intangible assets	19,620	16,015	12,557
Deferred income taxes	(39,071)	(6,863)	14,254
Stock-based compensation	108,217	102,190	100,789
Unrealized losses/(gains) on investments	18,908	(7,922)	22,780
Other, net	(10,326)	(38,554)	(10,723)
Decrease/(increase) in operating assets, net of assets acquired:			
Receivables:			
Brokerage clients, net	415,286	(17,487)	182,619
Brokers, dealers, and clearing organizations	78,298	(8,655)	(56,467)
Securities purchased under agreements to resell	167,078	314,892	(187,680)
Financial instruments owned, including those pledged	278,904	335,548	(123,765)
Loans originated as held for sale	(3,019,290)	(1,848,568)	(1,341,108)
Proceeds from mortgages held for sale	2,894,742	1,782,455	1,345,109
Loans and advances to financial advisors and other employees	(179,995)	(210,646)	(116,921)
Other assets	(117,471)	(36,290)	(1,562)
Increase/(decrease) in operating liabilities, net of liabilities assumed:			
Payables:			
Brokerage clients	323,493	(210,712)	9,173
Brokers, dealers, and clearing organizations	(71,144)	63,822	(16,383)
Drafts	(2,021)	14,871	(2,156)
Financial instruments sold, but not yet purchased	(224,874)	(284,510)	168,443
Other liabilities and accrued expenses	318,480	38,631	(21,579)
Net cash provided by operating activities	\$ 1,661,816	\$ 626,861	\$ 529,526

See accompanying Notes to Consolidated Financial Statements.

STIFEL FINANCIAL CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

(\$ in thousands)	Year Ended December 31,		
	2020	2019	2018
Cash Flows From Investing Activities:			
Proceeds from:			
Maturities, calls, sales, and principal paydowns of available-for-sale securities	\$ 896,746	\$ 1,224,619	\$ 1,244,434
Calls and principal paydowns of held-to-maturity securities	159,964	482,079	827,905
Sale of equipment	—	—	21,699
Sale or maturity of investments	2,139	14,699	24,445
Sale of other real estate owned	—	8,950	—
Disposition of business	37,000	—	—
Increase in loans held for investment, net	(1,441,303)	(1,208,817)	(1,079,546)
Payments for:			
Purchase of available-for-sale securities	(864,200)	(239,965)	(550,162)
Purchase of held-to-maturity securities	(384,700)	(243,335)	(1,352,587)
Purchase of investments	(21,317)	(37,563)	(8,828)
Purchase of fixed assets	(73,364)	(157,897)	(108,207)
Acquisitions, net of cash acquired	(280)	(193,097)	(8,394)
Net cash used in investing activities	(1,689,315)	(350,327)	(989,241)
Cash Flows From Financing Activities:			
Repayments of borrowings, net	—	(62,810)	(216,572)
Repayments of senior notes	(300,000)	—	—
Proceeds from issuance of senior notes, net	394,030	—	—
Repayments of Federal Home Loan Bank advances, net	(250,000)	(290,000)	(214,950)
Proceeds from non-controlling interests	—	26,800	30,000
Proceeds from preferred stock issuance, net	217,995	154,988	—
(Decrease)/increase in securities sold under agreements to repurchase	(200,679)	(168,069)	301,690
Increase/(decrease) in bank deposits, net	2,063,916	(531,032)	1,950,661
(Decrease)/increase in securities loaned	(463,210)	114,135	172,380
Tax payments related to shares withheld for stock-based compensation plans	(75,838)	(33,268)	(43,229)
Proceeds from stock option exercises	—	—	2,278
Repurchase of common stock	(58,261)	(215,430)	(170,204)
Cash dividends on preferred stock	(27,261)	(17,319)	(9,375)
Cash dividends paid to common stock and equity-award holders	(46,497)	(41,948)	(34,638)
Cash paid to employees upon settlement of equity awards	(27,101)	—	—
Extinguishment of Stifel Financial Capital Trust	—	—	(7,500)
Payment of contingent consideration	(28,221)	(9,526)	(12,846)
Other	—	(3,391)	—
Net cash provided by/(used in) financing activities	1,198,873	(1,076,870)	1,747,695
Effect of exchange rate changes on cash	6,862	4,932	(5,691)
Increase/(decrease) in cash, cash equivalents, and cash segregated for regulatory purposes	1,178,236	(795,404)	1,282,289
Cash, cash equivalents, and cash segregated for regulatory purposes at beginning of year	1,273,970	2,069,374	787,085
Cash, cash equivalents, and cash segregated for regulatory purposes at end of year	\$ 2,452,206	\$ 1,273,970	\$ 2,069,374

The following presents cash, cash equivalents, and cash restricted for regulatory purposes for the periods presented (*in thousands*):

(\$ in thousands)	Year Ended December 31,		
	2020	2019	2018
Cash and cash equivalents	\$ 2,279,274	\$ 1,142,596	\$ 1,936,560
Cash segregated for regulatory purposes	172,932	131,374	132,814
Total cash, cash equivalents, and cash segregated for regulatory purposes	\$ 2,452,206	\$ 1,273,970	\$ 2,069,374

(\$ in thousands)	Year Ended December 31,		
	2020	2019	2018
Supplemental disclosure of cash flow information:			
Cash paid for income taxes, net of refunds	\$ 160,007	\$ 161,926	\$ 67,379
Cash paid for interest	84,821	183,012	169,724
Noncash investing and financing activities:			
Unit grants, net of forfeitures	\$ 125,033	\$ 139,408	\$ 136,529
Issuance of common stock for acquisitions	—	—	110,671

See accompanying Notes to Consolidated Financial Statements.

STIFEL FINANCIAL CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – Nature of Operations and Basis of Presentation

Nature of Operations

Stifel Financial Corp. (the “Company”), 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. Our major geographic area of concentration is throughout the United States, with a growing presence in the United Kingdom, Europe, and Canada. Our company’s principal customers are individual investors, corporations, municipalities, and institutions.

Basis of Presentation

The consolidated financial statements include Stifel Financial Corp. and its wholly owned subsidiaries, principally Stifel, Nicolaus & Company, Incorporated (“Stifel”), Keefe Bruyette & Woods, Inc. (“KBW”), Stifel Bancorp, Inc. (“Stifel Bancorp”), Stifel Nicolaus Canada Inc. (“SNC”), and Stifel Nicolaus Europe Limited (“SNEL”). Unless otherwise indicated, the terms “we,” “us,” “our,” or “our company” in this report refer to Stifel Financial Corp. and its wholly owned subsidiaries.

The accompanying consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles, which require management to make certain estimates and assumptions that affect the reported amounts. We consider significant estimates, which are most susceptible to change and impacted significantly by judgments, assumptions, and estimates, to be: valuation of financial instruments and investments in partnerships, accrual for contingencies, allowance for loan losses, derivative instruments and hedging activities, fair value of goodwill and intangible assets, provision for income taxes and related tax reserves, and forfeitures associated with stock-based compensation. Actual results could differ from those estimates.

On March 27, 2020, the Company completed the sale of Ziegler Capital Management, LLC (“ZCM”), a wholly owned asset management subsidiary. The assets and liabilities of ZCM were classified as held for sale and are included in other assets and accounts payable and accrued expenses, respectively, at December 31, 2019. See Note 10 for further information.

On November 11, 2020, our Board approved a 50% stock dividend, in the form of a three-for-two stock split, of our common stock payable on December 16, 2020, to shareholders of record as of December 2, 2020. All share and per share information has been retroactively adjusted to reflect the stock split.

Certain amounts from prior periods have been reclassified to conform to the current period’s presentation. The effect of these reclassifications on our company’s previously reported consolidated financial statements was not material.

Consolidation Policies

The consolidated financial statements include the accounts of Stifel Financial Corp. and its subsidiaries. All material intercompany balances and transactions have been eliminated in consolidation. For consolidated subsidiaries that are less than wholly owned, the third-party holdings of equity interests are referred to as non-controlling interests. The portion of shareholders’ equity that is attributable to non-controlling interests for such subsidiaries is presented as non-controlling interests, a component of total equity, in the consolidated statements of financial condition.

Our non-controlling interest at December 31, 2019, represented a 27.5% third-party ownership of North Shore Aviation Holdings LLC (“North Shore”), which was a consolidated subsidiary of the Company that, through its subsidiary, owns airplane engines.

On February 7, 2020, North Shore entered into a Credit Agreement with North Shore Aviation Trust Series 2020-1 (the “Trust”) whereby the Trust provided North Shore with a \$120.0 million credit facility. North Shore was recapitalized with funding from the issuance of the senior notes and E-Certificates by the Trust. Upon the recapitalization, Stifel Bancorp’s equity in North Shore was redeemed. We deconsolidated the related assets, liabilities, and non-controlling interests of North Shore.

We have investments or interests in other entities for which we must evaluate whether to consolidate by determining whether we have a controlling financial interest or are considered to be the primary beneficiary. Under our current consolidation policy, we consolidate those entities where we have the power to direct the activities of the entity that most significantly impact

the entity’s economic performance and the obligation to absorb losses of the entity or the rights to receive benefits from the entity that could potentially be significant to the entity.

We determine whether we are the primary beneficiary of a variable interest entity (“VIE”) by performing an analysis of the VIE’s control structure, expected benefits and losses, and expected residual returns. This analysis includes a review of, among other factors, the VIE’s capital structure, contractual terms, which interests create or absorb benefits or losses, variability, related party relationships, and the design of the VIE. We reassess our evaluation of whether an entity is a VIE when certain reconsideration events occur. We reassess our determination of whether we are the primary beneficiary of a VIE on an ongoing basis based on current facts and circumstances. See Note 28 for additional information on VIEs.

NOTE 2 – Summary of Significant Accounting Policies

Cash and Cash Equivalents

We consider money market mutual funds and highly liquid investments with original maturities of three months or less that are not restricted or segregated to be cash equivalents. Cash and cash equivalents include deposits with banks, federal funds sold, money market mutual funds, and certificates of deposit. Cash and cash equivalents also include balances that our bank subsidiaries maintain at the Federal Reserve Bank.

Cash Segregated for Regulatory Purposes

Our broker-dealer subsidiaries are subject to Rule 15c3-3 under the Securities Exchange Act of 1934, which requires our company to maintain cash or qualified securities in a segregated reserve account for the exclusive benefit of its clients. In accordance with Rule 15c3-3, our company has portions of its cash segregated for the exclusive benefit of clients at December 31, 2020.

Brokerage Client Receivables, Net

Brokerage client receivables include receivables of our company’s broker-dealer subsidiaries, which represent amounts due on cash and margin transactions and are generally collateralized by securities owned by clients. Brokerage client receivables, primarily consisting of floating-rate loans collateralized by customer-owned securities, are charged interest at rates similar to other such loans made throughout the industry. The receivables are reported at their outstanding principal balance net of allowance for doubtful accounts. When a brokerage client receivable is considered to be impaired, the amount of the impairment is generally measured based on the fair value of the securities acting as collateral, which is measured based on current prices from independent sources, such as listed market prices or broker-dealer price quotations. Securities owned by customers, including those that collateralize margin or other similar transactions, are not reflected in the consolidated statements of financial condition.

Securities Borrowed and Securities Loaned

Securities borrowed require our company to deliver cash to the lender in exchange for securities and are included in receivables from brokers, dealers, and clearing organizations in the consolidated statements of financial condition. For securities loaned, we generally receive collateral in the form of cash in an amount in excess of the market value of securities loaned. Securities loaned are included in payables to brokers, dealers, and clearing organizations in the consolidated statements of financial condition. We monitor the market value of securities borrowed and loaned on a daily basis, with additional collateral obtained or refunded as necessary. Fees received or paid are recorded in interest revenue or interest expense in the consolidated statements of operations.

Substantially all of these transactions are executed under master netting agreements, which gives us right of offset in the event of counterparty default; however, such receivables and payables with the same counterparty are not set off in the consolidated statements of financial condition.

Securities Purchased Under Agreements to Resell and Repurchase Agreements

Securities purchased under agreements to resell (“resale agreements”) are collateralized financing transactions that are recorded at their contractual amounts plus accrued interest. We obtain control of collateral with a market value equal to or in excess of the principal amount loaned and accrued interest under resale agreements. These agreements are short-term in nature and are generally collateralized by U.S. government securities, U.S. government agency securities,

and corporate bonds. We value collateral on a daily basis, with additional collateral obtained when necessary to minimize the risk associated with this activity. Securities sold under agreements to repurchase (“repurchase agreements”) are collateralized financing transactions that are recorded at their contractual amounts plus accrued interest. We make delivery of securities sold under agreements to repurchase and monitor the value of collateral on a daily basis. When necessary, we will deliver additional collateral.

Financial Instruments

We measure certain financial assets and liabilities at fair value on a recurring basis, including cash equivalents, financial instruments owned, available-for-sale securities, investments, financial instruments sold, but not yet purchased, and derivatives. Other than those separately discussed in the notes to the consolidated financial statements, the remaining financial instruments are generally short-term in nature, and their carrying values approximate fair value.

The fair value of a financial instrument is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., “the exit price”) in an orderly transaction between market participants at the measurement date. We have categorized our financial instruments measured at fair value into a three-level classification in accordance with Topic 820, “Fair Value Measurement,” which established a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from independent sources. Unobservable inputs reflect our assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the transparency of inputs as follows:

Level 1 – Quoted prices (unadjusted) are available in active markets for identical assets or liabilities as of the measurement date. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement, because it is directly observable to the market.

Level 2 – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the measurement date. The nature of these financial instruments includes instruments for which quoted prices are available but traded less frequently, derivative instruments whose fair value have been derived using a model where inputs to the model are directly observable in the market, or can be derived principally from or corroborated by observable market data, and instruments that are fair valued using other financial instruments, the parameters of which can be directly observed.

Level 3 – Instruments that have little to no pricing observability as of the measurement date. These financial instruments do not have two-way markets and are measured using management’s best estimate of fair value, where the inputs into the determination of fair value require significant management judgment or estimation.

Valuation of Financial Instruments

When available, we use observable market prices, observable market parameters, or broker or dealer prices (bid and ask prices) to derive the fair value of financial instruments. In the case of financial instruments transacted on recognized exchanges, the observable market prices represent quotations for completed transactions from the exchange on which the financial instrument is principally traded.

A substantial percentage of the fair value of our financial instruments owned, available-for-sale securities, investments, and financial instruments sold, but not yet purchased, are based on observable market prices, observable market parameters, or derived from broker or dealer prices. The availability of observable market prices and pricing parameters can vary from product to product. Where available, observable market prices and pricing or market parameters in a product may be used to derive a price without requiring significant judgment. In certain markets, observable market prices or market parameters are not available for all products, and fair value is determined using techniques appropriate for each particular product. These techniques involve some degree of judgment.

For investments in illiquid or privately held securities that do not have readily determinable fair values, the determination of fair value requires us to estimate the value of the securities using the best information available. Among the factors we consider in determining the fair value of investments are the cost of the investment, terms and liquidity, developments since the acquisition of the investment, the sales price of recently issued securities, the financial condition and operating results of the issuer, earnings trends

and consistency of operating cash flows, the long-term business potential of the issuer, the quoted market price of securities with similar quality and yield that are publicly traded, and other factors generally pertinent to the valuation of investments. In instances where a security is subject to transfer restrictions, the value of the security is based primarily on the quoted price of a similar security without restriction but may be reduced by an amount estimated to reflect such restrictions. The fair value of these investments is subject to a high degree of volatility and may be susceptible to significant fluctuation in the near term, and the differences could be material.

The degree of judgment used in measuring the fair value of financial instruments generally correlates to the level of pricing observability. Pricing observability is impacted by a number of factors, including the type of financial instrument, whether the financial instrument is new to the market and not yet established, and the characteristics specific to the transaction. Financial instruments with readily available active quoted prices for which fair value can be measured from actively quoted prices generally will have a higher degree of pricing observability and a lesser degree of judgment used in measuring fair value. Conversely, financial instruments rarely traded or not quoted will generally have less, or no, pricing observability and a higher degree of judgment used in measuring fair value. See Note 5 for additional information on how we value our financial instruments.

Available-for-Sale and Held-to-Maturity Securities

Securities available for sale, which are carried at fair value, include U.S. government agency securities; state and municipal securities; agency, non-agency, and commercial mortgage-backed securities; corporate fixed income securities; and asset-backed securities, which primarily includes collateralized loan obligations.

Securities held to maturity are recorded at amortized cost based on our company’s positive intent and ability to hold these securities to maturity. Securities held to maturity include asset-backed securities, consisting of collateralized loan obligation securities and student loan ARS.

We evaluate each available-for-sale security where the value has declined below amortized cost. If our company intends to sell or believes it is more likely than not that it will be required to sell the debt security, it is written down to fair value through earnings. For available-for-sale debt securities our company intends to hold, we evaluate the debt securities for expected credit losses except for debt securities that are guaranteed by the U.S. Treasury or U.S. government agencies where we apply a zero credit loss assumption.

For the remaining available-for-sale debt securities, we consider qualitative parameters such as internal and external credit ratings and the value of underlying collateral. If an available-for-sale debt security fails any of the qualitative parameters, a discounted cash flow analysis is used by our company to determine if a portion of the unrealized loss is a result of a credit loss. Any credit losses determined are recognized as an increase to the allowance for credit losses through provision expense recorded in the consolidated statement of operations in provision for credit losses. Cash flows expected to be collected are estimated using all relevant information available, such as remaining payment terms, prepayment speeds, the financial condition of the issuer, expected defaults, and the value of the underlying collateral. If any of the decline in fair value is related to market factors, that amount is recognized in accumulated other comprehensive income. In certain instances, the credit loss may exceed the total decline in fair value, in which case, the allowance recorded is limited to the difference between the amortized cost and the fair value of the asset. We separately evaluate our held-to-maturity debt securities for any credit losses. We perform a discounted cash flow analysis to estimate any credit losses, which are then recognized as part of the allowance for credit losses. For available-for-sale and held-to-maturity debt securities, we have established a nonaccrual policy that results in timely write-off of accrued interest. See Note 7 for more information.

Unrealized gains and losses on our available-for-sale securities are reported, net of taxes, in accumulated other comprehensive income/(loss) included in shareholders’ equity. Amortization of premiums and accretion of discounts are recorded as interest income in the consolidated statements of operations using the interest method. Realized gains and losses from sales of securities available for sale are determined on a specific identification basis and are included in other income in the consolidated statements of operations in the period they are sold. For securities transferred from available-for-sale to held-to-maturity, carrying value also includes unrealized gains and losses recognized in accumulated other comprehensive income/(loss) at the date of transfer. Such unrealized gains or losses are accreted over the remaining life of the security with no impact on future net income.

Loan Classification

We classify loans based on our investment strategy and management's assessment of our intent and ability to hold loans for the foreseeable future or until maturity. Management's intent and ability with respect to certain loans may change from time to time depending on a number of factors, including economic, liquidity, and capital conditions. The accounting and measurement framework for loans differs depending on the loan classification. The classification criteria and accounting and measurement framework for bank loans and loans held for sale are described below.

Bank Loans

Bank loans consist of commercial and residential mortgage loans, commercial and industrial loans, stock-secured loans, home equity loans, construction loans, and consumer loans originated or acquired by Stifel Bancorp. Bank loans include those loans that management has the intent and ability to hold and are recorded at outstanding principal adjusted for any charge-offs, allowance for loan losses, deferred origination fees and costs, and purchased discounts. Loan origination costs, net of fees, and premiums and discounts on purchased loans are deferred and recognized over the contractual life of the loan as an adjustment of yield using the interest method. Bank loans are generally collateralized by real estate, real property, marketable securities, or other assets of the borrower. Interest income is recognized using the effective interest rate method, which is based upon the respective interest rates and the average daily asset balance. Discount accretion/premium amortization is recognized using the effective interest rate method, which is based upon the respective interest rate and expected lives of loans.

Allowance for Credit Losses

On January 1, 2020, we adopted the new accounting standard that requires the measurement of the allowance for credit losses, which includes the allowance for loan losses and the reserve for unfunded lending commitments, to be based on management's best estimate of lifetime expected credit losses inherent in the Company's relevant financial assets.

The expected credit losses on our loan portfolio are referred to as the allowance for loan losses and are reported separately as a contra-asset to loans on the consolidated statement of financial condition. The expected credit losses for unfunded lending commitments, including standby letters of credit and binding unfunded loan commitments, are reported on the consolidated statement of financial condition in accounts payable and accrued expenses. The provision for loan losses related to the loan portfolio and the provision for unfunded lending commitments are reported in the consolidated statement of operations in provision for credit losses.

For loans, the expected credit loss is typically estimated using quantitative methods that consider a variety of factors, such as historical loss experience derived from proxy data, the current credit quality of the portfolio, as well as an economic outlook over the life of the loan. The life of the loan for closed-ended products is based on the contractual maturity of the loan adjusted for any expected prepayments. The contractual maturity includes any extension options that are at the sole discretion of the borrower. For open-ended products, the expected credit loss is determined based on the maximum repayment term associated with future draws from credit lines.

In our loss forecasting framework, we incorporate forward-looking information through the use of macroeconomic scenarios applied over the forecasted life of the assets. These macroeconomic scenarios include variables that have historically been key drivers of increases and decreases in credit losses. These variables include, but are not limited to, unemployment rates, real estate prices, gross domestic product levels, corporate bond spreads, and long-term interest rate forecasts. To estimate losses for contractual periods that extend beyond the forecast horizon, we revert to an average historical loss experience. As any one economic outlook is inherently uncertain, we leverage multiple scenarios. The scenarios that are chosen each quarter and the amount of weighting given to each scenario depend on a variety of factors, including recent economic events, leading economic indicators, and industry trends. The reserve for unfunded lending commitments is estimated using the same scenarios, models, and economic data as the loan portfolio.

The allowance for loan losses includes adjustments for qualitative reserves based on our company's assessment that may not be adequately represented in the quantitative methods or the economic assumptions described above. For example, factors that we consider include changes in lending policies and procedures, business conditions, the nature and size of the portfolio, portfolio concentrations, the volume and severity of past due loans and nonaccrual loans, the effect of external factors such as competition, and legal and regulatory requirements, among others. Further, we consider the inherent uncertainty

in quantitative models that are built on historical data. As a result of the uncertainty inherent in the quantitative models, other quantitative and qualitative factors are considered in adjusting allowance amounts, including, but not limited to, the following: model imprecision, imprecision in macroeconomic scenario forecasts, or changes in the economic environment affecting specific portfolio segments that deviate from the macroeconomic forecasts. The evaluation is inherently subjective, as it requires estimates that are susceptible to significant revision as more information becomes available. Depending on changes in circumstances, future assessments of credit risk may yield materially different results from the prior estimates, which may require an increase or a decrease in the allowance for loan losses.

