

# STIFEL FINANCIAL

**Ronald J. Kruszewski**  
Chairman, President and Chief Executive Officer  
(314) 342-2000

September 17, 2008

Dear Valued Client:

The events of the last few days in the financial markets have been unprecedented. The federal takeover of Fannie Mae, Freddie Mac, and AIG, coupled with the bankruptcy filing for Lehman Brothers and the sudden sale of Merrill Lynch, underscore the disarray in the markets. In our opinion, the fundamental cause for this turmoil is the excessive leverage employed by these institutions.

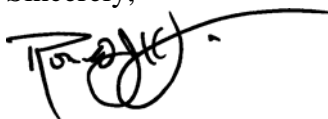
As recent events have shown, absolute size is not an indication of financial strength. Instead, a better measure of strength is equity capital *relative* to size. The following financial ratios, as of June 30, 2008, illustrate Stifel's financial strength:

- Stifel Financial, our holding company, has a Tier-one capital ratio of 49%, which is 12 times the required level. For comparison, Citigroup's Tier-one capital ratio is approximately 9%.
- Stifel Nicolaus, our broker-dealer, has a net capital ratio of 37%, 17 times the required level.
- Stifel Financial's total capital\* ratio is 3 to 1, which means we have \$1 of capital for every \$3 of assets. The major New York investment banks' capital ratio, on average, has been 30 to 1, meaning they have \$1 of capital for every \$30 of assets. In other words, the large firms are ten times more leveraged than Stifel.
- Finally, it is important to note that holding securities with Stifel is as safe as holding them with any custodian bank or trust company. Stifel's clients have the same right as clients of banks/trust companies to reclaim securities free from any general creditor claims, because, in both cases, client securities are not considered assets of the financial institution.

Stifel is very well capitalized, and this strong capital position has allowed us to weather the storm. 2007 marked the 12<sup>th</sup> consecutive year of record net revenue for Stifel Financial Corp., and we are well on our way to a 13<sup>th</sup> consecutive year of record net revenue. Our business model, which emphasizes client service, does not rely on the leverage which has plagued many other financial institutions. As part of our efforts to be the *Advisor of Choice* for today's investor, we have maintained our focus on our core capabilities, and the end result is a firm that is well positioned for years to come. As part of our efforts to be the Advisor of Choice for today's investor, we have maintained our focus on our core capabilities, which have guided the firm for 118 years, and the end result is a firm that is well positioned for years to come.

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

Sincerely,



\*Total capital includes equity plus trust preferred securities.

STIFEL FINANCIAL CORP.

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