The allowance for credit losses can also be impacted by unanticipated changes in asset quality of the portfolio. In addition, while we have incorporated our estimated impact of the coronavirus ("COVID-19") pandemic on the economy into our allowance for credit losses, the ultimate impact of COVID-19 is still unknown, including how long economic activities will be impacted and what effect the unprecedented levels of government fiscal and monetary actions will have on the economy and our credit losses.

Loans Held for Sale

Loans that we intend to sell or for which we do not have the ability and intent to hold for the foreseeable future are classified as held for sale. Loans held for sale consist of fixed-rate and adjustable-rate residential and multi-family real estate mortgage loans intended for sale. Loans held for sale are stated at lower of cost or market value on an individual loan basis. Declines in market value below cost and any gains or losses on the sale of these assets are recognized in other income in the consolidated statements of operations. Market value is determined based on prevailing market prices for loans with similar characteristics or on sale contract prices. Deferred fees and costs related to these loans are not amortized but are recognized as part of the cost basis of the loan at the time it is sold. Because loans held for sale are reported at lower of cost or market value, an allowance for loan losses is not established for loans held for sale.

Impaired Loans

A loan is considered impaired when, based on current information and events, it is probable that the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement will not be collectible. Factors considered in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. We determine the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed.

We consider a loan a trouble debt restructuring when an existing borrower is granted concessionary rates or terms, which would not otherwise be offered. The concessions granted do not reflect current market conditions for a new loan of similar risk to another borrower in similar financial circumstances.

Once a loan is determined to be impaired, when principal or interest becomes 90 days past due or when collection becomes uncertain, 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. Loans placed on non-accrual status are returned to accrual status when all delinquent principal and interest payments are collected and the collectibility of future principal and interest payments is reasonably assured. Loan losses are charged against the allowance for loan losses when we believe the uncollectibility of a loan balance is certain. Subsequent recoveries, if any, are credited to the allowance for loan losses.

We do not include reserves for interest receivable in the measurement of the allowance for credit losses, as we generally classify loans as nonperforming at 90 days past due and reverse interest income for these loans at that time.

Large groups of smaller balance homogenous loans are collectively evaluated for impairment. Accordingly, we do not separately identify individual consumer and residential loans for impairment measurements. Impairment is measured on a loan-by-loan basis for non-homogeneous loans, and a specific allowance is established for individual loans determined to be impaired. Impairment is measured by comparing the carrying value of the impaired loan to the present value of its expected cash flow discounted at the loan's effective interest rate, the loan's observable market price, or the fair value of the collateral if the loan is collateral dependent. See Note 8 for more information.

Investments

Our broker-dealer subsidiaries report changes in fair value of marketable and non-marketable securities in other income in the consolidated statements of operations. The fair value of marketable investments is generally based on either quoted market or dealer prices. The fair value of non-marketable securities is based on management's estimate using the best information available, which generally consists of quoted market prices for similar securities and internally developed discounted cash flow models.

Investments in the consolidated statements of financial condition contain investments in securities that are marketable and securities that are not readily marketable. These investments are not included in our broker-dealer trading inventory or available-for-sale or held-to-maturity portfolios and represent the acquiring and disposing of debt or equity instruments for our benefit.

Fixed Assets, Net

Office equipment is depreciated on a straight-line basis over the estimated useful life of the asset of two to seven years. Leasehold improvements are amortized on a straight-line basis over the lesser of the estimated useful life of the asset or the term of the lease. Buildings and building improvements are amortized on a straight-line basis over the estimated useful life of the asset of three to thirty-nine years. Depreciation expense is recorded in occupancy and equipment rental in the consolidated statements of operations. Office equipment and leasehold improvements are stated at cost net of accumulated depreciation and amortization in the consolidated statements of financial condition. Fixed assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable.

Aircraft Engines Held for Operating Lease

Aircraft engines held for operating lease are stated at cost, less accumulated depreciation and are included in fixed assets, net in the consolidated statements of financial condition. Certain costs incurred in connection with the acquisition of aircraft engines are capitalized as part of the cost of such assets. Major overhauls paid for by our company, which improve functionality or extend the original useful life, are capitalized and depreciated over the shorter of the estimated period to the next overhaul ("deferral method") or the remaining useful life of the equipment. We do not accrue for planned major maintenance. The cost of overhauls of aircraft engines under long-term leases, for which the lessee is responsible for maintenance during the period of the lease, are paid for by the lessee or from reimbursable maintenance reserves paid to our company in accordance with the lease, and are not capitalized.

We depreciate aircraft engines on a straight-line basis over a 30-year period from the acquisition date to a 15% residual value. We review the useful life and residual values of all engines periodically as demand changes to accurately depreciate the cost of equipment over the useful life of the engines.

Goodwill and Intangible Assets

Goodwill represents the cost of acquired businesses in excess of the fair value of the related net assets acquired. We test goodwill for impairment on an annual basis and on an interim basis when certain events or circumstances exist. We test for impairment at the reporting unit level, which is generally at the level of or one level below our company's business segments. For both the annual and interim tests, we have the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, we determine it is more likely than not that the fair value of a reporting unit is greater than its carrying amount, then performing the two-step impairment test is not required. However, if we conclude otherwise, we are then required to perform the first step of the two-step impairment test. Goodwill impairment is determined by comparing the estimated fair value of a reporting unit with its respective carrying value. If the estimated fair value exceeds the carrying value, goodwill at the reporting unit level is not deemed to be impaired. If the estimated fair value is below carrying value, however, further analysis is required to determine the amount of the impairment. Additionally, if the carrying value of a reporting unit is zero or a negative value and it is determined that it is more likely than not the goodwill is impaired, further analysis is required. The estimated fair values of the reporting units are derived based on valuation techniques we believe market participants would use for each of the reporting units. The Company performed impairment testing on October 1, 2020, with no impairment charges resulting from the annual impairment tests.

Identifiable intangible assets, which are amortized over their estimated useful lives, are tested for potential impairment whenever events or changes in

circumstances suggest that the carrying value of an asset or asset group may not be fully recoverable.

Loans and Advances to Financial Advisors and Other Employees, Net

We offer transition pay, principally in the form of upfront loans, to financial advisors and certain key revenue producers as part of our company's overall growth strategy. These loans are generally 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. We monitor and compare individual financial advisor production to each loan issued to ensure future recoverability. In the event that the financial advisor is no longer affiliated with us, any unpaid balance of such loan becomes immediately due and payable to us. In determining the allowance for doubtful accounts related to former employees, management primarily considers our historical collection experience as well as other factors, including amounts due at termination, the reasons for the terminated relationship, and the former financial advisor's overall financial position. When the review of these factors indicates that further collection activity is highly unlikely, the outstanding balance of such loan is written-off and the corresponding allowance is reduced. The aging of this receivable balance is not a determinative factor in computing our allowance for doubtful accounts, as concerns regarding the recoverability of these loans primarily arise in the event that the financial advisor is no longer affiliated with us. We present the outstanding balance of loans to financial advisors on our consolidated statements of financial condition, net of the allowance for doubtful accounts. Our allowance for doubtful accounts was approximately \$18.7 million and \$14.3 million at December 31, 2020 and 2019, respectively.

Derivative Instruments and Hedging Activities

We recognize all of our derivative instruments at fair value as either assets or liabilities in the consolidated statements of financial condition. These instruments are recorded in other assets or accounts payable and accrued expenses in the consolidated statements of financial condition and in the operating section of the consolidated statements of cash flows as increases or decreases of other assets and accounts payable and accrued expenses. Our company's policy is not to offset fair value amounts recognized for derivative instruments and fair value amounts recognized for the right to reclaim cash collateral or the obligation to return cash collateral arising from derivative instruments recognized at fair value executed with the same counterparty under master netting arrangements. The accounting for changes in the fair value (i.e., gains and losses) of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and, further, on the type of hedging relationship. For those derivative instruments that are designated and qualify as hedging instruments, we must also designate the hedging instrument or transaction, based upon the exposure being hedged.

For derivative instruments that are designated and qualify as cash flow hedges (i.e., hedging the exposure to variability in expected future cash flows that is attributable to a particular risk), the effective portion of the gain or loss on the derivative instrument is reported as a component of accumulated other comprehensive income/(loss), net of tax, and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. The remaining gain or loss on the derivative instrument in excess of the cumulative change in the present value of future cash flows of the hedged item, if any, is recognized in current earnings during the period of change.

Revenue Recognition

Customer securities transactions are recorded on a settlement date basis, with related commission revenues and expenses recorded on a trade date basis. Commission revenues are recorded as the amount charged to the customer, which, in certain cases, may include varying discounts. Principal securities transactions are recorded on a trade date basis. We typically distribute our proprietary equity research products to our client base of institutional investors at no charge. These proprietary equity research products are accounted for as a cost of doing business.

Advisory fees from mergers and acquisitions engagements are recognized at a point in time when the related transaction is completed, as the performance obligation is to successfully broker a specific transaction.

Advisory expenses are deferred only to the extent they are explicitly reimbursable by the client and the related revenue has been recognized. All other investment banking advisory-related expenses, including expenses incurred related to restructuring assignments, are expensed as incurred.

Underwriting expenses are recognized as non-interest expense in other operating expenses in the consolidated statements of operations, and any

expense reimbursements are recognized as investment banking revenues (i.e., expenses are not netted against revenues).

Asset management and service fees. We earn management and performance fees in connection with investment advisory services provided to institutional and individual clients. Investment advisory fees are charged based on the value of assets in fee-based accounts and are affected by changes in the balances of client assets due to market fluctuations and levels of net new client assets. Fees are charged either in advance based on fixed rates applied to the value of the customers' account at the beginning of the period or periodically based on contracted rates and account performance. Contracts can be terminated at any time with no incremental payments due to our company upon termination. If the contract is terminated by the customer, fees are prorated for the period and fees charged for the post termination period are refundable to the customer.

We earn fees from the investment partnerships that we manage or of which we are a general partner. Such management fees are generally based on the net assets or committed capital of the underlying partnerships. We have agreed, in certain cases, to waive management fees, in lieu of making a cash contribution, in satisfaction of our general partner investment commitments to the investment partnerships. In these cases, we generally recognize our management fee revenues at the time when we are allocated a special profit interest in realized gains from these partnerships.

Lease revenue – Revenue from leasing of aircraft engines is recognized as operating lease revenue on a straight-line basis over the terms of the applicable lease agreements. Under the terms of some of our company's leases, the lessees pay use fees (also known as maintenance reserves) to our company based on usage of the leased asset, which are designed to cover expected future maintenance costs. Some of these amounts are reimbursable to the lessee if they make specifically defined maintenance expenditures. Use fees received are recognized in revenue as maintenance reserve revenue if they are not reimbursable to the lessee. Use fees that are reimbursable are recorded as a maintenance reserve liability until they are reimbursed to the lessee, the lease terminates, or the obligation to reimburse the lessee for such reserves ceases to exist, at which time they are recognized in revenue as maintenance reserve revenue.

Operating Leases

Our company enters into operating leases for real estate, office equipment, and other assets, substantially all of which are used in connection with its operations. We adopted ASU 2016-02 on January 1, 2019, which required our company to recognize, for leases longer than one year, a right-of-use asset representing the right to use the underlying asset for the lease term, and a lease liability representing the liability to make payments. The lease term is generally determined based on the contractual maturity of the lease. For leases where our company has the option to terminate or extend the lease, an assessment of the likelihood of exercising the option is incorporated into the determination of the lease term. Such assessment is initially performed at the inception of the lease and is updated if events occur that impact the original assessment.

An operating lease right-of-use asset is initially determined based on the operating lease liability, adjusted for initial direct costs, lease incentives, and amounts paid at or prior to lease commencement. This amount is then amortized over the lease term. At December 31, 2020, the right-of-use assets are included in fixed assets, net with the corresponding lease liabilities included in accounts payable and accrued expenses in the consolidated statements of financial condition. See Note 19 for information about operating leases.

For leases where our company ceased using the space and management has concluded that it will not derive any future economic benefits, we record an impairment of right-of-use assets.

Income Taxes

We compute income taxes using the asset and liability method, under which deferred income taxes are provided for the temporary differences between the financial statement carrying amounts and the tax basis of our company's assets and liabilities. We establish a valuation allowance for deferred tax assets if it is more likely than not that these items will either expire before we are able to realize their benefits, or that future deductibility is uncertain.

We recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the consolidated financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. We recognize in-

terest and penalties related to uncertain tax positions in provision for income taxes in the consolidated statements of operations. See Note 24 for further information regarding income taxes.

Foreign Currency Translation

We consolidate our foreign subsidiaries, which have designated their local currency as their functional currency. Assets and liabilities of these foreign subsidiaries are translated at year-end rates of exchange. Revenues and expenses are translated at an average rate for the period. Gains or losses resulting from translating foreign currency financial statements are reflected in accumulated other comprehensive income/(loss), a separate component of Stifel Financial Corp.'s shareholders' equity. Gains or losses resulting from foreign currency transactions are included in other income in the consolidated statements of operations.

Recently Issued Accounting Guidance

Income Taxes

In December 2019, the FASB issued ASU 2019-12, "Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes," which is intended to simplify various aspects related to accounting for income taxes. This accounting update removes certain exceptions to the general principles in Topic 740 and also clarifies and amends existing guidance to improve consistent application. The accounting update is effective for interim and annual periods beginning after December 15, 2020 (January 1, 2021, for our company), and early adoption is permitted. We are currently evaluating the impact that the accounting update will have on our consolidated financial statements.

Recently Adopted Accounting Guidance

Goodwill Impairment Testing

On January 1, 2020, we adopted ASU 2017-04, which simplifies the subsequent measurement of goodwill and eliminates Step 2 from the goodwill impairment test. Under the accounting update, the annual, or interim, goodwill impairment test is performed by comparing the fair value of a reporting unit with its carrying amount, and an impairment charge should be recognized for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. The adoption of the accounting update did not have a material impact on our consolidated financial statements. The future impact of the accounting update will depend upon the performance of our reporting units and the market conditions impacting the fair value of each reporting unit going forward.

Financial Instruments – Credit Losses

On January 1, 2020, we adopted ASU 2016-13 that requires the measurement of the allowance for credit losses to be based on management's best estimate of lifetime expected credit losses inherent in the Company's relevant financial assets. Upon adoption of the standard on January 1, 2020, we recorded a \$10.4 million increase to the allowance for credit losses. The allowance for credit losses includes both the allowance for loan losses and the reserve for unfunded lending commitments and represents management's estimate of the expected credit losses in our company's loan portfolio. The increase in the allowance is driven by the fact that the allowance under the CECL model covers expected credit losses over the full expected life of the loan portfolios and also takes into account forecasts of expected future economic conditions. The cumulative effect of adopting this standard was a decrease to retained earnings of \$7.8 million (net of tax).

Reference Rate Reform

In March 2020, the FASB issued ASU No. 2020-04, "Reference Rate Reform – Facilitation of the Effects of Reference Rate Reform on Financial Reporting." The accounting standard related to contracts or hedging relationships that reference LIBOR or other reference rates that are expected to be discontinued due to reference rate reform. The accounting standard provides for optional expedients and other guidance regarding the accounting related to modifications of contracts, hedging relationships, and other transactions affected by reference rate reform. We elected to retrospectively adopt the new standard as of January 1, 2020, which resulted in no immediate impact. While reference rate reform did not have a material accounting impact on our consolidated financial statements, the new standard eased the administrative burden in accounting for the future effects of reference rate reform.

Fair Value Measurement

In August 2018, the FASB issued ASU No. 2018-13, Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement. The objective of this guidance is to improve the effectiveness of disclosure requirements on fair value measurement by eliminating certain disclosure

requirements for fair value measurements for all entities, requiring public entities to disclose certain new information and modifying some disclosure requirements. The accounting update is effective for the fiscal year beginning after December 15, 2019 (January 1, 2020, for our company), and early adoption is permitted. We early adopted the guidance in the update on January 1, 2019. The adoption of the accounting update did not have a material impact on our consolidated financial statements.

Derivatives and Hedging

In August 2017, the FASB issued ASU 2017-12, "Targeted Improvements to Accounting for Hedging Activities" ("ASU 2017-12"), which amends the hedge accounting recognition and presentation requirements. The accounting update improves the transparency and understandability of information conveyed to financial statement users by better aligning companies' hedging relationship to their existing risk management strategies, simplifies the application of hedge accounting, and increases transparency regarding the scope and results of hedging programs. The accounting update is effective for the fiscal year beginning after December 15, 2018 (January 1, 2019, for our company), and early adoption is permitted. The adoption of the accounting update did not have a material impact on our consolidated financial statements.

In April 2019, the FASB issued ASU No. 2019-04, "Codification Improvements to Topic 326, Financial Instruments – Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments," which clarifies and improves areas of guidance related to the recently issued standards on credit losses, hedging, recognition, and measurement.

The accounting update clarifies that the reclassification of a debt security from held-to-maturity to available-for-sale under the transition guidance in ASU 2017-12 would not (1) call into question the classification of other held-to-maturity securities, (2) be required to actually designate any reclassified security in a last-of-layer hedge, or (3) be restricted from selling any reclassified security. The accounting update is effective for fiscal years beginning after December 15, 2019 (January 1, 2020, for our company), and early adoption is permitted. We early adopted the provisions of the accounting update related to Topic 815 on August 1, 2019. As a result of the adoption of the accounting update, we made a one-time decision to transfer a portion of our held-to-maturity securities to available-for-sale. The adoption of the accounting guidance had no other impact on our consolidated financial statements. See Note 7 for further information.

Callable debt securities

In March 2017, the FASB issued ASU 2017-08, "Receivables – Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities," which shortens the amortization period for the premium on certain callable debt securities to the earliest call date. The amendments are applicable to any purchased individual debt security with an explicit and non-contingent call feature that is callable at a fixed price on a preset date. The accounting update is effective for fiscal years beginning after December 15, 2018 (January 1, 2019, for our company) under a modified retrospective approach. The change was applied prospectively from January 1, 2019, and there is no impact to our previously presented results. The adoption of the accounting update resulted in a reduction of beginning retained earnings of \$4.4 million after-tax as a cumulative effect of adoption of an accounting change.

Leases

In February 2016, the FASB issued ASU 2016-02 that requires for leases longer than one year, a lessee recognize in the statements of financial condition a right-of-use asset, representing the right to use the underlying asset for the lease term, and a lease liability, representing the liability to make lease payments. The accounting update also requires that for finance leases, a lessee recognize interest expense on the lease liability, separately from the amortization of the right-of-use asset in the statements of earnings, while for operating leases, such amounts should be recognized as a combined expense. In addition, this accounting update requires expanded disclosures about the nature and terms of lease agreements.

This change was applied prospectively from January 1, 2019, and there is no impact on our previously presented results. Upon adoption, in accordance with the new lease standard, we elected to not reassess the lease classification or initial direct costs of existing leases, and to not reassess whether existing contracts contain a lease. In addition, we have elected to account for each contract's lease and non-lease components as a single lease component. The adoption of the new lease standard resulted in a reduction of beginning retained earnings of \$6.7 million after-tax as a cumulative effect of adoption of an accounting change. Upon adoption, the company recorded a gross up of approximately \$670 million on its consolidated statements

of financial condition to recognize the right-of-use assets, included in fixed assets, net and lease liabilities, included in accounts payable and accrued expenses. See Note 9 for further information.

Comprehensive Income

In February 2018, the FASB issued ASU 2018-02, "Income Statement – Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income" that provides for the reclassification from accumulated other comprehensive income to retained earnings for stranded effects resulting from the Tax Cuts and Jobs Act of 2017. The accounting update is effective for the fiscal year beginning after December 15, 2018 (January 1, 2019 for our company) and early adoption is permitted. We early adopted the guidance in the update on January 1, 2018. The adoption of the accounting update resulted in a reclassification adjustment of \$3.1 million related to cash flow hedges and investment portfolio credit risk in our consolidated financial statements.

NOTE 3 – Acquisitions

GMP Capital Inc.

On December 6, 2019, the Company completed the acquisition of substantially all of the capital markets business of GMP Capital Inc. ("GMP"), an independent investment banking franchise based in Canada that offers investment banking services, including equity capital-raising, mergers and acquisitions, institutional sales and trading, and research services to corporate clients and institutional investors. The acquisition was funded with cash from operations.

The acquisition was accounted for under the acquisition method of accounting in accordance with ASC 805 ("ASC Topic 805"), "Business Combinations." Accordingly, goodwill was measured as the excess of the acquisition-date fair value of the consideration transferred over the amount of acquisition-date identifiable assets acquired net of assumed liabilities. We recorded \$20.0 million of goodwill in the consolidated statement of financial condition, which has been allocated to our company's Institutional Group segment. Identifiable intangible assets purchased by our company consisted of customer relationships, non-compete agreements, and tradename with an acquisition-date fair value of \$10.7 million.

The goodwill represents the value expected from the synergies created through the operational enhancement benefits that will result from the integration of the GMP business and its expertise in the investment banking business. Goodwill is expected to be deductible for federal income tax purposes.

Pro forma information is not presented because the acquisition is not considered to be material, as defined by the SEC. The results of operations of GMP have been included in our results prospectively from the date of acquisition.

MainFirst

On November 1, 2019, the Company completed the acquisition of MainFirst Bank AG ("MainFirst"), an investment bank that offers equity brokerage and equity capital markets services to institutions and corporations in key European markets. The acquisition was funded with cash from operations.

The acquisition was accounted for under the acquisition method of accounting in accordance with ASC 805 ("ASC Topic 805"), "Business Combinations." Accordingly, goodwill was measured as the excess of the acquisition-date fair value of the consideration transferred over the amount of acquisition-date identifiable assets acquired net of assumed liabilities. We recorded \$15.7 million of goodwill in the consolidated statement of financial condition, which has been allocated to our company's Institutional Group segment. Identifiable intangible assets purchased by our company consisted of tradename, non-compete agreements, and customer relationships with an acquisition-date fair value of \$0.8 million.

The goodwill represents the value expected from the synergies created through the operational enhancement benefits that will result from the integration of the MainFirst business. Goodwill will not be deductible for federal income tax purposes.

Pro forma information is not presented because the acquisition is not considered to be material, as defined by the SEC. The results of operations of MainFirst have been included in our results prospectively from the date of acquisition.

George K. Baum & Company

On September 27, 2019, the Company completed the acquisition of certain assets of George K. Baum & Company ("GKB"), a privately held investment banking firm focused on public finance and taxable fixed income sales and trading. The acquisition was funded with cash from operations.

The acquisition was accounted for under the acquisition method of accounting in accordance with ASC 805 (“ASC Topic 805”), “Business Combinations.” Accordingly, goodwill was measured as the excess of the acquisition-date fair value of the consideration transferred over the amount of acquisition-date identifiable assets acquired net of assumed liabilities. We recorded \$33.3 million of goodwill in the consolidated statement of financial condition, which has been allocated to our company’s Institutional Group segment. Identifiable intangible assets purchased by our company consisted of non-compete agreements and customer relationships with an acquisition-date fair value of \$15.2 million.

The goodwill represents the value expected from the synergies created through the operational enhancement benefits that will result from the integration of the GKB business and its expertise in the investment banking business. Goodwill is expected to be deductible for federal income tax purposes.

Pro forma information is not presented because the acquisition is not considered to be material, as defined by the SEC. The results of operations of GKB have been included in our results prospectively from the date of acquisition.

B&F Capital Markets, Inc.

On September 3, 2019, the Company completed the acquisition of B&F Capital Markets, Inc. (“B&F”), a privately held firm focused on providing regional and community banks throughout the United States with interest rate derivative programs through a combination of experienced professionals and proprietary software. The acquisition was funded with cash from operations.

The acquisition was accounted for under the acquisition method of accounting in accordance with ASC 805 (“ASC Topic 805”), “Business Combinations.” Accordingly, goodwill was measured as the excess of the acquisition-date fair value of the consideration transferred over the amount of acquisition-date identifiable assets acquired net of assumed liabilities. We recorded \$23.0 million of goodwill in the consolidated statement of financial condition, which has been allocated to our company’s Institutional Group segment. Identifiable intangible assets purchased by our company consisted of tradename, non-compete agreements, and customer relationships with an acquisition-date fair value of \$18.6 million.

The goodwill represents the value expected from the synergies created through the operational enhancement benefits that will result from the integration of the B&F business and its expertise in the interest rate derivative business. Goodwill is expected to be deductible for federal income tax purposes.

We recognized a liability for estimated earn-out payments. These payments will be based on the performance of B&F over a five-year period. The liability for earn-out payments was \$16.0 million and \$20.1 million at December 31, 2020 and 2019, respectively. The contingent consideration accrual is included in accounts payable and accrued expenses in the consolidated statements of financial condition.

Pro forma information is not presented because the acquisition is not considered to be material, as defined by the SEC. The results of operations of B&F have been included in our results prospectively from the date of acquisition.

Mooreland Partners

On July 1, 2019, the Company completed the acquisition of Mooreland Partners (“Mooreland”), an independent M&A and private capital advisory firm serving the global technology industry. The acquisition was funded with cash from operations.

The acquisition was accounted for under the acquisition method of accounting in accordance with ASC 805 (“ASC Topic 805”), “Business Combinations.” Accordingly, goodwill was measured as the excess of the acquisition-date fair value of the consideration transferred over the amount of acquisition-date identifiable assets acquired net of assumed liabilities. We recorded \$45.8 million of goodwill in the consolidated statement of financial condition, which has been allocated to our company’s Institutional Group segment. Identifiable intangible assets purchased by our company consisted of non-compete agreements and backlog with an acquisition-date fair value of \$5.1 million.

The goodwill represents the value expected from the synergies created through the operational enhancement benefits that will result from the integration of the Mooreland business and its expertise in the investment banking business. Goodwill is expected to be deductible for federal income tax purposes.

We recognized a liability for estimated earn-out payments. These payments will be based on the performance of Mooreland over a three-year period. The liability for earn-out payments was \$13.0 million and \$18.4 million at December 31, 2020 and 2019, respectively. The contingent consideration accrual is included in accounts payable and accrued expenses in the consolidated statements of financial condition.

Pro forma information is not presented because the acquisition is not considered to be material, as defined by the SEC. The results of operations of Mooreland have been included in our results prospectively from the date of acquisition.

First Empire

On January 2, 2019, the Company completed the acquisition of First Empire Holding Corp. (“First Empire”) and its subsidiaries, including First Empire Securities, Inc., an institutional broker-dealer specializing in the fixed income markets. The acquisition was funded with cash from operations.

The acquisition was accounted for under the acquisition method of accounting in accordance with ASC 805 (“ASC Topic 805”), “Business Combinations.” Accordingly, goodwill was measured as the excess of the acquisition-date fair value of the consideration transferred over the amount of acquisition-date identifiable assets acquired net of assumed liabilities. We recorded \$14.9 million of goodwill in the consolidated statement of financial condition, which has been allocated to our company’s Institutional Group segment. Identifiable intangible assets purchased by our company consisted of tradename and customer relationships with an acquisition-date fair value of \$7.8 million.

The goodwill represents the value expected from the synergies created through the operational enhancement benefits that will result from the integration of the First Empire business and its expertise in the investment banking business. Goodwill is expected to be deductible for federal income tax purposes.

Pro forma information is not presented because the acquisition is not considered to be material, as defined by the SEC. The results of operations of First Empire have been included in our results prospectively from the date of acquisition.

NOTE 4 – Receivables From and Payables to Brokers, Dealers, and Clearing Organizations

Amounts receivable from brokers, dealers, and clearing organizations at December 31, 2020 and 2019, included *(in thousands)*:

	December 31,	
	2020	2019
Deposits paid for securities borrowed	\$313,131	\$135,373
Receivables from clearing organizations	229,070	471,122
Securities failed to deliver	7,291	21,295
	\$549,492	\$627,790

Amounts payable to brokers, dealers, and clearing organizations at December 31, 2020 and 2019, included *(in thousands)*:

	December 31,	
	2020	2019
Deposits received from securities loaned	\$145,124	\$608,333
Payable to clearing organizations	25,540	78,702
Securities failed to receive	7,273	25,256
	\$177,937	\$712,291

Deposits paid for securities borrowed approximate the market value of the securities. Securities failed to deliver and receive represent the contract value of securities that have not been delivered or received on settlement date.

NOTE 5 – Fair Value Measurements

We measure certain financial assets and liabilities at fair value on a recurring basis, including financial instruments owned, available-for-sale securities, investments, financial instruments sold, but not yet purchased, and derivatives.

We generally utilize third-party pricing services to value Level 1 and Level 2 available-for-sale investment securities, as well as certain derivatives designated as cash flow hedges. We review the methodologies and assumptions used by the third-party pricing services and evaluate the values provided, principally by comparison with other available market quotes for similar instruments and/or analysis based on internal models using available third-party market data. We may occasionally adjust certain values provided by the third-party pricing service when we believe, as the result of our review, that the adjusted price most appropriately reflects the fair value of the particular security.

Following are descriptions of the valuation methodologies and key inputs used to measure financial assets and liabilities recorded at fair value. The descriptions include an indication of the level of the fair value hierarchy in which the assets or liabilities are classified.

Financial Instruments Owned and Available-For-Sale Securities

When available, the fair value of financial instruments is based on quoted prices in active markets and reported in Level 1. Level 1 financial instruments include highly liquid instruments with quoted prices, such as U.S. government securities, corporate fixed income securities, and equity securities listed in active markets.

If quoted prices are not available for identical instruments, fair values are obtained from pricing services, broker quotes, or other model-based valuation techniques with observable inputs, such as the present value of estimated cash flows, and reported as Level 2. The nature of these financial instruments include instruments for which quoted prices are available but traded less frequently, instruments whose fair value has been derived using a model where inputs to the model are directly observable in the market, or can be derived principally from or corroborated by observable market data, and instruments that are fair valued using other financial instruments, the parameters of which can be directly observed. Level 2 financial instruments include U.S. government agency securities, mortgage-backed securities, corporate fixed income and equity securities infrequently traded, state and municipal securities, and other securities, which primarily consist of sovereign debt and asset-backed securities.

We have identified Level 3 financial instruments to include certain asset-backed securities and loans with unobservable pricing inputs, included in other in the table below. Level 3 financial instruments have little to no pricing observability as of the report date. These financial instruments do not have active two-way markets and are measured using management's best estimate of fair value, where the inputs into the determination of fair value require significant management judgment or estimation.

Investments

Investments carried at fair value primarily include corporate equity securities, auction-rate securities ("ARS"), private company investments, including our beneficial interest in North Shore, and investments in funds, including certain money market funds that are measured at net asset value ("NAV").

Corporate equity securities are primarily valued based on quoted prices in active markets and reported in Level 1.

ARS are primarily valued based upon our expectations of issuer redemptions and using internal discounted cash flow models that utilize unobservable inputs. ARS are primarily reported as Level 3 assets. Private company investments are primarily valued based upon internally developed models. These valuations require significant management judgment due to the absence of quoted market prices, the inherent lack of liquidity, and their long-term nature. Typically, the initial costs of these investments are considered to represent fair market value, as such amounts are negotiated between willing market participants. The value of our beneficial interest in North Shore is based on a proprietary cash flow model. Private company investments are primarily reported as Level 3 assets.

The Company uses NAV to measure the fair value of its fund investments when (i) the fund investment does not have a readily determinable fair value and (ii) the NAV of the investment fund is calculated in a manner consistent with the measurement principles of investment company accounting, including measurement of the underlying investments at fair value.

The Company's investments in funds measured at NAV include money market funds, mutual funds, partnership interests, and private equity funds. Private equity funds primarily invest in a broad range of industries worldwide in a variety of situations, including leveraged buyouts, recapitalizations, growth investments, and distressed investments. The private equity funds are primarily closed-end funds in which the Company's investments are generally not eligible for redemption. Distributions will be received from these funds as the underlying assets are liquidated or distributed.

The general and limited partnership interests in investment partnerships were primarily valued based upon NAVs received from third-party fund managers. The various partnerships are investment companies, which record their underlying investments at fair value based on fair value policies established by management of the underlying fund. Fair value policies at the underlying fund generally require the funds to utilize pricing/valuation information, including independent appraisals, from third-party sources. However, in some instances, current valuation information for illiquid securities or securities in markets that are not active may not be available from any third-party source or fund management may conclude that the valuations that are available from third-party sources are not reliable. In these instances, fund management may perform model-based analytical valuations that may be used as an input to value these investments.

The table below presents the fair value of our investments in, and unfunded commitments to, funds that are measured at NAV (*in thousands*):

	December 31, 2020		December 31, 2019	
	Fair value of investments	Unfunded commitments	Fair value of investments	Unfunded commitments
Money market funds	\$ 34,192	\$ —	\$25,734	\$ —
Mutual funds	7,152	—	7,875	—
Partnership interests	3,744	2,520	3,058	953
Private equity funds	1,489	1,203	2,288	1,203
Total	\$46,577	\$3,723	\$38,955	\$ 2,156

Financial Instruments Sold, But Not Yet Purchased

Financial instruments sold, but not purchased, recorded at fair value based on quoted prices in active markets and other observable market data include highly liquid instruments with quoted prices, such as U.S. government securities, equity securities, and fixed income securities listed in active markets, which are reported as Level 1.

If quoted prices are not available, fair values are obtained from pricing services, broker quotes, or other model-based valuation techniques with observable inputs, such as the present value of estimated cash flows, and reported as Level 2. The nature of these financial instruments include instruments for which quoted prices are available but traded less frequently, instruments whose fair value has been derived using a model where inputs to the model are directly observable in the market, or can be derived principally from or corroborated by observable market data, and instruments that are fair valued using other financial instruments, the parameters of which can be directly observed. Level 2 financial instruments include agency mortgage-backed

securities, corporate fixed income securities infrequently traded, and other securities, which primarily consist of sovereign debt, U.S. government agency securities, loans, and state and municipal securities.

Derivatives

Derivatives are valued using quoted market prices for identical instruments when available or pricing models based on the net present value of estimated future cash flows. The valuation models used require market observable inputs, including contractual terms, market prices, yield curves, credit curves, and measures of volatility. We manage credit risk for our derivative positions on a counterparty-by-counterparty basis and calculate credit valuation adjustments, included in the fair value of these instruments, on the basis of our relationships at the counterparty portfolio/master netting agreement level. These credit valuation adjustments are determined by applying a credit spread for the counterparty to the total expected exposure of the derivative after considering collateral and other master netting arrangements. We have classified our interest rate swaps as Level 2.

Assets and liabilities measured at fair value on a recurring basis as of December 31, 2020, are presented below *(in thousands)*:

	December 31, 2020			
	Total	Level 1	Level 2	Level 3
Financial Instruments owned:				
U.S. government securities	\$ 46,900	\$ 46,900	\$ —	\$ —
U.S. government agency securities	56,450	—	56,450	—
Agency mortgage-backed securities	216,434	—	216,434	—
Corporate securities:				
Fixed income securities	194,575	4,474	190,101	—
Equity securities	67,593	62,979	4,614	—
State and municipal securities	96,150	—	96,150	—
Other ⁽¹⁾	15,926	—	4,642	11,284
Total financial instruments owned	694,028	114,353	568,391	11,284
Available-for-sale securities:				
U.S. government agency securities	4,361	—	4,361	—
State and municipal securities	2,453	—	2,453	—
Mortgage-backed securities:				
Agency	793,410	—	793,410	—
Commercial	95,613	—	95,613	—
Non-agency	4,569	—	4,569	—
Corporate fixed income securities	631,758	—	631,758	—
Asset-backed securities	698,133	—	698,133	—
Total available-for-sale securities	2,230,297	—	2,230,297	—
Investments:				
Corporate equity securities	29,496	29,496	—	—
Auction rate securities	12,933	—	—	12,933
Other	59,048	10,342	6,593	42,113
Investments in funds and partnerships measured at NAV	12,385	—	—	—
Total investments	113,862	39,838	6,593	55,046
Cash equivalents measured at NAV	34,192	—	—	—
	\$3,072,379	\$154,191	\$2,805,281	\$66,330

⁽¹⁾ Includes loans, asset-backed securities, sovereign debt, and non-agency mortgage-backed securities.

	December 31, 2020			
	Total	Level 1	Level 2	Level 3
Liabilities:				
Financial instruments sold, but not yet purchased:				
U.S. government securities	\$ 91,974	\$ 91,974	\$ —	\$ —
Agency mortgage-backed securities	141,227	—	141,227	—
Corporate securities:				
Fixed income securities	162,626	4,094	158,532	—
Equity securities	30,848	30,848	—	—
Other ⁽²⁾	11,303	—	11,303	—
Total financial instruments sold, but not yet purchased	\$437,978	\$126,916	\$311,062	\$ —

⁽²⁾ Includes sovereign debt and state and municipal securities.

	December 31, 2019			
	Total	Level 1	Level 2	Level 3
Financial Instruments owned:				
U.S. government securities	\$ 9,266	\$ 9,266	\$ —	\$ —
U.S. government agency securities	66,881	—	66,881	—
Agency mortgage-backed securities	388,856	—	388,856	—
Corporate securities:				
Fixed income securities	250,783	872	249,911	—
Equity securities	64,009	61,579	2,430	—
State and municipal securities	137,211	—	137,211	—
Other ⁽¹⁾	55,926	—	46,600	9,326
Total financial instruments owned	972,932	71,717	891,889	9,326
Available-for-sale securities:				
U.S. government agency securities	5,067	—	5,067	—
State and municipal securities	24,297	—	24,297	—
Mortgage-backed securities:				
Agency	837,878	—	837,878	—
Commercial	109,537	—	109,537	—
Non-agency	9,758	—	9,758	—
Corporate fixed income securities	675,311	—	675,311	—
Asset-backed securities	1,592,889	—	1,592,889	—
Total available-for-sale securities	3,254,737	—	3,254,737	—
Investments:				
Corporate equity securities	35,083	34,023	—	1,060
Auction rate securities	14,897	—	470	14,427
Other	16,771	9,905	6,013	853
Investments in funds and partnerships measured at NAV	13,221	—	—	—
Total investments	79,972	43,928	6,483	16,340
Cash equivalents measured at NAV	25,734	—	—	—
Derivative contracts ⁽²⁾	1,086	—	1,086	—
	\$4,334,461	\$115,645	\$4,154,195	\$25,666

⁽¹⁾ Includes loans, asset-backed securities, sovereign debt, and non-agency mortgage-backed securities.

⁽²⁾ Included in other assets in the consolidated statements of financial condition.

	December 31, 2019			
	Total	Level 1	Level 2	Level 3
Liabilities:				
Financial instruments sold, but not yet purchased:				
U.S. government securities	\$ 243,570	\$243,570	\$ —	\$ —
Agency mortgage-backed securities	231,909	—	231,909	—
Corporate securities:				
Fixed income securities	140,100	633	139,467	—
Equity securities	32,047	32,047	—	—
Other ⁽²⁾	15,226	—	14,271	955
Total financial instruments sold, but not yet purchased	\$ 662,852	\$276,250	\$385,647	\$955

⁽²⁾ Includes sovereign debt, U.S. government agency securities, and loans.

The following tables summarize the changes in fair value associated with Level 3 financial instruments during the year ended December 31, 2020 (*in thousands*):

	Year Ended December 31, 2020			
	Financial instruments owned		Investments	
	Other	Corporate Equity Securities	Auction Rate Securities	Other
Balance at December 31, 2019	\$ 9,326	\$ 1,060	\$14,427	\$ 853
Unrealized losses	(3,126)	—	(1,494)	(296)
Realized losses ⁽¹⁾	(71)	—	—	—
Purchases	25,852	—	—	—
Sales	(20,000)	—	—	(20)
Redemptions	(697)	—	—	—
Transfers:				
Into Level 3	—	—	—	41,576
Out of Level 3	—	(1,060)	—	—
Net change	1,958	(1,060)	(1,494)	41,260
Balance at December 31, 2020	\$ 11,284	\$ —	\$12,933	\$42,113

⁽¹⁾ Realized and unrealized losses related to financial instruments owned and investments are reported in other income in the consolidated statements of operations.

The following tables summarize the changes in fair value associated with Level 3 financial instruments during the year ended December 31, 2019 (*in thousands*):

	Year Ended December 31, 2019			
	Financial instruments owned		Investments	
	Other	Corporate Equity Securities	Auction Rate Securities	Other
Balance at December 31, 2018	\$ 176	\$ —	\$17,336	\$857
Unrealized gains	2	—	261	—
Realized gains/(losses) ⁽¹⁾	451	—	—	—
Purchases	24,316	—	—	—
Sales	(16,081)	—	—	—
Redemptions	(3)	—	(2,700)	(4)
Transfers:				
Into Level 3	465	1,060	—	—
Out of Level 3	—	—	(470)	—
Net change	9,150	1,060	(2,909)	(4)
Balance at December 31, 2019	\$ 9,326	\$ 1,060	\$14,427	\$853

⁽¹⁾ Realized and unrealized losses related to financial instruments owned and investments are reported in other income in the consolidated statements of operations.

The results included in the tables above are only a component of the overall investment strategies of our company. The tables above do not present Level 1 or Level 2 valued assets or liabilities. The changes in unrealized gains/(losses) recorded in earnings for the years ended December 31, 2020 and 2019, relating to Level 3 assets still held at December 31, 2020, were immaterial.

The fair value of certain Level 3 assets was determined using various methodologies, as appropriate, including third-party pricing vendors and broker quotes. These inputs are evaluated for reasonableness through various procedures, including due diligence reviews of third-party pricing vendors, variance analyses, consideration of current market environment, and other analytical procedures.

The fair value for our auction rate securities was determined using an income approach based on an internally developed discounted cash flow model. The discounted cash flow model utilizes two significant unobservable inputs: discount rate and workout period. Significant increases in any of these inputs in isolation would result in a significantly lower fair value. On an ongoing basis, management verifies the fair value by reviewing the appropriateness of the discounted cash flow model and its significant inputs.

Fair Value of Financial Instruments

The following reflects the fair value of financial instruments, as of December 31, 2020 and 2019, whether or not recognized in the consolidated statements of financial condition at fair value (*in thousands*):

	December 31, 2020		December 31, 2019	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Financial assets:				
Cash and cash equivalents	\$ 2,279,274	\$ 2,279,274	\$ 1,142,596	\$ 1,142,596
Cash segregated for regulatory purposes	172,932	172,932	131,374	131,374
Securities purchased under agreements to resell	217,930	217,930	385,008	385,008
Financial instruments owned	694,028	694,028	972,932	972,932
Available-for-sale securities	2,230,297	2,230,297	3,254,737	3,254,737
Held-to-maturity securities	4,117,384	4,107,960	2,856,219	2,827,883
Bank loans	11,006,760	11,088,058	9,624,042	9,801,986
Loans held for sale	551,248	551,248	389,693	389,693
Investments	113,862	113,862	79,972	79,972
Derivative contracts ⁽¹⁾	—	—	1,086	1,086
Financial liabilities:				
Securities sold under agreements to repurchase	\$ 190,955	\$ 190,955	\$ 391,634	\$ 391,634
Bank deposits	17,396,497	17,192,722	15,332,581	14,467,894
Financial instruments sold, but not yet purchased	437,978	437,978	662,852	662,852
Federal Home Loan Bank advances	—	—	250,000	250,000
Senior notes	1,112,409	1,265,669	1,017,010	1,069,425
Debentures to Stifel Financial Capital Trusts	60,000	41,071	60,000	45,847

⁽¹⁾ Included in other assets in the consolidated statements of financial condition.

The following tables present the estimated fair values of financial instruments not measured at fair value on a recurring basis for the periods indicated (*in thousands*):

	December 31, 2020			
	Total	Level 1	Level 2	Level 3
Financial assets:				
Cash	\$ 2,245,082	\$2,245,082	\$ —	\$ —
Cash segregated for regulatory purposes	172,932	172,932	—	—
Securities purchased under agreements to resell	217,930	164,094	53,836	—
Held-to-maturity securities	4,107,960	—	3,943,944	164,016
Bank loans	11,088,058	—	11,088,058	—
Loans held for sale	551,248	—	551,248	—
Financial liabilities:				
Securities sold under agreements to repurchase	\$ 190,955	\$ —	\$ 190,955	\$ —
Bank deposits	17,192,722	—	17,192,722	—
Senior notes	1,265,669	1,265,669	—	—
Debentures to Stifel Financial Capital Trusts	41,071	—	—	41,071

	December 31, 2019			
	Total	Level 1	Level 2	Level 3
Financial assets:				
Cash	\$ 1,116,862	\$1,116,862	\$ —	\$ —
Cash segregated for regulatory purposes	131,374	131,374	—	—
Securities purchased under agreements to resell	385,008	342,132	42,876	—
Held-to-maturity securities	2,827,883	—	2,666,773	161,110
Bank loans	9,801,986	—	9,801,986	—
Loans held for sale	389,693	—	389,693	—
Financial liabilities:				
Securities sold under agreements to repurchase	\$ 391,634	\$ 22,205	\$ 369,429	\$ —
Bank deposits	14,467,894	—	14,467,894	—
Federal Home Loan Bank advances	250,000	250,000	—	—
Senior notes	1,069,425	1,069,425	—	—
Debentures to Stifel Financial Capital Trusts	45,847	—	—	45,847

The following, as supplemented by the discussion above, describes the valuation techniques used in estimating the fair value of our financial instruments as of December 31, 2020 and 2019.

Financial Assets

Securities Purchased Under Agreements to Resell

Securities purchased under agreements to resell are collateralized financing transactions that are recorded at their contractual amounts plus accrued interest. The carrying values at December 31, 2020 and 2019 approximate fair value due to their short-term nature.

Held-to-Maturity Securities

Securities held to maturity are recorded at amortized cost based on our company's positive intent and ability to hold these securities to maturity. Securities held to maturity include asset-backed securities, consisting of collateralized loan obligation securities and student loan ARS. The estimated fair value, included in the above table, is determined using several factors; however, primary weight is given to discounted cash flow modeling techniques that incorporated an estimated discount rate based upon recent observable debt security issuances with similar characteristics.

Loans Held for Sale

Loans held for sale consist of fixed-rate and adjustable-rate residential real estate mortgage loans intended for sale. Loans held for sale are stated at lower of cost or market value. Market value is determined based on prevailing market prices for loans with similar characteristics or on sale contract prices.

Bank Loans

The fair values of mortgage loans and commercial loans were estimated using a discounted cash flow method, a form of the income approach. Discount rates were determined considering rates at which similar portfolios of loans, with similar remaining maturities, would be made and considering liquidity spreads applicable to each loan portfolio based on the secondary market.

Financial Liabilities

Securities Sold Under Agreements to Repurchase

Securities sold under agreements to repurchase are collateralized financing transactions that are recorded at their contractual amounts plus accrued interest. The carrying values at December 31, 2020 and 2019 approximate fair value due to the short-term nature.

Bank Deposits

The fair value of interest-bearing deposits, including certificates of deposits, demand deposits, savings, and checking accounts, was calculated by discounting the future cash flows using discount rates based on the replacement cost of funding of similar structures and terms.

Federal Home Loan Bank Advances

Federal Home Loan Bank advances reflect terms that approximate current market rates for similar borrowings.

Senior Notes

The fair value of our senior notes is estimated based upon quoted market prices.

Debentures to Stifel Financial Capital Trusts

The fair value of our trust preferred securities is based on the discounted value of contractual cash flows. We have assumed a discount rate based on similar type debt instruments.

These fair value disclosures represent our best estimates based on relevant market information and information about the financial instruments. Fair value estimates are based on judgments regarding future expected losses, current economic conditions, risk characteristics of the various instruments, and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in the above methodologies and assumptions could significantly affect the estimates.

NOTE 6 – Financial Instruments Owned and Financial Instruments Sold, But Not Yet Purchased

The components of financial instruments owned and trading securities sold, but not yet purchased, at December 31, 2020 and 2019, are as follows *(in thousands)*:

	December 31,	
	2020	2019
Financial instruments owned:		
U.S. government securities	\$ 46,900	\$ 9,266
U.S. government agency securities	56,450	66,881
Agency mortgage-backed securities	216,434	388,856
Corporate securities:		
Fixed income securities	194,575	250,783
Equity securities	67,593	64,009
State and municipal securities	96,150	137,211
Other ⁽¹⁾	15,926	55,926
	\$694,028	\$972,932
Financial instruments sold, but not yet purchased:		
U.S. government securities	\$ 91,974	\$243,570
Agency mortgage-backed securities	141,227	231,909
Corporate securities:		
Fixed income securities	162,626	140,100
Equity securities	30,848	32,047
Other ⁽²⁾	11,303	15,226
	\$ 437,978	\$662,852

⁽¹⁾ Includes loans, asset-backed securities, sovereign debt, and non-agency mortgage-backed securities.

⁽²⁾ Includes sovereign debt, U.S. government agency securities, loans, and state and municipal securities.

At December 31, 2020 and 2019, financial instruments owned in the amount of \$194.0 million and \$511.2 million, respectively, were pledged as collateral for our repurchase agreements and short-term borrowings. Our financial instruments owned are presented on a trade-date basis in the consolidated statements of financial condition.

Financial instruments sold, but not yet purchased, represent obligations of our company to deliver the specified security at the contracted price, thereby creating a liability to purchase the security in the market at prevailing prices in future periods. We are obligated to acquire the securities sold short at prevailing market prices in future periods, which may exceed the amount reflected in the consolidated statements of financial condition.

NOTE 7 – Available-for-Sale and Held-to-Maturity Securities

The following tables provide a summary of the amortized cost and fair values of the available-for-sale securities and held-to-maturity securities at December 31, 2020 and 2019 (in thousands):

	December 31, 2020			
	Amortized Cost	Gross Unrealized Gains ⁽¹⁾	Gross Unrealized Losses ⁽¹⁾	Fair Value
Available-for-sale securities				
U.S. government agency securities	\$ 4,293	\$ 68	\$ —	\$ 4,361
State and municipal securities	2,395	58	—	2,453
Mortgage-backed securities:				
Agency	777,025	16,401	(16)	793,410
Commercial	91,237	4,376	—	95,613
Non-agency	4,550	28	(9)	4,569
Corporate fixed income securities	604,662	27,096	—	631,758
Asset-backed securities	700,177	3,522	(5,566)	698,133
	\$2,184,339	\$51,549	\$ (5,591)	\$2,230,297
Held-to-maturity securities⁽²⁾				
Asset-backed securities	\$ 4,117,384	\$ 8,111	\$(17,535)	\$ 4,107,960
	December 31, 2019			
	Amortized Cost	Gross Unrealized Gains ⁽¹⁾	Gross Unrealized Losses ⁽¹⁾	Fair Value
Available-for-sale securities				
U.S. government agency securities	\$ 5,028	\$ 39	\$ —	\$ 5,067
State and municipal securities	24,198	99	—	24,297
Mortgage-backed securities:				
Agency	840,659	3,070	(5,851)	837,878
Commercial	109,982	269	(714)	109,537
Non-agency	9,731	50	(23)	9,758
Corporate fixed income securities	664,028	11,283	—	675,311
Asset-backed securities	1,600,415	679	(8,205)	1,592,889
	\$ 3,254,041	\$15,489	\$ (14,793)	\$3,254,737
Held-to-maturity securities⁽²⁾				
Asset-backed securities	\$ 2,856,219	\$ 5,960	\$(34,296)	\$ 2,827,883

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

⁽²⁾ Held-to-maturity securities are carried in 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.

Effective January 1, 2020, we adopted the new accounting standard for credit losses that requires evaluation of available-for-sale and held-to-maturity debt securities for any expected losses with recognition of an allowance for credit losses, when applicable. For more information, see Note 2 – Summary of Significant Accounting Policies. At December 31, 2020, we did not have an allowance for credit losses recorded on our investment portfolio.

Accrued interest receivable for our investment portfolio at December 31, 2020, was \$26.0 million and is reported in other assets in the consolidated statements of financial condition. We do not include reserves for interest receivable in the measurement of the allowance for credit losses.

For the year ended December 31, 2020, we received proceeds of \$491.9 million from the sale of available-for-sale securities, which resulted in a realized loss of \$0.5 million. For the year ended December 31, 2019, we received proceeds of \$641.8 million from the sale of available-for-sale securities, which resulted in a realized loss of \$0.3 million. For the year ended December 31, 2018, we received proceeds of \$372.4 million from the sale of available-for-sale securities, which resulted in a realized loss of \$3.9 million.

During the year ended December 31, 2020, the Company transferred \$1.0 billion of certain asset-backed securities from the available-for-sale category to held-to-maturity. Management determined that it has both the positive intent and ability to hold these securities to maturity. The reclassification of these securities was accounted for at fair value. There were no gains or losses recognized as a result of these transfers.

During the year ended December 31, 2019, the Company transferred certain asset-backed securities from the held-to-maturity category to available-for-sale. At the date of transfer, the securities reclassified had a fair value of \$1.1 billion and resulted in a net of tax increase to other comprehensive income of \$17.9 million.

During the years ended December 31, 2020 and 2019, unrealized gains, net of deferred taxes, of \$33.1 million and \$42.4 million, respectively, were recorded in accumulated other comprehensive income/(loss) in the consolidated statements of financial condition. During the year ended December 31, 2018, unrealized losses, net of deferred taxes, of \$36.3 million were recorded in accumulated other comprehensive income/(loss) in the consolidated statements of financial condition.

The table below summarizes the amortized cost and fair values of our securities by contractual maturity (*in thousands*). Expected maturities may differ significantly from contractual maturities, as issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

	December 31, 2020		December 31, 2019	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Available-for-sale securities				
Within one year	\$ 143,462	\$ 144,362	\$ 6,861	\$ 6,871
After one year through three years	134,040	137,625	229,184	229,760
After three years through five years	247,907	266,139	422,236	429,909
After five years through ten years	429,921	435,111	409,664	411,680
After ten years	1,229,009	1,247,060	2,186,096	2,176,517
	2,184,339	2,230,297	3,254,041	3,254,737
Held-to-maturity securities				
After three years through five years	17,460	17,460	—	—
After five years through ten years	1,932,439	1,926,425	598,250	597,166
After ten years	2,167,485	2,164,075	2,257,969	2,230,717
	\$ 4,117,384	\$ 4,107,960	\$ 2,856,219	\$ 2,827,883

The maturities of our available-for-sale (fair value) and held-to-maturity (amortized cost) securities at December 31, 2020, are as follows (*in thousands*):

	Within 1 Year	1-5 Years	5-10 Years	After 10 Years	Total
Available-for-sale securities⁽¹⁾					
U.S. government agency securities	\$ 2,518	\$ 1,843	\$ —	\$ —	\$ 4,361
State and municipal securities	—	—	2,453	—	2,453
Mortgage-backed securities:					
Agency	3	355	86,324	706,728	793,410
Commercial	16,602	16	—	78,995	95,613
Non-agency	3,841	—	—	728	4,569
Corporate fixed income securities	121,398	401,550	108,810	—	631,758
Asset-backed securities	—	—	237,524	460,609	698,133
	\$144,362	\$403,764	\$ 435,111	\$1,247,060	\$2,230,297
Held-to-maturity securities					
Asset-backed securities	\$ —	\$ 17,460	\$ 1,932,439	\$ 2,167,485	\$ 4,117,384

⁽¹⁾ Due to the immaterial amount of income recognized on tax-exempt securities, yields were not calculated on a tax-equivalent basis.

At December 31, 2020 and 2019, securities of \$368.4 million and \$801.5 million, respectively, were pledged at the Federal Home Loan Bank as collateral for borrowings and letters of credit obtained to secure public deposits. At December 31, 2020 and 2019, securities of \$1.4 billion and \$816.1 million, respectively, were pledged with the Federal Reserve discount window.

The following table shows the gross unrealized losses and fair value of the Company's investment securities with unrealized losses, aggregated by investment category and length of time the individual investment securities have been in continuous unrealized loss positions, at December 31, 2020 *(in thousands)*

	Less Than 12 Months		12 Months or More		Total	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
Available-for-sale securities						
Mortgage-backed securities:						
Agency	\$ (16)	\$ 10,254	\$ —	\$ —	\$ (16)	\$ 10,254
Non-agency	—	—	(9)	728	(9)	728
Asset-backed securities	(2,132)	155,011	(3,434)	358,154	(5,566)	513,165
	\$ (2,148)	\$ 165,265	\$ (3,443)	\$ 358,882	\$ (5,591)	\$ 524,147

At December 31, 2020, the amortized cost of 40 securities classified as available for sale exceeded their fair value by \$5.6 million, of which \$3.4 million related to investment securities that had been in a loss position for 12 months or longer. The total fair value of these investments at December 31, 2020, was \$524.1 million, which was 23.5% of our available-for-sale portfolio.

Credit Quality Indicators

The Company uses Moody credit ratings as the credit quality indicator for its held-to-maturity debt securities. Each security is evaluated at least quarterly. The indicators represent the rating for debt securities, as of the date presented, based on the most recent assessment performed. The following table shows the amortized cost of our held-to-maturity securities by credit quality indicator at December 31, 2020 *(in thousands)*

	AAA	AA	A	C	Total
Held-to-maturity securities					
Asset-backed securities	\$1,141,171	\$2,958,169	\$15,500	\$2,544	\$4,117,384

NOTE 8 – Bank Loans

The following table presents the balance and associated percentage of each major loan category in our loan portfolio at December 31, 2020 and 2019 *(in thousands, except percentages)*

	December 31, 2020		December 31, 2019	
	Balance	Percent	Balance	Percent
Commercial and industrial	\$ 4,296,089	38.5%	\$3,438,953	35.3%
Residential real estate	3,956,670	35.4	3,309,548	33.9
Securities-based loans	1,933,974	17.3	2,098,211	21.5
Construction and land	501,681	4.5	398,839	4.1
Commercial real estate	366,485	3.3	428,549	4.4
Home equity lines of credit	75,507	0.7	51,205	0.5
Other	40,407	0.3	27,311	0.3
Gross bank loans	11,170,813	100.0%	9,752,616	100.0%
Unamortized loan discount, net	(1,822)		(6,588)	
Loans in process	(48,222)		(27,717)	
Unamortized loan fees, net	(1,980)		1,310	
Allowance for loan losses	(112,029)		(95,579)	
Loans held for investment, net	\$ 11,006,760		\$ 9,624,042	

At December 31, 2020 and 2019, Stifel Bancorp had loans outstanding to its executive officers and directors and executive officers and directors of certain affiliated entities in the amount of \$23.6 million and \$24.5 million, respectively.

At December 31, 2020 and 2019, we had loans held for sale of \$551.2 million and \$389.7 million, respectively. For the years ended December 31, 2020, 2019, and 2018, we recognized gains, included in other income in the consolidated statements of operations, of \$41.2 million, \$13.1 million, and \$8.2 million, respectively, from the sale of originated loans, net of fees and costs.

At December 31, 2020 and 2019, loans, primarily consisting of residential and commercial real estate loans of \$3.8 billion and \$3.1 billion, respectively, were pledged at the Federal Home Loan Bank as collateral for borrowings.

Accrued interest receivable for loans and loans held for sale at December 31, 2020, was \$20.8 million and is reported in other assets on the consolidated statement of financial condition.

The following table details activity in the allowance for loan losses by portfolio segment for the years ended December 31, 2020 and 2019 (*in thousands*):

	Year Ended December 31, 2020					
	Beginning Balance	CECL Adoption	Provision	Charge-Offs	Recoveries	Ending Balance
Commercial and industrial	\$69,949	\$(19,940)	\$ 17,341	\$(153)	\$ 25	\$ 67,222
Construction and land	4,613	2,674	9,988	—	—	17,275
Residential real estate	14,253	3,499	(1,452)	—	—	16,300
Commercial real estate	3,564	791	4,225	—	—	8,580
Securities-based loans	2,361	1,346	(1,692)	—	—	2,015
Home equity lines of credit	442	39	(195)	—	88	374
Other	397	(145)	49	(40)	2	263
	\$95,579	\$(11,736)	\$28,264	\$(193)	\$115	\$112,029

	Year Ended December 31, 2019				
	Beginning Balance	Provision	Charge-Offs	Recoveries	Ending Balance
Commercial and industrial	\$68,367	\$1,821	\$(239)	\$ —	\$69,949
Residential real estate	11,228	2,974	(41)	92	14,253
Construction and land	1,241	3,372	—	—	4,613
Commercial real estate	1,778	1,786	—	—	3,564
Securities-based loans	1,978	383	—	—	2,361
Home equity lines of credit	310	129	—	3	442
Other	931	(488)	(106)	60	397
	\$85,833	\$9,977	\$(386)	\$155	\$95,579

On January 1, 2020, we adopted the new accounting standard that requires the measurement of the allowance for credit losses to be based on management's best estimate of lifetime expected credit losses inherent in our company's relevant financial assets. Upon adoption of the new accounting standard, we recorded a \$10.4 million increase in the allowance for credit losses on January 1, 2020, which was comprised of a net increase to the allowance for loan losses and an adjustment to the reserve for unfunded lend-

ing commitments. During the year ended December 31, 2020, we recorded \$28.3 million of net credit loss reserves reflecting the impact of change in our company's outlook on estimated lifetime expected credit losses under the CECL standard due to the COVID-19 pandemic. For more information on our company's credit loss accounting policies, including the allowance for credit losses, see Note 2 - Summary of Significant Accounting Policies.

The following table presents the recorded balances of loans and amount of allowance allocated based upon impairment method by portfolio segment at December 31, 2020 (*in thousands*):

	Allowance for Loan Losses			Recorded Investment in Loans		
	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total
Commercial and industrial	\$8,158	\$ 59,064	\$ 67,222	\$12,251	\$4,283,838	\$4,296,089
Residential real estate	24	16,276	16,300	1,407	3,955,263	3,956,670
Securities-based loans	—	2,015	2,015	—	1,933,974	1,933,974
Constuction and land	—	17,275	17,275	—	501,681	501,681
Commercial real estate	—	8,580	8,580	144	366,341	366,485
Home equity lines of credit	—	374	374	—	75,507	75,507
Other	—	263	263	—	40,407	40,407
	\$8,182	\$103,847	\$112,029	\$13,802	\$11,157,011	\$11,170,813

The following table presents the recorded balances of loans and amount of allowance allocated based upon impairment method by portfolio segment at December 31, 2019 (*in thousands*):

	Allowance for Loan Losses			Recorded Investment in Loans		
	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total
Commercial and industrial	\$8,158	\$61,791	\$69,949	\$12,991	\$3,425,962	\$3,438,953
Residential real estate	24	14,229	14,253	1,412	3,308,136	3,309,548
Securities-based loans	—	2,361	2,361	—	2,098,211	2,098,211
Commercial real estate	—	3,564	3,564	—	428,549	428,549
Constuction and land	—	4,613	4,613	—	398,839	398,839
Home equity lines of credit	—	442	442	184	51,021	51,205
Other	—	397	397	—	27,311	27,311
	\$8,182	\$87,397	\$95,579	\$14,587	\$9,738,029	\$9,752,616

At December 31, 2020, we had \$13.8 million of impaired loans, net of discounts, which included \$0.2 million in troubled debt restructurings. The specific allowance on impaired loans at December 31, 2020, was \$8.2 million. At December 31, 2019, we had \$14.6 million of impaired loans, net of discounts, which included \$0.2 million in troubled debt restructurings. The specific allowance on impaired loans at December 31, 2019, was \$8.2 million. 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 year ended December 31, 2020 and 2019, were insignificant to the consolidated financial statements.

In March 2020, the President signed into law the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), which among other things, provided

optional, temporary relief from accounting for certain loan modifications as troubled debt restructurings (TDRs). Under the CARES Act, TDR relief is available to banks for loan modifications related to the adverse effects of the coronavirus (COVID-19) pandemic granted to borrowers that were current as of December 31, 2019. TDR relief applies to COVID-related modifications made from March 1, 2020 through December 31, 2020.

In December 2020, the U.S. federal government enacted the Consolidated Appropriations Act of 2021, which provided additional COVID-19 relief to American families and business, including extending TDR relief under the CARES Act until the earlier of December 31, 2021, or 60 days following the termination of the national emergency. We elected to apply the TDR relief provided by the CARES Act in the second quarter of 2020.

The tables below present loans that were individually evaluated for impairment by portfolio segment at December 31, 2020 and 2019, including the average recorded investment balance (*in thousands*):

December 31, 2020						
	Unpaid Contractual Principal Balance	Recorded Investment With No Allowance	Recorded Investment With Allowance	Total Recorded Investment	Related Allowance	Average Recorded Investment
Commercial and industrial	\$12,251	\$ 14	\$12,237	\$12,251	\$8,158	\$12,954
Residential real estate	1,407	1,249	158	1,407	24	1,410
Commercial real estate	144	144	—	144	—	145
Other	150	—	—	—	—	—
Total	\$13,952	\$1,407	\$12,395	\$13,802	\$8,182	\$14,509

December 31, 2019						
	Unpaid Contractual Principal Balance	Recorded Investment With No Allowance	Recorded Investment With Allowance	Total Recorded Investment	Related Allowance	Average Recorded Investment
Commercial and industrial	\$12,991	\$ 51	\$12,940	\$12,991	\$8,158	\$14,172
Residential real estate	1,412	1,412	—	1,412	24	1,231
Home equity lines of credit	184	184	—	184	—	184
Other	150	—	—	—	—	—
Total	\$14,737	\$1,647	\$12,940	\$14,587	\$8,182	\$15,587

The following table presents the aging of the recorded investment in past due loans at December 31, 2020 and 2019, by portfolio segment (*in thousands*):

December 31, 2020					
	30-89 Days Past Due	90 or More Days Past Due	Total Past Due	Current Balance	Total
Commercial and industrial	\$ 14	\$12,237	\$12,251	\$4,283,838	\$4,296,089
Residential real estate	4,554	1,249	5,803	3,950,867	3,956,670
Securities-based loans	—	—	—	1,933,974	1,933,974
Construction and land	—	—	—	501,681	501,681
Commercial real estate	—	144	144	366,341	366,485
Home equity lines of credit	12	—	12	75,495	75,507
Other	31	—	31	40,376	40,407
Total	\$4,611	\$13,630	\$18,241	\$11,152,572	\$11,170,813

December 31, 2020*				
	Non-Accrual	Restructured	Nonperforming Loans With No Allowance	Total
Commercial and industrial	\$12,251	\$ —	\$ —	\$12,251
Residential real estate	—	158	1,249	1,407
Commercial real estate	144	—	—	144
Total	\$12,395	\$158	\$1,249	\$13,802

* There were no loans past due 90 days and still accruing interest at December 31, 2020.

	December 31, 2019				
	30-89 Days Past Due	90 or More Days Past Due	Total Past Due	Current Balance	Total
Commercial and industrial	\$ —	\$12,940	\$12,940	\$3,426,013	\$3,438,953
Residential real estate	10,476	1,249	11,725	3,297,823	3,309,548
Securities-based loans	—	—	—	2,098,211	2,098,211
Commercial real estate	—	—	—	428,549	428,549
Construction and land	—	—	—	398,839	398,839
Home equity lines of credit	83	184	267	50,938	51,205
Other	5	—	5	27,306	27,311
Total	\$10,564	\$14,373	\$24,937	\$ 9,727,679	\$9,752,616

	December 31, 2019*		
	Non-Accrual	Restructured	Total
Commercial and industrial	\$12,940	\$ —	\$12,940
Residential real estate	1,249	163	1,412
Home equity lines of credit	184	—	184
Total	\$14,373	\$163	\$14,536

* There were no loans past due 90 days and still accruing interest at December 31, 2019.

Credit quality indicators

As of December 31, 2020, bank loans were primarily extended to non-investment-grade borrowers. Substantially all of these loans align with the U.S. federal bank regulatory agencies' definition of Pass. Loans meet the definition of Pass when they are performing and/or do not demonstrate adverse characteristics that are likely to result in a credit loss. A loan is determined to be impaired 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.

We closely monitor economic conditions and loan performance trends to manage and evaluate our exposure to credit risk. Trends in delinquency ratios are an indicator, among other considerations, of credit risk within our loan portfolios. The level of nonperforming assets represents another indicator of the potential for future credit losses. Accordingly, key metrics we track and use in evaluating the credit quality of our loan portfolio include delinquency and nonperforming asset rates, as well as charge-off rates and our internal risk ratings of the loan portfolio. In general, we are a secured lender. At December 31, 2020 and 2019, 98.8% and 98.3% of our loan portfolio was collateralized, respectively. Collateral is required in accordance with the normal credit evaluation process based upon the creditworthiness of the customer and the credit risk associated with the particular transaction. Our company uses the following definitions for risk ratings:

Pass. A credit exposure rated pass has a continued expectation of timely repayment, all obligations of the borrower are current, and the obligor complies with material terms and conditions of the lending agreement.

Special Mention. Extensions of credit that have potential weakness that deserve management's close attention and, if left uncorrected, may, at some future date, result in the deterioration of the repayment prospects or collateral position.

Substandard. Obligor has a well-defined weakness that jeopardizes the repayment of the debt and has a high probability of payment default with the distinct possibility that we will sustain some loss if noted deficiencies are not corrected.

Doubtful. Inherent weakness in the exposure makes the collection or repayment in full, based on existing facts, conditions, and circumstances, highly improbable, and the amount of loss is uncertain.

Substandard loans are regularly reviewed for impairment. Doubtful loans are considered impaired. When a loan is impaired, the impairment is measured based on the present value of expected future cash flows discounted at the loan's effective interest rate, or as a practical expedient, the observable market price of the loan or the fair value of the collateral if the loan is collateral dependent.

Portfolio segments

Commercial and industrial ("C&I"). C&I loans primarily include commercial and industrial lending used for general corporate purposes, working capital and liquidity, and "event-driven." "Event-driven" loans support client merger, acquisition or recapitalization activities. C&I lending is structured as revolving lines of credit, letter of credit facilities, term loans and bridge loans. Risk factors considered in determining the allowance for corporate loans include the borrower's financial strength, seniority of the loan, collateral type, leverage, volatility of collateral value, debt cushion, and covenants.

Real Estate. Real estate loans include residential real estate non-conforming loans, residential real estate conforming loans, commercial real estate, and home equity lines of credit. The allowance methodology related to real estate loans considers several factors, including, but not limited to, loan-to-value ratio, FICO score, home price index, delinquency status, credit limits, and utilization rates.

Securities-based loans. Securities-based loans allow clients to borrow money against the value of qualifying securities for any suitable purpose other than purchasing, trading, or carrying securities or refinancing margin debt. The majority of consumer loans are structured as revolving lines of credit and letter of credit facilities and are primarily offered through Stifel's Pledged Asset ("SPA") program. The allowance methodology for securities-based lending considers the collateral type underlying the loan, including the liquidity and trading volume of the collateral, position concentration, and other borrower-specific factors, such as personal guarantees.

Construction and land. Short-term loans used to finance the development of a real estate project.

Other. Other loans includes consumer and credit card lending.

Based on the most recent analysis performed, the risk category of our loan portfolio was as follows (*in thousands*):

	December 31, 2020				
	Pass	Special Mention	Substandard	Doubtful	Total
Commercial and industrial	\$ 3,995,351	\$105,759	\$182,728	\$12,251	\$4,296,089
Residential real estate	3,955,421	—	—	1,249	3,956,670
Securities-based loans	1,933,974	—	—	—	1,933,974
Construction and land	467,441	14,240	20,000	—	501,681
Commercial real estate	356,008	10,333	—	144	366,485
Home equity lines of credit	75,507	—	—	—	75,507
Other	40,407	—	—	—	40,407
Total	\$10,824,109	\$130,332	\$202,728	\$13,644	\$11,170,813

	December 31, 2019				
	Pass	Special Mention	Substandard	Doubtful	Total
Commercial and industrial	\$3,365,800	\$48,241	\$ 11,972	\$12,940	\$3,438,953
Residential real estate	3,307,719	417	1,412	—	3,309,548
Securities-based loans	2,098,211	—	—	—	2,098,211
Commercial real estate	427,963	586	—	—	428,549
Construction and land	398,839	—	—	—	398,839
Home equity lines of credit	51,021	—	184	—	51,205
Other	27,311	—	—	—	27,311
Total	\$9,676,864	\$49,244	\$13,568	\$12,940	\$9,752,616

Term Loans Amortized Cost Basis by Origination Year – December 31, 2020

	2020	2019	2018	2017	2016	Prior	Revolving Loan Amortized Cost Basis	Total
Commercial and industrial:								
Pass	\$ 828,098	\$ 519,723	\$743,440	\$332,986	\$204,369	\$297,288	\$1,069,447	\$3,995,351
Special Mention	500	239	35,602	57,708	—	4,200	7,510	105,759
Substandard	19,395	34,772	65,801	48,647	7,777	—	6,336	182,728
Doubtful	—	—	—	12,237	—	14	—	12,251
	\$ 847,993	\$ 554,734	\$844,843	\$451,578	\$212,146	\$301,502	\$1,083,293	\$4,296,089
Residential real estate:								
Pass	\$1,600,107	\$896,190	\$375,252	\$302,524	\$272,101	\$509,247	\$ —	\$3,955,421
Special Mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—
Doubtful	—	—	—	149	—	1,100	—	1,249
	\$1,600,107	\$896,190	\$375,252	\$302,673	\$272,101	\$510,347	\$ —	\$3,956,670
Securities-based loans:								
Pass	\$ 25,563	\$ 104,011	\$ 294	\$ 140	\$ 300	\$ 16,716	\$1,786,950	\$ 1,933,974
Special Mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—
	\$ 25,563	\$ 104,011	\$ 294	\$ 140	\$ 300	\$ 16,716	\$1,786,950	\$1,933,974
Construction and land:								
Pass	\$ 68,392	\$206,085	\$119,416	\$ 61,289	\$ 6,450	\$ 1,355	\$ 4,454	\$ 467,441
Special Mention	—	—	14,240	—	—	—	—	14,240
Substandard	—	—	20,000	—	—	—	—	20,000
Doubtful	—	—	—	—	—	—	—	—
	\$ 68,392	\$206,085	\$153,656	\$ 61,289	\$ 6,450	\$ 1,355	\$ 4,454	\$ 501,681
Commercial real estate:								
Pass	\$ 77,792	\$ 151,805	\$ 38,744	\$ 45,275	\$ 4,007	\$ 37,903	\$ 482	\$ 356,008
Special Mention	—	—	—	—	10,333	—	—	10,333
Substandard	—	—	—	—	—	—	—	—
Doubtful	—	—	144	—	—	—	—	144
	\$ 77,792	\$ 151,805	\$ 38,888	\$ 45,275	\$ 14,340	\$ 37,903	\$ 482	\$ 366,485
Home equity lines of credit:								
Pass	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 75,507	\$ 75,507
Special Mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—
	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 75,507	\$ 75,507
Other:								
Pass	\$ —	\$ —	\$ 5	\$ —	\$ 503	\$ 197	\$ 39,702	\$ 40,407
Special Mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—
	\$ —	\$ —	\$ 5	\$ —	\$ 503	\$ 197	\$ 39,702	\$ 40,407

NOTE 9 – Fixed Assets

The following is a summary of fixed assets as of December 31, 2020 and 2019 *(in thousands)*:

	December 31, 2020	December 31, 2019
Office equipment	\$ 323,841	\$ 288,975
Leasehold improvements	105,187	120,570
Building	62,803	58,804
Aircraft engine operating leases	—	206,315
	491,831	674,664
Accumulated depreciation and amortization	(323,916)	(292,499)
	\$ 167,915	\$ 382,165

For the years ended December 31, 2020, 2019, and 2018, depreciation and amortization totaled \$40.9 million, \$38.4 million, and \$27.9 million, respectively.

As of December 31, 2019, the Company had a total lease portfolio of 14 aircraft engines with a net book value of \$200.4 million. Lease income, included in other income in the consolidated statements of operations, was \$20.9 million for year ended December 31, 2019.

During the year ended December 31, 2020, Stifel Bancorp's equity in North Shore was redeemed. As a result, we deconsolidated the related assets, liabilities, and non-controlling interests of North Shore. For more information, see Note 1 – *Nature of Operations and Basis of Presentation*.

NOTE 10 – Goodwill and Intangible Assets

The carrying amount of goodwill and intangible assets attributable to each of our reporting segments is presented in the following table *(in thousands)*:

	December 31, 2019	Net Additions	Sale of ZCM	December 31, 2020
Goodwill				
Global Wealth Management	\$ 344,981	\$ —	\$ (9,972)	\$ 335,009
Institutional Group	849,093	(2,104)	—	846,989
	\$1,194,074	\$(2,104)	\$(9,972)	\$1,181,998
	December 31, 2019	Adjustments/ Sale of ZCM	Amortization	December 31, 2020
Intangible Assets				
Global Wealth Management	\$ 53,279	\$(1,532)	\$ (7,076)	\$ 44,671
Institutional Group	108,494	363	(12,544)	96,313
	\$ 161,773	\$(1,169)	\$(19,620)	\$140,984

The adjustments to goodwill and intangible assets during the year ended December 31, 2020, are primarily attributable to the sale of ZCM, and the acquisitions of Mooreland Partners on July 1, 2019, B&F Capital Markets on September 3, 2019, MainFirst Bank on November 1, 2019, and GMP Capital, Inc. on December 6, 2019. See Note 3 in the notes to our consolidated financial statements for additional information regarding our acquisitions.

On March 27, 2020, the Company completed the sale of ZCM, a wholly owned asset management subsidiary. The Company recorded a gain on the sale, which included a write-off of allocated goodwill and the remaining net book value of intangible assets.

The goodwill represents the value expected from the synergies created through the operational enhancement benefits that will result from the integration of each respective business, its employees, and customer base.

Amortizable intangible assets consist of acquired customer relationships, trade names, non-compete agreements, core deposits, investment banking backlog, and acquired technology that are amortized over their contractual or determined useful lives. Intangible assets as of December 31, 2020 and 2019, were as follows (*in thousands*):

	December 31, 2020		December 31, 2019	
	Gross Carrying Value	Accumulated Amortization	Gross Carrying Value	Accumulated Amortization
Customer relationships	\$202,342	\$ 85,152	\$207,253	\$75,987
Trade names	28,659	15,660	28,659	13,649
Non-compete agreements	9,240	4,229	9,490	2,828
Core deposits	8,615	4,809	8,615	2,985
Investment banking backlog	4,245	2,734	4,245	1,787
Acquired technology	840	373	840	93
	\$253,941	\$112,957	\$259,102	\$ 97,329

Amortization expense related to intangible assets was \$19.6 million, \$16.0 million, and \$12.6 million for the years ended December 31, 2020, 2019, and 2018, respectively, and is included in other operating expenses in the consolidated statements of operations.

The weighted-average remaining lives of the following intangible assets at December 31, 2020, are: customer relationships, 10.5 years; trade name, 9.3 years; non-compete agreements, 6.1 years; core deposits, 3.5 years; investment banking backlog, 8.1 years; and acquired technology, 1.7 years. We have an intangible asset that is not subject to amortization and is, therefore, not included in the table below. As of December 31, 2020, we expect amortization expense in future periods to be as follows (*in thousands*):

Fiscal year	
2021	\$ 17,806
2022	16,454
2023	14,601
2024	13,886
2025	11,826
Thereafter	64,293
	\$138,866

NOTE 11 – Borrowings and Federal Home Loan Bank Advances

Our short-term financing is generally obtained through short-term bank line financing on an uncommitted, secured basis, securities lending arrangements, repurchase agreements, advances from the Federal Home Loan Bank, term loans, and committed bank line financing on an unsecured basis. 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. We also have an unsecured, committed bank line available.

Our uncommitted secured lines of credit at December 31, 2020, totaled \$1.0 billion with five 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 \$490.0 million during the year ended December 31, 2020. There are no compensating balance requirements under these arrangements. Any borrowings on secured lines of credit are generally utilized to finance certain fixed income securities. At December 31, 2020, we had no outstanding balances on our uncommitted secured lines of credit.

The Federal Home Loan advances are floating-rate advances. The weighted average interest rates on these advances during the year ended December 31, 2020, was 1.30%. The advances are secured by Stifel Bancorp's residential mortgage loan portfolio and investment portfolio. The interest rates reset on a daily basis. Stifel Bancorp has the option to prepay these advances without penalty on the interest reset date. At December 31, 2020, there were no Federal Home Loan advances.

Our committed bank line financing at December 31, 2020, consisted of a \$200.0 million revolving credit facility. The credit facility expires in March 2024. The applicable interest rate under the revolving credit facility is calculated as a per annum rate equal to the London Interbank Offered Rate ("LIBOR") plus 1.75%, as defined in the revolving credit facility. At December 31, 2020, we had no advances on our revolving credit facility and were in compliance with all covenants.

Stifel, our broker-dealer subsidiary, has a 364-day Credit Agreement ("Stifel Credit Facility") with a maturity date of June 2021 in which the lenders are a number of financial institutions. This committed unsecured borrowing facility provides for maximum borrowings of up to \$300.0 million at variable rates of interest. At December 31, 2020, we had no advances on the Stifel Credit Facility and were in compliance with all covenants.

NOTE 12 – Senior Notes

The following table summarizes our senior notes as of December 31, 2020 and 2019 (*in thousands*):

	December 31, 2020	December 31, 2019
4.25% senior notes, due 2024 ⁽¹⁾	\$ 500,000	\$ 500,000
4.00% senior notes, due 2030 ⁽²⁾	400,000	—
5.20% senior notes, due 2047 ⁽³⁾	225,000	225,000
3.50% senior notes, due 2020 ⁽⁴⁾	—	300,000
	1,125,000	1,025,000
Debt issuance costs, net	(12,591)	(7,990)
Senior notes, net	\$ 1,112,409	\$ 1,017,010

⁽¹⁾ In July 2014, we sold in a registered underwritten public offering, \$300.0 million in aggregate principal amount of 4.250% senior notes due July 2024. Interest on these senior notes is payable semi-annually in arrears. We may redeem the 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. In July 2016, we issued an additional \$200.0 million in aggregate principal amount of 4.25% senior notes due 2024.

⁽²⁾ In May 2020, we sold in a registered underwritten public offering, \$400.0 million in aggregate principal amount of 4.00% senior notes due May 2030. Interest on these senior notes is payable semi-annually in arrears. We may redeem the notes in whole or in part, at our option, at a redemption price equal to the greater of a) 100% of their principal amount, or b) discounted present value at Treasury rate plus 50 basis points prior to February 15, 2030, and on or after February 15, 2030, at 100% of their principal amount, and accrued and unpaid interest, if any, to the date of redemption.

⁽³⁾ In October 2017, we completed the pricing of a registered underwritten public offering of \$200.0 million in aggregate principal amount of 5.20% senior notes due October 2047. Interest on the senior notes is payable quarterly in arrears on January 15, April 15, July 15, and October 15. On or after October 15, 2022, we may redeem some or all of the senior notes at any time at a redemption price equal to 100% of the principal amount of the notes being redeemed plus accrued interest thereon to the redemption date. On October 27, 2017, we completed the sale of an additional \$25.0 million aggregate principal amount of Notes pursuant to the over-allotment option.

⁽⁴⁾ In December 2015, we sold in a registered underwritten public offering, \$300.0 million in aggregate principal amount of 3.50% senior notes due December 2020. Interest on these senior notes is payable semi-annually in arrears. We may redeem the 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. These notes matured in December 2020.

Our senior notes mature as follows, based upon contractual terms (*in thousands*):

2021	\$	—
2022		—
2023		—
2024		500,000
2025		—
Thereafter		625,000
		\$ 1,125,000

NOTE 13 – Bank Deposits

Deposits consist of interest-bearing-demand deposits (primarily money market and savings accounts), non-interest-bearing demand deposits, and certificates of deposit. Deposits at December 31, 2020 and 2019, were as follows (*in thousands*):

	December 31	
	2020	2019
Demand deposits (interest-bearing)	\$16,886,953	\$14,643,966
Demand deposits (non-interest-bearing)	411,890	165,657
Certificates of deposit	97,654	522,958
	\$17,396,497	\$15,332,581

The weighted-average interest rate on deposits was 0.09% and 0.64% at December 31, 2020 and 2019, respectively.

Scheduled maturities of certificates of deposit at December 31, 2020 and 2019, were as follows (*in thousands*):

	December 31	
	2020	2019
Certificates of deposit, less than \$100,000:		
Within one year	\$ 2,719	\$ 5,305
One to three years	409	360
Three to five years	254	13
	\$ 3,382	\$ 5,678
Certificates of deposit, \$100,000 and greater:		
Within one year	\$63,650	\$441,341
One to three years	30,622	68,855
Three to five years	—	7,084
	94,272	517,280
	\$ 97,654	\$522,958

At December 31, 2020 and 2019, the amount of deposits includes related party deposits, primarily interest-bearing and time deposits of \$6.7 million and \$6.7 million, respectively. Brokerage customers' deposits were \$16.0 billion and \$13.9 billion, respectively.

NOTE 14 – Debentures to Stifel Financial Capital Trusts

The following table summarizes our debentures to Stifel Financial Capital Trusts as of December 31, 2020 and 2019 (*in thousands*):

	December 31, 2020	December 31, 2019
Debenture to Stifel Financial Capital Trust II ⁽¹⁾	\$20,000	\$20,000
Debenture to Stifel Financial Capital Trust III ⁽²⁾	35,000	35,000
Debenture to Stifel Financial Capital Trust IV ⁽³⁾	5,000	5,000
	\$60,000	\$60,000

⁽¹⁾ On August 12, 2005, we completed a private placement of \$35.0 million of 6.38% Cumulative Trust Preferred Securities. The trust preferred securities were offered by Stifel Financial Capital Trust II (the "Trust II"), a non-consolidated wholly owned subsidiary of our company. The trust preferred securities mature on September 30, 2035, but may be redeemed by our company, and in turn, the Trust II would call the debenture beginning September 30, 2010. The Trust II requires quarterly distributions of interest to the holders of the trust preferred securities. Distributions are payable at a floating interest rate equal to three-month LIBOR plus 1.70% per annum. During 2016, we extinguished \$15.0 million of the Trust II debentures.

⁽²⁾ On March 30, 2007, we completed a private placement of \$35.0 million of 6.79% Cumulative Trust Preferred Securities. The trust preferred securities were offered by Stifel Financial Capital Trust III (the "Trust III"), a non-consolidated wholly owned subsidiary of our company. The trust preferred securities mature on June 6, 2037, but may be redeemed by our company, and in turn, Trust III would call the debenture beginning June 6, 2012. Trust III requires quarterly distributions of interest to the holders of the trust preferred securities. Distributions are payable at a floating interest rate equal to three-month LIBOR plus 1.85% per annum.

⁽³⁾ On June 28, 2007, we completed a private placement of \$35.0 million of 6.78% Cumulative Trust Preferred Securities. The trust preferred securities were offered by Stifel Financial Capital Trust IV (the "Trust IV"), a non-consolidated wholly owned subsidiary of our company. The trust preferred securities mature on September 6, 2037, but may be redeemed by our company, and in turn, Trust IV would call the debenture beginning September 6, 2012. Trust IV requires quarterly distributions of interest to the holders of the trust preferred securities. Distributions are payable at a floating interest rate equal to three-month LIBOR plus 1.85% per annum.

NOTE 15 – Disclosures About Offsetting Assets and Liabilities

The following table provides information about financial assets and derivative assets that are subject to offset as of December 31, 2020 and 2019 (*in thousands*):

	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Statement of Financial Condition	Net Amounts Presented in the Statement of Financial Condition	Gross Amounts Not Offset in the Statement of Financial Condition		Net Amount
				Amounts Available for Offset	Available Collateral	
As of December 31, 2020:						
Securities borrowing ⁽¹⁾	\$ 313,131	\$ —	\$ 313,131	\$ (46,183)	\$ (244,578)	\$ 22,370
Reverse repurchase agreements ⁽²⁾	217,930	—	217,930	(17,992)	(199,110)	828
	\$531,061	\$ —	\$531,061	\$ (64,175)	\$ (443,688)	\$ 23,198
As of December 31, 2019:						
Securities borrowing ⁽¹⁾	\$ 135,373	\$ —	\$ 135,373	\$ (52,319)	\$ (74,760)	\$ 8,294
Reverse repurchase agreements ⁽²⁾	385,008	—	385,008	(59,892)	(325,096)	20
Cash flow interest rate contracts	1,086	—	1,086	—	—	1,086
	\$521,467	\$ —	\$521,467	\$ (112,211)	\$ (399,856)	\$ 9,400

⁽¹⁾ Securities borrowing transactions are included in receivables from brokers, dealers, and clearing organizations on the consolidated statements of financial condition. See Note 4 in the notes to consolidated financial statements for additional information on receivables from brokers, dealers, and clearing organizations.

⁽²⁾ Collateral received includes securities received by our company from the counterparty. These securities are not included on the consolidated statements of financial condition unless there is an event of default. The fair value of securities pledged as collateral was \$217.3 million and \$385.3 million at December 31, 2020 and 2019, respectively.

The following table provides information about financial liabilities and derivative liabilities that are subject to offset as of December 31, 2020 and 2019 (*in thousands*):

	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Statement of Financial Condition	Net Amounts Presented in the Statement of Financial Condition	Gross Amounts Not Offset in the Statement of Financial Condition		Net Amount
				Amounts Available for Offset	Collateral Pledged	
As of December 31, 2020:						
Securities lending ⁽³⁾	\$(145,124)	\$ —	\$(145,124)	\$ 46,183	\$ 98,925	\$ (16)
Repurchase agreements ⁽⁴⁾	(190,955)	—	(190,955)	17,992	172,963	—
	\$(336,079)	\$ —	\$(336,079)	\$ 64,175	\$271,888	\$ (16)
As of December 31, 2019:						
Securities lending ⁽³⁾	\$(608,333)	\$ —	\$(608,333)	\$ 52,319	\$555,782	\$ (232)
Repurchase agreements ⁽⁴⁾	(391,634)	—	(391,634)	59,892	331,742	—
	\$(999,967)	\$ —	\$(999,967)	\$112,211	\$887,524	\$ (232)

⁽³⁾ Securities lending transactions are included in payables to brokers, dealers, and clearing organizations on the consolidated statements of financial condition. See Note 4 in the notes to consolidated financial statements for additional information on payables to brokers, dealers, and clearing organizations.

⁽⁴⁾ Collateral pledged includes the fair value of securities pledged by our company to the counterparty. These securities are included on the consolidated statements of financial condition unless we default. Collateral pledged by our company to the counterparty includes U.S. government agency securities, U.S. government securities, and corporate fixed income securities with market values of \$200.2 million and \$407.3 million at December 31, 2020 and 2019, respectively.

NOTE 16 – Commitments, Guarantees, and Contingencies

Broker-Dealer Commitments and Guarantees

In the normal course of business, we enter into underwriting commitments. Settlement of transactions relating to such underwriting commitments, which were open at December 31, 2020, had no material effect on the consolidated financial statements.

As a part of our fixed income public finance operations, we enter into forward commitments to purchase agency mortgage-backed securities. In order to hedge the market interest rate risk to which we would otherwise be exposed between the date of the commitment and date of sale of the mortgage-backed securities, we enter into to be announced (“TBA”) security contracts with investors for generic mortgage-backed security at specific rates and prices to be delivered on settlement dates in the future. We may be subject to loss if the timing of, or the actual amount of, the mortgage-backed security differs significantly from the term and notional amount of the TBA security contract to which we entered. These TBA securities and related purchase commitment are accounted for at fair value. As of December 31, 2020, the fair value of the TBA securities and the estimated fair value of the purchase commitments was \$141.2 million.

We also provide guarantees to securities clearinghouses and exchanges under their standard membership agreement, which requires members to guarantee the performance of other members. Under the agreement, if another member becomes unable to satisfy its obligations to the clearinghouse, other members would be required to meet shortfalls. Our liability under these agreements is not quantifiable and may exceed the cash and securities we have posted as collateral. However, the potential requirement for us to make payments under these arrangements is considered remote. Accordingly, no liability has been recognized for these arrangements.

Other Commitments

In the ordinary course of business, Stifel Bancorp has commitments to extend credit in the form of commitments to originate loans, standby letters of credit, and lines of credit. See Note 23 in the notes to consolidated financial statements for further details.

Concentration of Credit Risk

We provide investment, capital-raising, and related services to a diverse group of domestic customers, including governments, corporations, and institutional and individual investors. Our exposure to credit risk associated with the non-performance of customers in fulfilling their contractual obligations pursuant to securities transactions can be directly impacted by volatile securities markets, credit markets, and regulatory changes. This exposure is measured on an individual customer basis and on a group basis for customers that share similar attributes. To reduce the potential for risk concentrations, counterparty credit limits have been implemented for certain products and are continually monitored in light of changing customer and market conditions. As of December 31, 2020 and 2019, we did not have significant concentrations of credit risk with any one customer or counterparty, or any group of customers or counterparties.

NOTE 17 – 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 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 reasonably 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 matter 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.

Karegnondi Water Authority

Stifel has been named as a defendant in a United States District Court, Eastern District of Michigan, Southern Division, litigation in connection with the underwriting of bonds to finance the Karegnondi Water Authority (“KWA”) pipeline, a new water pipeline intended to serve Flint, Michigan, and surrounding areas. The lawsuit is filed against JP Morgan Chase, as senior manager, and Stifel and Wells Fargo, as co-managers, who underwrote the bonds for the KWA in 2014. The complaint alleges novel claims against the underwriter defendants, including conspiracy and professional negligence. We intend to defend vigorously against the allegations.

NOTE 18 – Regulatory Capital Requirements

We operate in a highly regulated environment and are subject to capital requirements, which may limit distributions to our company from its subsidiaries. Distributions from our broker-dealer subsidiaries are subject to net capital rules. A broker-dealer that fails to comply with the SEC’s Uniform Net Capital Rule (Rule 15c3-1) may be subject to disciplinary actions by the SEC and self-regulatory organizations, such as FINRA, including censures, fines, suspension, or expulsion. Stifel has chosen to calculate its net capital under the alternative method, which prescribes that their net capital shall not be less than the greater of \$1.0 million or two percent of aggregate debit balances (primarily receivables from customers) computed in accordance with the SEC’s Customer Protection Rule (Rule 15c3-3). Our other broker-dealer subsidiaries calculate their net capital under the aggregate indebtedness method, whereby their aggregate indebtedness may not be greater than fifteen times their net capital (as defined).

At December 31, 2020, Stifel had net capital of \$487.7 million, which was 40.0% of aggregate debit items and \$463.3 million in excess of its minimum required net capital. At December 31, 2020, all of our other broker-dealer subsidiaries’ net capital exceeded the minimum net capital required under the SEC rule.

Our international subsidiary, SNEL, is subject to the regulatory supervision and requirements of the Financial Conduct Authority (“FCA”) in the United Kingdom. At December 31, 2020, our international subsidiary’s capital and reserves were in excess of the financial resources requirement under the rules of the FCA.

Our Canadian subsidiary, SNC, is subject to the regulatory supervision and requirements of the Investment Industry Regulatory Organization of Canada (“IIROC”). At December 31, 2020, SNC’s net capital and reserves were in excess of the financial resources requirement under the rules of the IIROC.

Our company, as a bank holding company, Stifel Bank & Trust, Stifel Bank, Stifel Trust Company, N.A., and Stifel Trust Company, Delaware, N.A., (collectively, “banking subsidiaries”), are subject to various regulatory capital requirements administered by the Federal and state banking agencies. 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 its banking subsidiaries’ financial results. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, our company and its banking subsidiaries must meet specific capital guidelines that involve quantitative measures of our assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. Our company’s and its banking subsidiaries’ capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Under the Basel III rules, the quantity and quality of regulatory capital increased, a capital conservation buffer was established, selected changes were made to the calculation of risk-weighted assets, and a new ratio, common equity Tier 1, was introduced, all of which are applicable to both our company and its banking subsidiaries.

Our company and its banking subsidiaries are required to maintain minimum amounts and ratios of Total and Tier 1 capital (as defined) to risk-weighted assets (as defined), Tier 1 capital to average assets (as defined), and under

rules defined in Basel III, Common equity Tier 1 capital to risk-weighted assets. Our company and its banking subsidiaries each calculate these ratios in order to assess compliance with both regulatory requirements and their internal capital policies. At current capital levels, our company and its banking subsidiaries are each categorized as “well capitalized” under the regulatory framework for prompt corrective action. To be categorized as “well capitalized,” our company and its banking subsidiaries must maintain total risk-based, Tier 1 risk-based, and Tier 1 leverage ratios.

The amounts and ratios for Stifel Financial Corp., Stifel Bank & Trust, and Stifel Bank as of December 31, 2020, are represented in the tables below (*in thousands, except ratios*).

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provision	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Stifel Financial Corp.						
Common equity tier 1 capital	\$2,391,296	16.5%	\$ 652,042	4.5%	\$ 941,839	6.5%
Tier 1 capital	2,926,296	20.2%	869,390	6.0%	1,159,186	8.0%
Total capital	3,080,234	21.3%	1,159,186	8.0%	1,448,983	10.0%
Tier 1 leverage	2,926,296	11.9%	984,215	4.0%	1,230,269	5.0%

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provision	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Stifel Bank & Trust						
Common equity tier 1 capital	\$1,029,659	11.4%	\$404,757	4.5%	\$584,648	6.5%
Tier 1 capital	1,029,659	11.4%	539,675	6.0%	719,567	8.0%
Total capital	1,142,093	12.7%	719,567	8.0%	899,459	10.0%
Tier 1 leverage	1,029,659	7.1%	576,387	4.0%	720,483	5.0%

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provision	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Stifel Bank						
Common equity tier 1 capital	\$209,795	16.5%	\$ 57,122	4.5%	\$ 82,510	6.5%
Tier 1 capital	209,795	16.5%	76,163	6.0%	101,550	8.0%
Total capital	224,281	17.7%	101,550	8.0%	126,938	10.0%
Tier 1 leverage	209,795	7.3%	114,655	4.0%	143,319	5.0%

NOTE 19 – Operating Leases

Our operating leases primarily relate to office space and office equipment with remaining lease terms of 1 to 15 years. At December 31, 2020 and 2019, operating lease right-of-use assets were \$793.2 million and \$725.8 million, respectively, and included in fixed assets, net in the consolidated statements of financial condition, and lease liabilities were \$839.8 million and \$766.0 million, respectively, and included in accounts payable and accrued expenses in the consolidated statements of financial condition.

The table below summarizes our net lease cost for the years ended December 31, 2020 and 2019 (*in thousands*):

	Year Ended December 31,	
	2020	2019
Operating lease cost	\$102,595	\$ 90,354
Short-term lease cost	502	1,479
Variable lease cost	68	79
Sublease income	(3,894)	(4,761)
Net lease cost	\$ 99,271	\$ 87,151

Operating lease costs, included in occupancy and equipment rental in the consolidated statements of operations.

The table below summarizes other information related to our operating leases as of and for the year ended December 31, 2020 (*in thousands*):

Operating lease cash flows	\$ 89,122
Right-of-use assets obtained in exchange for new operating lease liabilities	\$215,662
Weighted-average remaining lease term	12.3 years
Weighted-average discount rate	4.23%

In the table above, the weighted-average discount rate represents our company's incremental borrowing rate as of January 2019 for leases existing on the date of adoption of the new lease standard and at the lease inception date for leases entered into subsequent to the adoption of ASU 2016-02.

The table below presents information about operating lease liabilities as of December 31, 2020, (*in thousands, except percentages*):

2021	\$ 93,544
2022	96,278
2023	95,359
2024	94,249
2025	93,040
Thereafter	611,933
Total undiscounted lease payments	1,084,403
Imputed interest	(244,597)
Total operating lease liabilities	\$ 839,806

NOTE 20 – Revenues From Contracts With Customers

The following table presents the Company's total revenues broken out by revenues from contracts with customers and other sources of revenues for the years ended December 31, 2020 and 2019 (*in thousands*):

	Year Ended December 31,	
	2020	2019
Revenues from contracts with customers:		
Commissions	\$ 760,627	\$ 667,494
Investment banking	952,308	817,421
Asset management and service fees	917,424	848,035
Other	48,529	19,287
Total revenue from contracts with customers	2,678,888	2,352,237
Other sources of revenue:		
Interest	523,832	724,882
Principal transactions	588,303	404,751
Other	26,816	33,091
Total revenues	\$3,817,839	\$3,514,961

Revenue from contracts with customers is recognized when, or as, we satisfy our performance obligations by transferring the promised services to the customers. A service is transferred to a customer when, or as, the customer obtains control of that service. A performance obligation may be satisfied over time or at a point in time. Revenue from a performance obligation satisfied over time is recognized by measuring our progress in satisfying the performance obligation in a manner that depicts the transfer of the services to the customer. Revenue from a performance obligation satisfied at a point in time is recognized at the point in time that we determine the customer obtains control over the promised service. The amount of revenue recognized reflects the consideration we expect to be entitled to in exchange for those promised services (i.e., the "transaction price"). In determining the transaction price, we consider multiple factors, including the effects of variable consideration. Variable consideration is included in the transaction price only to the extent it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainties with respect to the amount are resolved. In determining when to include variable consideration in the transaction price, we consider the range of possible outcomes, the predictive value of our past experiences, the time period of when uncertainties expect to be resolved, and the amount of consideration that is susceptible to factors outside of our influence, such as market volatility or the judgment and actions of third parties.

The following provides detailed information on the recognition of our revenues from contracts with customers:

Commissions. We earn commission revenue by executing, settling, and clearing transactions for clients primarily in OTC and listed equity securities, insurance products, and options. Trade execution and clearing and custody services, when provided together, represent a single performance obligation, as the services are not separately identifiable in the context of the contract. Commission revenues associated with combined trade execution and clearing and custody services, as well as trade execution services on a stand-alone basis, are recognized at a point in time on trade date. Commission revenues are generally paid on settlement date, and we record a receivable between trade date and payment on settlement date.

Investment Banking. We provide our clients with a full range of capital markets and financial advisory services. Capital markets services include underwriting and placement agent services in both the equity and debt capital markets, including private equity placements, initial public offerings, follow-on offerings, underwriting, and distributing public and private debt.

Capital-raising revenues are recognized at a point in time on trade date, as the client obtains the control and benefit of the capital markets offering at that point. Costs associated with capital-raising transactions are deferred until the related revenue is recognized or the engagement is otherwise concluded, and are recorded on a gross basis within other operating expenses

in the consolidated statements of operations, as we are acting as a principal in the arrangement. Any expenses reimbursed by our clients are recognized as investment banking revenues.

Revenues from financial advisory services primarily consist of fees generated in connection with merger, acquisition, and restructuring transactions. Advisory fees from mergers and acquisitions engagements are recognized at a point in time when the related transaction is completed, as the performance obligation is to successfully broker a specific transaction. Fees received prior to the completion of the transaction are deferred within accounts payable and accrued expenses on the consolidated statements of financial condition. Advisory fees from restructuring engagements are recognized over time using a time elapsed measure of progress as our clients simultaneously receive and consume the benefits of those services as they are provided. A significant portion of the fees we receive for our advisory services are considered variable as they are contingent upon a future event (e.g., completion of a transaction or third party emergence from bankruptcy) and are excluded from the transaction price until the uncertainty associated with the variable consideration is subsequently resolved, which is expected to occur upon achievement of the specified milestone. Payment for advisory services are generally due promptly upon completion of a specified milestone or, for retainer fees, periodically over the course of the engagement. We recognize a receivable between the date of completion of the milestone and payment by the customer. Expenses associated with investment banking advisory engagements are deferred only to the extent they are explicitly reimbursable by the client, and the related revenue is recognized at the same time as the associated expense. All other investment banking advisory-related expenses, including expenses incurred related to restructuring assignments, are expensed as incurred. All investment banking advisory expenses are recognized within other operating expenses on the consolidated statements of operations, and any expenses reimbursed by our clients are recognized as investment banking revenues.

Asset Management Fees. We earn management and performance fees in connection with investment advisory services provided to institutional and individual clients. Investment advisory fees are charged based on the value of assets in fee-based accounts and are affected by changes in the balances of client assets due to market fluctuations and levels of net new client assets. Fees are charged either in advance based on fixed rates applied to the value of the customers' account at the beginning of the period or periodically based on contracted rates and account performance. Contracts can be terminated at any time with no incremental payments due to our company upon termination. If the contract is terminated by the customer, fees are prorated for the period and fees charged for the post-termination period are refundable to the customer.

Disaggregation of Revenue

The following tables present the Company's revenues from contracts with customers by reportable segment disaggregated by major business activity and primary geographic regions for the years ended December 31, 2020 and 2019 (*in thousands*):

	Year Ended December 31, 2020			
	Global Wealth Management	Institutional Group	Other	Total
<i>Major business activity:</i>				
Commissions	\$ 513,247	\$ 247,380	\$ —	\$ 760,627
Capital raising ⁽¹⁾	36,005	488,152	—	524,157
Advisory fees ⁽¹⁾	19	428,132	—	428,151
Investment banking	36,024	916,284	—	952,308
Asset management	917,353	71	—	917,424
Other	45,438	—	3,091	48,529
Total	\$1,512,062	\$1,163,735	\$ 3,091	\$2,678,888
<i>Primary Geographic Region:</i>				
United States	1,512,062	940,272	3,091	2,455,425
United Kingdom	—	143,960	—	143,960
Other	—	79,503	—	79,503
Total	\$1,512,062	\$1,163,735	\$ 3,091	\$2,678,888

⁽¹⁾ Excludes revenues not derived from contracts with customers in the Other segment.

	Year Ended December 31, 2019			
	Global Wealth Management	Institutional Group	Other	Total
<i>Major business activity:</i>				
Commissions	\$ 477,401	\$190,093	\$ —	\$ 667,494
Capital raising	37,915	331,527	—	369,442
Advisory fees	—	447,979	—	447,979
Investment banking	37,915	779,506	—	817,421
Asset management	847,977	58	—	848,035
Other	16,437	—	2,850	19,287
Total	\$1,379,730	\$ 969,657	\$ 2,850	\$ 2,352,237
<i>Primary Geographic Region:</i>				
United States	1,379,730	822,758	2,850	2,205,338
United Kingdom	—	135,529	—	135,529
Other	—	11,370	—	11,370
Total	\$1,379,730	\$ 969,657	\$ 2,850	\$ 2,352,237

See Note 25 for further break-out of revenues by geography.

Information on Remaining Performance Obligations and Revenue Recognized From Past Performance

We do not disclose information about remaining performance obligations pertaining to contracts that have an original expected duration of one year or less. The transaction price allocated to remaining unsatisfied or partially unsatisfied performance obligations with an original expected duration exceeding one year was not material at December 31, 2020. Investment banking advisory fees that are contingent upon completion of a specific milestone and fees associated with certain distribution services are also excluded as the fees are considered variable and not included in the transaction price at December 31, 2020.

Contract Balances

The timing of our revenue recognition may differ from the timing of payment by our customers. We record a receivable when revenue is recognized prior

to payment and we have an unconditional right to payment. Alternatively, when payment precedes the provision of the related services, we record deferred revenue until the performance obligations are satisfied.

We had receivables related to revenues from contracts with customers of \$148.6 million and \$151.3 million at December 31, 2020 and December 31, 2019, respectively, in other assets in the consolidated statements of financial condition. We had no significant impairments related to these receivables during the year ended December 31, 2020.

Our deferred revenue primarily relates to retainer fees received in investment banking advisory engagements where the performance obligation has not yet been satisfied. Deferred revenue at December 31, 2020 and December 31, 2019, was \$12.1 million and \$11.3 million, respectively, and included in accounts payable and accrued expenses in the consolidated statements of financial condition.

NOTE 21 – Interest Income and Interest Expense

The components of interest income and interest expense are as follows (*in thousands*):

	Year Ended December 31,		
	2020	2019	2018
Interest income:			
Loans held for investment, net	\$ 331,813	\$379,848	\$300,541
Investment securities	149,915	231,021	252,200
Margin balances	28,155	52,008	49,515
Financial instruments owned	12,594	23,528	21,407
Other	1,355	38,477	22,786
	\$523,832	\$724,882	\$646,449
Interest expense:			
Senior notes	\$ 54,063	\$ 44,507	\$ 44,610
Bank deposits	14,550	95,813	82,256
Federal Home Loan Bank advances	3,667	7,872	15,173
Other	(6,502)	29,739	28,037
	\$ 65,778	\$ 177,931	\$170,076

NOTE 22 – Employee Incentive, Deferred Compensation, and Retirement Plans

We maintain an incentive stock plan and a wealth accumulation plan (“the Plan”) that provides for the granting of stock options, stock appreciation rights, restricted stock, performance awards, stock units, and debentures (collectively, “deferred awards”) to our associates. We are permitted to issue new shares under all stock award plans approved by shareholders or to reissue our treasury shares. Stock awards issued under our company’s incentive stock plan are granted at market value at the date of grant. Our deferred awards generally vest ratably over a one- to ten-year vesting period.

Our stock-based compensation plans are administered by the Compensation Committee of the Board of Directors (“Compensation Committee”), which has the authority to interpret the plans, determine to whom awards may be granted under the plans, and determine the terms of each award. According to the incentive stock plan, we are authorized to grant an additional 9.8 million shares at December 31, 2020.

Expense associated with our stock-based compensation, included in compensation and benefits expense in the consolidated statements of operations for our company’s incentive stock award plan was \$156.2 million, \$135.5 million, and \$111.8 million for the years ended December 31, 2020, 2019, and 2018, respectively.

The tax benefit related to stock-based compensation was \$25.9 million, \$11.9 million, and \$4.0 million for the years ended December 31, 2020, 2019, and 2018, respectively.

Deferred Awards

A restricted stock unit represents the right to receive a share of the Company’s common stock at a designated time in the future without cash payment by the associate and is issued in lieu of cash incentive, principally for deferred compensation and employee retention plans. The restricted stock units vest on an annual basis over the next one to ten years and are distributable, if vested, at future specified dates. Restricted stock awards are restricted as to sale or disposition. These restrictions lapse over the next one to two years.

Our company grants Performance-based Restricted Stock Units (“PRSUs”) to certain of its executive officers. Under the terms of the grants, the number of PRSUs that will vest and convert to shares will be based on our company’s achievement of the pre-determined performance objectives during the performance period. The PRSUs will be measured over a four-year performance period and vested over a five-year period. Any resulting delivery of shares for PRSUs granted as part of compensation will occur after four years for 80% of the earned award, and in the fifth year for the remaining 20% of the earned award. The number of shares converted has the potential to range from 0% to 200% based on how the Company performs during the performance period. Compensation expense is amortized over the service period based on the fair value of the deferred award on the grant date. The Company’s pre-determined performance objectives must be met for the awards to vest. Associates forfeit unvested deferred awards upon termination of employment with a corresponding reversal of compensation expense. Certain deferred awards may continue to vest under certain circumstances as described in

the Plan. At December 31, 2020, the total number of restricted stock units, PRSUs, and restricted stock awards outstanding was 20.9 million, of which 17.9 million were unvested.

A summary of unvested restricted equity award activity, which includes restricted stock units and restricted stock awards, for the year ended December 31, 2020, is presented below (*in thousands, except weighted-average fair value*):

		Weighted-Average Grant Date Fair Value
Unvested December 31, 2019	20,203	\$31.89
Granted	3,683	34.67
Vested	(5,464)	27.69
Cancelled	(493)	36.33
Unvested December 31, 2020	17,929	\$33.61

At December 31, 2020, there was approximately \$491.1 million of unrecognized compensation cost for deferred awards, which is expected to be recognized over a weighted-average period of 2.7 years.

The fair value of restricted stock units and restricted stock that vested or converted during the year ended December 31, 2020, was \$151.3 million.

Deferred Compensation Plans

The Plan is provided to certain revenue producers, officers, and key administrative associates, whereby a certain percentage of their incentive compensation is deferred as defined by the Plan into company stock units, restricted stock, and debentures. Participants may elect to defer a portion of their incentive compensation. Deferred awards generally vest over a one- to ten-year period and are distributable upon vesting or at future specified dates. Deferred compensation costs are amortized on a straight-line basis over the vesting period. Elective deferrals are 100% vested.

Additionally, the Plan allows Stifel financial advisors who achieve certain levels of production a contribution of a certain percentage of their gross commissions. As stipulated by the Plan, the financial advisors have a contribution of 5% of their gross commissions. The contribution is split between company restricted stock units and debentures. They have the option to defer an additional 1% of gross commissions into company stock units.

In addition, certain financial advisors, upon joining our company, may receive company stock units in lieu of transition cash payments. Deferred compensation related to these awards generally vests over a one- to eight-year period. Deferred compensation costs are amortized on a straight-line basis over the deferral period.

Profit Sharing Plan

Eligible U.S. associates of our company who have met certain service requirements may participate in the Stifel Financial Corp. Profit Sharing 401(k) Plan (the “401(k) Plan”). Associates are permitted within limitations imposed by tax law to make contributions to the 401(k) Plan. We may match certain associate contributions or make additional contributions to the 401(k) Plan at our discretion. Our contributions to the 401(k) Plan, included in compen-

sation and benefits in the consolidated statements of operations, were \$13.9 million, \$13.4 million, and \$12.8 million for the years ended December 31, 2020, 2019, and 2018, respectively.

NOTE 23 – Off-Balance Sheet Credit Risk

In the normal course of business, we execute, settle, and finance customer and proprietary securities transactions. These activities expose our company to off-balance sheet risk in the event that customers or other parties fail to satisfy their obligations.

In accordance with industry practice, securities transactions generally settle within two business days after trade date. Should a customer or broker fail to deliver cash or securities as agreed, we may be required to purchase or sell securities at unfavorable market prices.

We borrow and lend securities to facilitate the settlement process and finance transactions, utilizing customer margin securities held as collateral. We monitor the adequacy of collateral levels on a daily basis. We periodically borrow from banks on a collateralized basis, utilizing firm and customer margin securities in compliance with SEC rules. Should the counterparty fail to return customer securities pledged, we are subject to the risk of acquiring the securities at prevailing market prices in order to satisfy our customer obligations. We control our exposure to credit risk by continually monitoring our counterparties' positions, and where deemed necessary, we may require a deposit of additional collateral and/or a reduction or diversification of positions. Our company sells securities it does not currently own (short sales) and is obligated to subsequently purchase such securities at prevailing market prices. We are exposed to risk of loss if securities prices increase prior to closing the transactions. We control our exposure to price risk from short sales through daily review and setting position and trading limits.

We manage our risks associated with the aforementioned transactions through position and credit limits and the continuous monitoring of collateral. Additional collateral is required from customers and other counterparties when appropriate.

We have accepted collateral in connection with resale agreements, securities borrowed transactions, and customer margin loans. Under many agreements, we are permitted to sell or repledge these securities held as collateral and use these securities to enter into securities lending arrangements or to deliver to counterparties to cover short positions. At December 31, 2020 and 2019, the fair value of securities accepted as collateral where we are permitted to sell or repledge the securities was \$1.8 billion and \$2.3 billion, respectively, and the fair value of the collateral that had been sold or repledged was \$191.0 million and \$391.6 million, respectively.

We enter into interest rate derivative contracts to manage exposures that arise from business activities that result in the receipt or payment of future known and uncertain cash amounts, the value of which are determined by interest rates. Our derivative financial instruments are principally used to manage differences in the amount, timing, and duration of our known or expected cash payments related to certain variable-rate affiliated deposits. Interest rate swaps designated as cash flow hedges involve the receipt of variable-rate amounts from a counterparty in exchange for us making fixed-rate payments. Our interest rate hedging strategies may not work in all market environments and, as a result, may not be effective in mitigating interest rate risk.

Derivatives' notional contract amounts are not reflected as assets or liabilities in the consolidated statements of financial condition. Rather, the market or fair value of the derivative transactions are reported in the consolidated statements of financial condition as other assets or accounts payable and accrued expenses, as applicable. As of December 31, 2020, derivative balances were immaterial.

In the ordinary course of business, Stifel Bancorp has commitments to originate loans, standby letters of credit, and lines of credit. Commitments to originate loans are agreements to lend to a customer as long as there is no violation of any condition established by the contract. These commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since a portion of the commitments may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash commitments. Each customer's creditworthiness is evaluated on a case-by-case basis. The amount of collateral obtained, if necessary, is based on the credit evaluation of the counterparty. Collateral held varies, but may include accounts receivable, inventory, property, plant and equipment, commercial real estate, and residential real estate.

At December 31, 2020 and 2019, Stifel Bancorp had outstanding commitments to originate loans aggregating \$889.0 million and \$384.5 million, respectively. The commitments extended over varying periods of time, with all commitments at December 31, 2020, scheduled to be disbursed in the following three months.

Through Stifel Bancorp, in the normal course of business, we originate residential mortgage loans and sell them to investors. We may be required to repurchase mortgage loans that have been sold to investors in the event there are breaches of certain representations and warranties contained within the sales agreements. We may be required to repurchase mortgage loans that were sold to investors in the event that there was inadequate underwriting or fraud, or in the event that the loans become delinquent shortly after they are originated. We also may be required to indemnify certain purchasers and others against losses they incur in the event of breaches of representations and warranties and in various other circumstances, and the amount of such losses could exceed the repurchase amount of the related loans. Consequently, we may be exposed to credit risk associated with sold loans.

Standby letters of credit are irrevocable conditional commitments issued by Stifel Bancorp to guarantee the performance of a customer to a third party. Financial standby letters of credit are primarily issued to support public and private borrowing arrangements, including commercial paper, bond financing, and similar transactions. Performance standby letters of credit are issued to guarantee performance of certain customers under non-financial contractual obligations. The credit risk involved in issuing standby letters of credit is essentially the same as that involved in extending loans to customers. Should Stifel Bancorp be obligated to perform under the standby letters of credit, it may seek recourse from the customer for reimbursement of amounts paid. At December 31, 2020 and 2019, Stifel Bancorp had outstanding letters of credit totaling \$31.8 million and \$38.3 million, respectively. A majority of the standby letters of credit commitments at December 31, 2020, have expiration terms that are less than one year.

Lines of credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Lines of credit generally have fixed expiration dates. Stifel Bancorp uses the same credit policies in granting lines of credit as it does for on-balance sheet instruments. At December 31, 2020 and 2019, Stifel Bancorp had granted unused lines of credit to commercial and consumer borrowers aggregating \$2.5 billion and \$1.5 billion, respectively.

Effective January 1, 2020, we adopted the new accounting standard for credit losses that requires evaluation of our loan portfolio for any expected losses with recognition of an allowance for credit losses, when applicable. For more information, see Note 2 – *Summary of Significant Accounting Policies*. Upon the adoption of the new accounting standard, we recorded a reserve for unfunded commitments of \$20.4 million, which is included in accounts payable and accrued expenses in the consolidated statements of financial condition. At December 31, 2020, the expected credit losses for unfunded lending commitments was \$23.3 million.

NOTE 24 – Income Taxes

The provision for income taxes consists of the following (*in thousands*):

	Year Ended December 31,		
	2020	2019	2018
Current taxes:			
Federal	\$143,859	\$123,802	\$ 89,971
State	42,705	30,464	36,070
Foreign	(236)	1,684	99
	186,328	155,950	126,140
Deferred taxes:			
Federal	(31,019)	(7,027)	11,932
State	(5,803)	4,266	2,267
Foreign	(1,818)	(4,037)	55
	(38,640)	(6,798)	14,254
Provision for income taxes	\$147,688	\$149,152	\$140,394

Reconciliation of the statutory federal income tax rate with our company's effective income tax rate is as follows (*in thousands*):

	Year Ended December 31,		
	2020	2019	2018
Statutory rate	\$136,744	\$125,485	\$112,215
State income taxes, net of federal income tax	27,934	28,333	30,762
Change in uncertain tax position	666	2,661	(617)
Foreign tax rate difference	(2,032)	(629)	(318)
Excess tax benefit from stock-based compensation	(21,605)	(9,670)	(3,700)
Revaluation of deferred tax assets	—	—	(3,006)
Other, net	5,981	2,972	5,058
	\$147,688	\$149,152	\$140,394

Tax effect of temporary differences and carryforwards that comprise significant portions of deferred tax assets and liabilities (*in thousands*):

	Year Ended December 31,	
	2020	2019
Deferred tax assets:		
Lease liabilities	\$ 211,524	\$ 181,607
Deferred compensation	79,068	80,389
Accrued expenses	73,835	26,166
Receivable reserves	41,963	33,199
Net operating loss carryforwards	32,727	28,781
Other	3,311	3,210
Total deferred tax assets	442,428	353,352
Valuation allowance	(11,740)	(5,042)
	430,688	348,310
Deferred tax liabilities:		
Lease ROU asset	(210,670)	(180,598)
Goodwill and other intangibles	(51,189)	(46,625)
Depreciation	(15,371)	(7,231)
Unrealized gain on investments	(11,585)	(5,619)
Prepaid expenses	(5,396)	(3,857)
	(294,211)	(243,930)
Net deferred tax asset	\$ 136,477	\$ 104,380

Our net deferred tax asset at December 31, 2020, includes net operating loss carryforwards of \$226.2 million that expire between 2024 and 2040. Certain of our net operating loss carryforwards do not expire. A valuation allowance is recorded to the extent that it is more likely than not that any portion of the deferred tax asset will not be realized. The valuation allowance was increased by \$6.7 million. We believe the realization of the remaining net deferred tax asset of \$136.5 million is more likely than not based on the ability to carry back losses against prior year taxable income for tax years before 2021 and carry forward net operating losses indefinitely after 2021, and expectations of future taxable income, which is supported by a history of cumulative income.

The current tax payable, included in accounts payable and accrued expenses, is \$38.2 million and \$15.0 million as of December 31, 2020 and 2019, respectively. At December 31, 2020 and 2019, the Company did not have a tax receivable.

As of December 31, 2020, we considered all undistributed earnings of non-U.S. subsidiaries to be permanently reinvested. Therefore, we have not

provided for any U.S. deferred income taxes. Because the time or manner of repatriation is uncertain, we cannot determine the impact of local taxes, withholding taxes and foreign tax credits associated with the future repatriation of such earnings, and therefore cannot quantify the tax liability that would be payable in the event all such foreign earnings are repatriated.

Uncertain Tax Positions

As of December 31, 2020 and 2019, we had \$4.0 million and \$3.4 million, respectively, of gross unrecognized tax benefits, all of which, if recognized, would impact the effective tax rate. We recognize interest and penalties related to uncertain tax positions in provision for income taxes in the consolidated statements of operations. As of December 31, 2020 and 2019, we had accrued interest and penalties of \$0.4 million and \$0.2 million, respectively, before benefit of federal tax deduction, included in accounts payable and accrued expenses in our consolidated statements of financial condition. The amount of interest and penalties recognized in our consolidated statements of operations for the years ended December 31, 2020, 2019, and 2018, was not significant.

The following table summarizes the activity related to our company's unrecognized tax benefits from January 1, 2018 to December 31, 2020 (*in thousands*):

	Year Ended December 31,		
	2020	2019	2018
Beginning balance	\$ 3,387	\$ 312	\$ 3,180
Increase related to prior year tax positions	977	2,173	4
Decrease related to prior year tax positions	(11)	(54)	(33)
Increase related to current year tax positions	790	956	191
Decrease related to settlements with taxing authorities	(1,181)	—	(3,030)
Ending balance	\$ 3,962	\$ 3,387	\$ 312

We file income tax returns with the U.S. federal jurisdiction, various states, and certain foreign jurisdictions. We are not subject to U.S. federal examination for taxable years before 2013. We are not subject to certain state and local, or non-U.S. income tax examinations for taxable years before 2010.

There is a reasonable possibility that the unrecognized tax benefits will change within the next 12 months as a result of the expiration of various statutes of limitations or for the resolution of U.S. federal and state examinations, but we do not expect this change to be material to the consolidated financial statements.

NOTE 25 – Segment Reporting

We currently operate through the following three business segments: Global Wealth Management, Institutional Group, and various corporate activities combined in the Other segment.

Our Global Wealth Management segment consists of two businesses, the Private Client Group and Stifel Bancorp. 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 clients through our bank subsidiaries, which provide residential, consumer, and commercial lending, as well as FDIC-insured deposit accounts to customers of our private client group and to the general public.

The Institutional Group segment includes institutional sales and trading. It provides securities brokerage, trading, and research services to institutions,

Information concerning operations in these segments of business for the years ended December 31, 2020, 2019, and 2018 is as follows (*in thousands*):

	Years Ended December 31,		
	2020	2019	2018
Net revenues:⁽¹⁾			
Global Wealth Management	\$2,190,826	\$2,130,559	\$1,990,319
Institutional Group	1,583,147	1,214,017	1,055,495
Other	(21,912)	(7,546)	(20,933)
	\$3,752,061	\$3,337,030	\$3,024,881
Income/(loss) before income taxes:			
Global Wealth Management	\$ 725,884	\$ 785,960	\$ 737,003
Institutional Group	325,285	175,670	157,051
Other	(400,009)	(362,492)	(359,692)
	\$ 651,160	\$ 599,138	\$ 534,362

⁽¹⁾ No individual client accounted for more than 10 percent of total net revenues for the years ended December 31, 2020, 2019, and 2018.

The following table presents our company's total assets on a segment basis at December 31, 2020 and 2019 (*in thousands*):

	December 31,	
	2020	2019
Global Wealth Management	\$ 21,743,202	\$20,675,580
Institutional Group	3,733,661	3,668,723
Other	1,127,391	265,922
	\$26,604,254	\$24,610,225

We have operations in the United States, United Kingdom, Europe, and Canada. Our company's foreign operations are conducted through its wholly owned subsidiaries, SNEL and SNC. Substantially all long-lived assets are located in the United States.

Revenues, classified by the major geographic areas in which they were earned for the years ended December 31, 2020, 2019, and 2018, were as follows (*in thousands*):

	Years Ended December 31,		
	2020	2019	2018
Net revenues:			
United States	\$3,460,930	\$3,154,285	\$2,855,955
United Kingdom	197,859	163,552	156,557
Other	93,272	19,193	12,369
	\$3,752,061	\$3,337,030	\$3,024,881

NOTE 26 – Earnings Per Share (“EPS”)

Basic EPS is computed by dividing earnings available to common shareholders by the weighted-average number of common shares outstanding. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the entity. Diluted earnings per share include dilutive stock options and stock units under the treasury stock method.

The following table sets forth the computation of basic and diluted earnings per share for the years ended December 31, 2020, 2019, and 2018 (*in thousands, except per share data*):

	Years Ended December 31,		
	2020	2019	2018
Net income applicable to Stifel Financial Corp.	\$ 503,472	\$448,396	\$393,968
Preferred dividends	27,261	17,319	9,375
Net income available to common shareholders	\$ 476,211	\$ 431,077	\$384,593
Shares for basic and diluted calculation:			
Average shares used in basic computation	106,174	107,997	107,679
Dilutive effect of stock options and units ⁽¹⁾	8,399	9,881	14,303
Average shares used in diluted computation	114,573	117,878	121,982
Earnings per common share:			
Basic	\$ 4.49	\$ 3.99	\$ 3.57
Diluted	\$ 4.16	\$ 3.66	\$ 3.15

⁽¹⁾ Diluted earnings per share is computed on the basis of the weighted-average number of shares of common stock plus the effect of dilutive potential common shares outstanding during the period using the treasury stock method. Diluted earnings per share include stock options and units.

For the years ended December 31, 2020, 2019, and 2018, the anti-dilutive effect from restricted stock units was immaterial.

Cash Dividends

During the year ended December 31, 2020, we declared and paid cash dividends of \$0.45 per common share. During the year ended December 31, 2019, we declared and paid cash dividends of \$0.40 per common share. During the year ended December 31, 2018, we declared and paid cash dividends of \$0.32 per common share.

NOTE 27 – Shareholders’ Equity

Share Repurchase Program

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, 2020, the maximum number of shares that may yet be purchased under this plan was 13.3 million. The repurchase program has no expiration date. These purchases may be made on the open market or in privately negotiated transactions, depending upon market conditions and other factors. Repurchased shares may be used to meet obligations under our employee benefit plans and for general corporate purposes. During the year ended December 31, 2020, we repurchased \$58.3 million or 1.7 million shares using existing Board authorizations at an average price of \$33.35 per share to meet obligations under our company’s employee benefit plans and for general corporate purposes. During the year ended December 31, 2019, we repurchased \$215.4 million or 5.9 million shares using existing Board authorizations at an average price of \$36.63 per share to meet obligations under our company’s employee benefit plans and for general corporate purposes.

Issuance of Common Stock from Treasury

During the years ended December 31, 2020 and 2019, we issued 1.6 million and 1.4 million shares, respectively, of common stock from treasury primarily as a result of vesting and exercise transactions under our incentive stock award plans.

Issuance of Common Stock

On August 31, 2018, we issued approximately 2.0 million shares for acquisition of Business Bancshares, Inc. See Note 3 in the notes to consolidated financial statements for additional information regarding the acquisition.

Issuance of Preferred Stock

On May 19, 2020, the Company issued \$225.0 million of 6.125% Non-Cumulative Perpetual Preferred Stock, Series C, \$1.00 par value, with a liquidation preference of \$25,000 per share (equivalent to \$25 liquidation preference per depositary share), which included the sale of \$25.0 million of Series C Preferred, pursuant to the over-allotment option.

When, as, and if declared by the board of directors of the Company, dividends will be payable at an annual rate of 6.125%, payable quarterly, in arrears. The Company may redeem the Series C preferred stock at its option, subject to regulatory approval, on or after June 15, 2025.

On February 21, 2019, the Company issued \$150.0 million of 6.25% Non-Cumulative Perpetual Preferred Stock, Series B, \$1.00 par value, with a liquidation preference of \$25,000 per share (equivalent to \$25 liquidation preference per depositary share). In March 2019, we completed a public offering of an additional \$10.0 million of Series B Preferred, pursuant to the over-allotment option.

When, as, and if declared by the board of directors of the Company, dividends will be payable at an annual rate of 6.25%, payable quarterly, in arrears. The Company may redeem the Series B preferred stock at its option, subject to regulatory approval, on or after March 15, 2024.

NOTE 28 – Variable Interest Entities

Our company’s involvement with VIEs is limited to entities used as investment vehicles and private equity funds, the establishment of Stifel Financial Capital Trusts, and our issuance of a convertible promissory note.

We have formed several non-consolidated investment funds with third-party investors that are typically organized as limited liability companies (“LLCs”) or limited partnerships. These partnerships and LLCs have assets of \$295.6 million at December 31, 2020. For those funds where we act as the general partner, our company’s economic interest is generally limited to management fee arrangements as stipulated by the fund operating agreements. We have generally provided the third-party investors with rights to terminate the funds or to remove us as the general partner. Management fee revenue earned by our company was insignificant during the years ended December 31, 2020, 2019, and 2018. In addition, our direct investment interest in these entities is insignificant at December 31, 2020 and 2019.

For the entities noted above that were determined to be VIEs, we have concluded that we are not the primary beneficiary, and therefore, we are not required to consolidate these entities.

Debenture to Stifel Financial Capital Trusts

We have completed private placements of cumulative trust preferred securities through Stifel Financial Capital Trust II, Stifel Financial Capital Trust III, and Stifel Financial Capital Trust IV (collectively, the “Trusts”). The Trusts are non-consolidated wholly owned business trust subsidiaries of our company and were established for the limited purpose of issuing trust securities to third parties and lending the proceeds to our company.

The trust preferred securities represent an indirect interest in junior subordinated debentures purchased from our company by the Trusts, and we effectively provide for the full and unconditional guarantee of the securities issued by the Trusts. We make timely payments of interest to the Trusts as required by contractual obligations, which are sufficient to cover payments due on the securities issued by the Trusts, and believe that it is unlikely that any circumstances would occur that would make it necessary for our company to make payments related to these Trusts other than those required under the terms of the debenture agreements and the trust preferred securities

agreements. The Trusts were determined to be VIEs because the holders of the equity investment at risk do not have adequate decision-making ability over the Trust's activities. Our investment in the Trusts is not a variable interest, because equity interests are variable interests only to the extent that the investment is considered to be at risk. Because our investment was funded by the Trusts, it is not considered to be at risk.

NOTE 29 – Subsequent Events

We evaluate subsequent events that have occurred after the balance sheet date but before the financial statements are issued. There are two types of

subsequent events: (1) recognized, or those that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing financial statements, and (2) non-recognized, or those that provide evidence about conditions that did not exist at the date of the balance sheet but arose after that date. Based on the evaluation, we did not identify any recognized subsequent events that would have required adjustment to the consolidated financial statements.

NOTE 30 – Quarterly Financial Information (Unaudited)

(\$ in thousands, except per share amounts)	Year-Ended December 31, 2020			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Operating revenues	\$776,214	\$780,533	\$782,711	\$954,549
Interest income	161,177	128,368	114,411	119,876
Total revenues	937,391	908,901	897,122	1,074,425
Interest expense	24,357	13,084	13,822	14,515
Net revenues	913,034	895,817	883,300	1,059,910
Total non-interest expenses	797,928	752,857	724,907	825,209
Income before income tax expense	115,106	142,960	158,393	234,701
Provision for income taxes	28,517	35,073	37,866	46,232
Net income	86,589	107,887	120,527	188,469
Preferred Dividends	4,844	4,843	9,897	7,677
Net income available to common shareholders	\$81,745	\$103,044	\$110,630	\$180,792
Earnings per common share				
Basic	\$0.76	\$0.97	\$1.04	\$1.70
Diluted	\$0.71	\$0.92	\$0.97	\$1.55
Cash dividends declared per common share	\$0.11	\$0.11	\$0.11	\$0.11
Weighted-average number of common shares outstanding:				
Basic	106,929	105,791	105,941	106,041
Diluted	114,929	111,581	113,775	116,828

(\$ in thousands, except per share amounts)	Year-Ended December 31, 2019			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Operating revenues	\$628,797	\$665,738	\$686,932	\$808,612
Interest revenue	191,071	187,940	178,784	167,087
Total revenues	819,868	853,678	865,716	975,699
Interest expense	49,448	52,891	44,144	31,448
Net revenues	770,420	800,787	821,572	944,251
Total non-interest expenses	632,611	652,805	670,818	781,658
Income before income tax expense	137,809	147,982	150,754	162,593
Provision for income taxes	38,370	38,225	40,632	31,925
Net income	99,439	109,757	110,122	130,668
Net income/(loss) applicable to non-controlling interests	232	672	708	(22)
Net income applicable to Stifel Financial Corp.	99,207	109,085	109,414	130,690
Preferred Dividends	2,344	5,288	4,844	4,843
Net income available to common shareholders	\$96,863	\$103,797	\$104,570	\$125,847
Earnings per common share				
Basic	\$0.90	\$0.95	\$0.98	\$1.19
Diluted	\$0.82	\$0.88	\$0.89	\$1.08
Cash dividends declared per common share	\$0.10	\$0.10	\$0.10	\$0.10
Weighted-average number of common shares outstanding:				
Basic	107,550	108,779	106,796	105,705
Diluted	118,815	118,619	117,216	116,720

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

ITEM 9A. CONTROLS AND PROCEDURES

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

As of the end of the period covered by this report, an evaluation was carried out by the management of Stifel Financial Corp., with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934). Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that these disclosure controls and procedures were effective as of the end of the period covered by this report. In addition, no change in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934) occurred during the fourth quarter of our fiscal year ended December 31, 2020, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Management's Report on Internal Control Over Financial Reporting

Management of Stifel Financial Corp., together with its consolidated subsidiaries, is responsible for establishing and maintaining adequate internal control over financial reporting. Our company's internal control over financial reporting is a process designed under the supervision of our principal executive and principal financial officers to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our consolidated financial statements for external purposes in accordance with U.S. generally accepted accounting principles. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Management has assessed the effectiveness of our company's internal control over financial reporting as of December 31, 2020. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control – Integrated Framework (2013)*.

Based on management's assessment and those criteria, we conclude that, as of December 31, 2020, our company's internal control over financial reporting is effective.

Our internal control over financial reporting includes those policies and procedures that pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets; provide reasonable assurances that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of management and directors of our company; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our company's assets that could have a material effect on our consolidated financial statements.

Our company's internal control over financial reporting as of December 31, 2020, has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report appearing on the following page, which expresses an unqualified opinion on the effectiveness of our company's internal control over financial reporting as of December 31, 2020.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of Stifel Financial Corp.

Opinion on Internal Control over Financial Reporting

We have audited Stifel Financial Corp.'s internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Stifel Financial Corp. (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated statements of financial condition of Stifel Financial Corp. as of December 31, 2020 and 2019, and the related consolidated statements of operations, comprehensive income, changes in shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2020 and the related notes, and our report dated February 19, 2021, expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.


We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The logo for Ernst & Young LLP is written in a stylized, cursive script. The word "Ernst" is on the top line, followed by "&" and "Young" on the same line. "LLP" is on the line below "Young".

Stamford, Connecticut
February 19, 2021

ITEM 9B. OTHER INFORMATION

None

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE

Information regarding our Board of Directors and committees, our Corporate Governance, compliance with Section 16(a) of the Securities Exchange Act of 1934, and procedures by which shareholders may recommend nominees to our Board of Directors is contained in our Proxy Statement for the 2021 Annual Meeting of Shareholders to be filed with the SEC within 120 days after our fiscal year-end, which information is incorporated herein by reference.

Information regarding the executive officers is contained in Part 1, Item 1, “Executive Officers of the Registrant,” hereof. There is no family relationship between any of the directors or named executive officers.

Under Section 303A.12 (a) NYSE Listed Company Manual, the CEO certification was submitted to the NYSE after the 2021 Annual Meeting of Shareholders.

ITEM 11. EXECUTIVE COMPENSATION

Information regarding compensation of certain executive officers and directors (“Executive Compensation”), as well as “Compensation Committee Interlocks and Insider Participation” and “Compensation Committee Report” is contained in our Proxy Statement for the 2021 Annual Meeting of Shareholders to be filed with the SEC within 120 days after our fiscal year-end, which information is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Securities authorized for issuance under equity compensation plans

The following table provides information as of December 31, 2020, with respect to the shares of our common stock that may be issued under our existing equity compensation plans.

Plan Category	Number of securities to be issued upon exercise of outstanding options and units	Weighted-average exercise price of outstanding options and units	Number of securities remaining available for future issuance under equity compensation plans
Equity compensation plans approved by the shareholders	20,307,749	\$34.46	9,840,775
Equity compensation plans not approved by the shareholders	—	—	—
	20,307,749	\$34.46	9,840,775

As of December 31, 2020, the total number of securities to be issued upon exercise of options and units consisted of 20,307,749 units. Those shares are issuable pursuant to the Stifel Financial Corp. 2001 Incentive Stock Plan (2018 Restatement), the 2007 Incentive Stock Plan, and the Equity Incentive Plan for Non-Employee Directors.

As of December 31, 2020, the remaining shares available for future grants or awards under equity compensation plans approved by the shareholders consist of 9,840,775 shares under the 2001 Incentive Stock Plan (2018 Restatement).

The number of securities remaining available for future issuance under equity compensation plans reflects an adjustment to outstanding awards granted under the Stifel Financial Corp. 2001 Incentive Stock Plan (2018 Restatement) to net shares withheld in payment of tax withholding obligations, due to a recent determination by the Compensation Committee to satisfy tax withholding obligations through the cancellation of shares subject to an award.

If an outstanding award granted under the 2001 Incentive Stock Plan (2018 Restatement) expires or is canceled or forfeited without having been exercised in full, the number of shares underlying such unexercised award will again become available for issuance.

Additional information with respect to this Item, including information regarding security ownership of certain beneficial owners and management, is contained in “Ownership of Certain Beneficial Owners” and “Ownership of Directors, Nominees, and Executive Officers,” included in our Proxy Statement for the 2021 Annual Meeting of Shareholders to be filed with the SEC within 120 days after our fiscal year-end, which information is incorporated herein by reference.

Security ownership of certain beneficial owners

Information regarding security ownership of certain beneficial owners is contained in “Ownership of Certain Beneficial Owners,” included in our Proxy Statement for the 2021 Annual Meeting of Shareholders to be filed with the SEC within 120 days after our fiscal year-end, which information is incorporated herein by reference.

Security ownership of management

Information regarding security ownership of certain beneficial owners and management is contained in “Ownership of Directors, Nominees, and Executive Officers,” included in our Proxy Statement for the 2021 Annual Meeting of Shareholders to be filed with the SEC within 120 days after our fiscal year-end, which information is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information regarding certain relationships and related transactions and director independence is contained in “Certain Relationships and Related Transactions,” and “Director Independence” included in our Proxy Statement for the 2021 Annual Meeting of Shareholders to be filed with the SEC within 120 days after our fiscal year-end, which information is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Information regarding principal accounting fees and services is contained in “Ratification of Appointment of Independent Registered Public Accounting Firm,” included in our Proxy Statement for the 2021 Annual Meeting of Shareholders to be filed with the SEC within 120 days after our fiscal year-end, which information is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) 1. Financial Statements

The following financial statements are included in Item 8, "Financial Statements and Supplementary Data," and incorporated by reference hereto:

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Report of Independent Registered Public Accounting Firm	49
Consolidated Financial Statements:	
Statements of Financial Condition as of December 31, 2020 and 2019	50
Statements of Operations for the years ended December 31, 2020, 2019, and 2018	52
Statements of Comprehensive Income for the years ended December 31, 2020, 2019, and 2018	52
Statements of Changes in Shareholders' Equity for the years ended December 31, 2020, 2019, and 2018	53
Statements of Cash Flows for the years ended December 31, 2020, 2019, and 2018	54
Notes to the Consolidated Financial Statements	56

2. Financial Statement Schedules

All schedules are omitted, since the required information is either not applicable, not deemed material, or is shown in the respective financial statements or in the notes thereto.

(b) Exhibits

A list of the exhibits to this Annual Report on Form 10-K is set forth on the Exhibit Index immediately preceding such exhibits and is incorporated herein by reference.

EXHIBIT INDEX

STIFEL FINANCIAL CORP. ANNUAL REPORT ON FORM 10-K YEAR ENDED DECEMBER 31, 2020

Exhibit No.	Description
3.1	Restated Certificate of Incorporation, as amended, filed with the Secretary of State of Delaware on June 3, 2009, incorporated herein by reference to Exhibit 4.1 to Stifel Financial Corp.'s Registration Statement on Form S-8 (333-160523) filed on July 10, 2009.
3.2	Certificate of Amendment to Restated Certificate of Incorporation, filed with the Secretary of State of the State of Delaware on December 22, 2017, incorporated by reference to Exhibit 4.2 to Stifel Financial Corp.'s Registration Statement on Form S-8 (333-222290) filed on December 26, 2017.
3.3	Second Amendment to the Restated Certificate of Incorporation, filed with the Secretary of the State of Delaware on June 6, 2018, incorporated by reference to Exhibit 3.1 to Stifel Financial Corp.'s Current Report on Form 8-K filed on June 6, 2018.
3.4	Certificate of Designations, Preferences, and Rights of the Special Voting Preferred Stock, incorporated herein by reference to Exhibit 3.1 to Stifel Financial Corp.'s Current Report on Form 8-K filed on July 1, 2010.
3.5	Certificate of Designations of 6.25% Non-Cumulative Preferred Stock, Series A, incorporated by reference to Exhibit 3.1 to Stifel Financial Corp.'s Current Report on Form 8-K filed on July 15, 2016.
3.6	Certificate of Designations of 6.25% Non-Cumulative Preferred Stock, Series B, incorporated by reference to Exhibit 3.1 to Stifel Financial Corp.'s Current Report on Form 8-K filed on February 28, 2019.
3.7	Amended and Restated By-Laws of Stifel Financial Corp., effective June 15, 2016, incorporated by reference to Exhibit 4.3 to Stifel Financial Corp.'s Registration Statement on Form S-8 (333-222290) filed on December 26, 2017.
3.8	Certificate of Designations of 6.125% Preferred Stock, Series C, incorporated by reference to Exhibit 7 to Stifel Financial Corp.'s Form 8-A filed on May 19, 2020.
4.1	Deposit Agreement dated July 15, 2016, incorporated herein by reference to Exhibit 4.1 to Stifel Financial Corp.'s Current Report on Form 8-K filed on July 15, 2016.
4.2	Form of Depository Receipt, incorporated herein by reference to Exhibit 4.2 to Stifel Financial Corp.'s Current Report on Form 8-K filed on July 15, 2016.
4.3	Deposit Agreement dated February 28, 2019, incorporated herein by reference to Exhibit 4.1 to Stifel Financial Corp.'s Current Report on Form 8-K filed on February 28, 2019.
4.4	Form of Depository Receipt, incorporated herein by reference to Exhibit 4.2 to Stifel Financial Corp.'s Current Report on Form 8-K filed on February 28, 2019.
4.5	Deposit Agreement, dated May 19, 2020, incorporated by reference to Exhibit 8 of Stifel Financial Corp.'s Form 8-A filed on May 19, 2020.
4.6	Form of depository receipt representing the Depository Shares (included as Exhibit A to the Deposit Agreement dated May 19, 2020), incorporated by reference to Exhibit 4.3 to Stifel Financial Corp.'s Form 8-A filed on May 19, 2020.
4.7	Description of Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934, filed herewith.
4.8	Indenture, dated as of January 23, 2012, between Stifel Financial Corp. and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.1 to Stifel Financial Corp.'s Current Report on Form 8-K filed with the SEC on January 23, 2012).
4.9	Third Supplemental Indenture dated as of July 18, 2014, between Stifel Financial Corp. and U.S. Bank National Association, as trustee, incorporated by reference to Exhibit 4.2 to Stifel Financial Corp.'s Form 8-K filed with the SEC on July 18, 2014.
4.10	Form of 4.25% Senior Note due 2024 (included as Exhibit A to Exhibit 4.9).
4.11	Fifth Supplemental Indenture dated as of October 4, 2017, between Stifel Financial Corp. and U.S. Bank National Association, as trustee incorporated by reference to Exhibit 4.2 to Stifel Financial Corp.'s Form 8-K filed with the SEC on October 4, 2017.
4.12	Form of 5.20% Senior Note due 2047 (included as Exhibit A to Exhibit 4.11).
4.13	Sixth Supplemental Indenture, dated as of May 20, 2020, between Stifel Financial Corp. and U.S. Bank National Association, as trustee, incorporated by reference to Exhibit 4.2 to Stifel Financial Corp.'s Form 8-K filed with the SEC on May 20, 2020.
4.14	Form of 4.000% Senior Note due 2030 (included as Exhibit A to Exhibit 4.13).
10.1	Form of Indemnification Agreement with directors dated as of June 30, 1987, incorporated herein by reference to Exhibit 10.2 to Stifel Financial Corp.'s Current Report on Form 8-K filed July 14, 1987. (P)
10.2	Stifel Financial Corp. Dividend Reinvestment and Stock Purchase Plan, incorporated herein by reference to Stifel Financial Corp.'s Registration Statement on Form S-3 (33-53699) filed May 18, 1994. (P)
10.3	Employment Letter with Ronald J. Kruszewski, incorporated herein by reference to Exhibit 10.(l) to Stifel Financial Corp.'s Annual Report on Form 10-K for the year ended December 31, 1997.* (P)
10.4	Employment Agreement with Victor Nesi dated June 25, 2009, incorporated herein by reference to Exhibit 10.(EE) to Stifel Financial Corp.'s Annual Report on Form 10-K for the year ended December 31, 2009, filed on February 26, 2010.*
10.5	Stock Unit Agreement with Ronald J. Kruszewski, incorporated herein by reference to Exhibit 10.(j)(2) to Stifel Financial Corp.'s Annual Report on Form 10-K for the year ended December 31, 1998.* (P)
10.6	Stock Unit Agreement with James M. Zemlyak dated January 11, 2000, incorporated herein by reference to Exhibit 10.(s) to Stifel Financial Corp.'s Annual Report on Form 10-K / A Amendment No. 1 for the year ended December 31, 2001, filed on April 9, 2002.*
10.7	Stifel Financial Corp. 1999 Executive Incentive Performance Plan, incorporated herein by reference to Annex B of Stifel Financial Corp.'s Proxy Statement for the 1999 Annual Meeting of Shareholders filed March 26, 1999.*
10.8	Stifel Financial Corp. Equity Incentive Plan for Non-Employee Directors, incorporated herein by reference to Stifel Financial Corp.'s Registration Statement on Form S-8 (333-52694) filed December 22, 2000.*
10.9	Stifel Financial Corp. Equity Incentive Plan for Non-Employee Directors, as restated and amended, incorporated by reference to Annex A of Stifel Financial Corp.'s Definitive Proxy Statement for the 2008 Annual Meeting of Shareholders filed on April 29, 2008.*

- 10.10 Stifel Profit Sharing 401(k) Plan, incorporated herein by reference to Stifel Financial Corp.'s Registration Statement on Form S-8 (333-60516) filed May 9, 2001.*
- 10.11 Stifel Financial Corp. 2001 Incentive Plan, incorporated herein by reference to Stifel Financial Corp.'s Registration Statement on Form S-8 (333-82328) filed February 7, 2002.*
- 10.12 Stifel Financial Corp. 2001 Incentive Plan Amendment No. 1, incorporated herein by reference to Stifel Financial Corp.'s Registration Statement on Form S-8 (333-105756) filed June 2, 2003.*
- 10.13 Stifel Financial Corp. 2001 Incentive Plan Amendment No. 2, incorporated herein by reference to Stifel Financial Corp.'s Registration Statement on Form S-8 (333-140662) filed February 13, 2007.*
- 10.14 Stifel Financial Corp. 2001 Incentive Stock Plan, as restated and amended, incorporated herein by reference to Annex B to the Stifel Financial Corp.'s Definitive Proxy Statement for the 2008 Annual Meeting of Shareholders filed on April 29, 2008.*
- 10.15 Stifel Financial Corp. 2001 Incentive Stock Plan (2011 Restatement), as amended, incorporated herein by reference to Exhibit 10.1 to Stifel Financial Corp.'s Current Report on Form 8-K filed on June 22, 2011.*
- 10.16 First Amendment to Stifel Financial Corp. 2001 Incentive Stock Plan (2011 Restatement), incorporated herein by reference to Exhibit 10.1 to Stifel Financial Corp.'s Registration Statement on Form S-8 (333-222290) filed December 26, 2017.*
- 10.17 Form of Deferred Award Agreement for Restricted Stock Units pursuant to the Stifel Financial Corp. 2001 Incentive Stock Plan (2011 Restatement), incorporated herein by reference to Exhibit 9(f) to Stifel Financial Corp.'s Annual Report on Form 10-K for the year ended December 31, 2015, filed on March 1, 2016.*
- 10.18 Form of Award Agreement for Restricted Stock Units and/or Debentures pursuant to the Stifel Financial Corp. 2001 Incentive Stock Plan (2011 Restatement), incorporated herein by reference to Exhibit 9(g) to Stifel Financial Corp.'s Annual Report on Form 10-K for the year ended December 31, 2015, filed on March 1, 2016.*
- 10.19 Stifel Financial Corp. 2017 Restricted Stock Award Agreement, incorporated herein by reference to Exhibit 10.1 to Stifel Financial Corp.'s Current Report on Form 8-K filed on December 22, 2017.*
- 10.20 Form of Modification of Award Agreement under the Stifel Financial Corp. 2001 Incentive Stock Plan (2011 Restatement) in accordance with the Stifel Financial Corp. Wealth Accumulation Plan, incorporated herein by reference to Exhibit 10.2 to Stifel Financial Corp.'s Current Report on Form 8-K filed on December 22, 2017.*
- 10.21 Stifel Financial Corp. 2017 Restricted Stock Award Agreement (Executive), incorporated herein by reference to Exhibit 10.1 to Stifel Financial Corp.'s Current Report on Form 8-K filed on January 2, 2018.*
- 10.22 Form of Restricted Stock Unit Award Agreement (Performance RSUs) pursuant to the Stifel Financial Corp. 2001 Incentive Stock Plan (2011 Restatement), incorporated herein by reference to Exhibit 10.9(l) to Stifel Financial Corp.'s Annual Report on Form 10-K for the year ended December 31, 2017, filed on February 26, 2018.*
- 10.23 Stifel Financial Corp. 2001 Incentive Stock Plan (2018 Restatement), incorporated herein by reference to Exhibit 10.1 to Stifel Financial Corp.'s Current Report on Form 8-K filed on May 15, 2020.*
- 10.24 Stifel Financial Corp. 2003 Employee Stock Purchase Plan, incorporated herein by reference to Stifel Financial Corp.'s Registration Statement on Form S-8 (333-100414) filed October 8, 2002.*
- 10.25 Stifel Financial Corp. 2010 Executive Incentive Plan, incorporated herein by reference to Appendix A to Stifel Financial Corp.'s Definitive Proxy Statement for the 2010 Annual Meeting of Shareholders filed on February 26, 2010.*
- 10.26 Stifel Financial Corp., Wealth Accumulation Plan 2015 Restatement, incorporated herein by reference to Exhibit 10.1 to Stifel Financial Corp.'s Current Report on Form 8-K filed on September 4, 2015.*
- 10.27 First Amendment to Stifel Financial Corp. Wealth Accumulation Plan 2015 Restatement, incorporated herein by reference to Exhibit 10.1 to Stifel Financial Corp.'s Current Report on Form 8-K filed on November 20, 2015.*
- 10.28 Second Amendment to Stifel Financial Corp. Wealth Accumulation Plan 2015 Restatement, incorporated herein by reference to Exhibit 12(f) to Stifel Financial Corp.'s Annual Report on Form 10-K for the year ended December 31, 2015, filed on March 1, 2016.*
- 10.29 Stifel Financial Corp. Wealth Accumulation Plan 2017 Restatement, incorporated herein by reference to Exhibit 10.1 to Stifel Financial Corp.'s Current Report on Form 8-K filed on February 13, 2017.*
- 10.30 Stifel Financial Corp. Wealth Accumulation Plan 2017 Restatement, as amended, incorporated herein by reference to Exhibit 10.1 to Stifel Financial Corp.'s Current Report on Form 8-K filed on November 13, 2018.*
- 10.31 Stifel Financial Corp. Wealth Accumulation Plan 2019 Restatement, incorporated by reference to Exhibit 10.1 to Stifel Financial Corp.'s Current Report on Form 8-K filed on February 6, 2019.*
- 10.32 Form of Restricted Stock Unit Award Agreement (Performance RSUs), incorporated by reference to Exhibit 10.2 to Stifel Financial Corp.'s Current Report on Form 8-K filed on February 6, 2019.*
- 10.33 Form of Deferred Award Agreement, incorporated by reference to Exhibit 10.3 to Stifel Financial Corp.'s Current Report on Form 8-K filed on February 6, 2019.*
- 10.34 Vessel Charter Agreement, dated as of August 7, 2018, by and between Stifel Financial Corp. and Broadway Boat Company Ltd., incorporated herein by reference to Exhibit 10.1 to Stifel Financial Corp.'s Current Report on Form 8-K filed on August 8, 2018.
- 11 Computation of Per Share Earnings is set forth in Note 26 of Notes to Consolidated Financial Statements included in this Form 10-K.
- 21 List of Subsidiaries of Stifel Financial Corp., filed herewith.
- 23 Consent of Independent Registered Public Accounting Firm, filed herewith.
- 31.1 Certification of Ronald J. Kruszewski pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.
- 31.2 Certification of James M. Marischen pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.
- 32.1 Certification of Ronald J. Kruszewski pursuant to Rule 13a-14(b) and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith.**
- 32.2 Certification of James M. Marischen pursuant to Rule 13a-14(b) and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith.**

- 101 The following financial information, formatted in iXBRL (Inline Extensible Business Report Language), Pursuant to Rule 405 of Regulation S-T: (i) Consolidated Statements of Financial Condition as of December 31, 2020 and 2019; (ii) Consolidated Statements of Operations for the years ended December 31, 2020, 2019, and 2018; (iii) Consolidated Statements of Comprehensive Income for the years ended December 31, 2020, 2019, and 2018; (iv) Consolidated Statements of Changes in Shareholders' Equity for the years ended December 31, 2020, 2019, and 2018; (v) Consolidated Statements of Cash Flows for the years ended December 31, 2020, 2019, and 2018; and (vi) Notes to Consolidated Financial Statements.
- 104 Cover Page Interactive Data File (embedded within the Inline XBRL document).
- * Management contract or compensatory plan or arrangement.
- ** The certifications attached as Exhibits 32.1 and 32.2 that accompany this Annual Report on Form 10-K are not deemed filed with the SEC and are not to be incorporated by reference into any filing of Stifel Financial Corp. under the Securities Act of 1933, as amended, or the Securities Act of 1934, as amended, whether made before or after the date of this Form 10-K, irrespective of any general incorporation language contained in such filing.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on February 19, 2021.

STIFEL FINANCIAL CORP.

By: /s/ Ronald J. Kruszewski
 Ronald J. Kruszewski
 Chairman of the Board,
 Chief Executive Officer, and Director

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on February 19, 2021.

/s/ <u>Ronald J. Kruszewski</u> Ronald J. Kruszewski	Chairman of the Board, Chief Executive Officer, and Director (Principal Executive Officer)
/s/ <u>James M. Marischen</u> James M. Marischen	Chief Financial Officer (Principal Financial and Accounting Officer)
/s/ <u>Adam T. Berlew</u> Adam T. Berlew	Director
/s/ <u>Kathleen Brown</u> Kathleen Brown	Director
/s/ <u>Michael W. Brown</u> Michael W. Brown	Director
/s/ <u>Robert E. Grady</u> Robert E. Grady	Director
/s/ <u>Daniel J. Ludeman</u> Daniel J. Ludeman	Director
/s/ <u>Maura A. Markus</u> Maura A. Markus	Director
/s/ <u>James M. Oates</u> James M. Oates	Director
/s/ <u>David A. Peacock</u> David A. Peacock	Director
/s/ <u>Thomas W. Weisel</u> Thomas W. Weisel	Director
/s/ <u>Michael J. Zimmerman</u> Michael J. Zimmerman	Director