

STIFEL FINANCIAL CORP  
Form 10-Q  
May 11, 2009

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

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**FORM 10-Q**

**Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**  
**For the quarterly period ended March 31, 2009**

**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: 1-9305**

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**STIFEL FINANCIAL CORP.**

(Exact name of registrant as specified in its charter)

<b>Delaware</b>	<b>43-1273600</b>
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
<b>501 N. Broadway, St. Louis, Missouri 63102-2188</b>	
(Address of principal executive offices and zip code)	

**(314) 342-2000**  
(Registrant's telephone number, including area code)

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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

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

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

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

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

The number of shares outstanding of the registrant's common stock as of April 30, 2009 was 27,380,219.

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**STIFEL FINANCIAL CORP.**  
**Condensed Consolidated Statements of Financial Condition**

	March 31, 2009	December 31, 2008
<i>(in thousands)</i>	<b>(Unaudited)</b>	
<b>Assets</b>		
Cash and cash equivalents	\$ 286,658	\$ 239,725
Cash segregated under federal and other regulations	40	40
Securities purchased under agreements to resell	69,593	17,723
Receivable from brokers and dealers:		
Securities failed to deliver	19,973	3,837
Deposits paid for securities borrowed	75,815	49,784
Clearing organizations	84,186	55,793
Receivable from brokerage customers, net of allowance for doubtful receivables of \$966 and \$582, respectively	270,754	280,143
Trading securities owned, at fair value	217,910	141,085
Trading securities owned and pledged, at fair value	209,185	--
Total trading securities owned and pledged, at fair value	427,095	141,085
Available-for-sale securities, at fair value	53,627	50,397
Held-to-maturity securities, at amortized cost	7,574	7,574
Mortgages held for sale	31,108	31,246
Bank loans, net of allowance for loan losses of \$2,710 and \$2,448, respectively	171,384	181,269
Bank foreclosed assets held for sale, net of estimated cost to sell	4,384	2,326
Investments	62,471	74,898
Office equipment and leasehold improvements, at cost, net of accumulated depreciation and amortization of \$57,888 and \$54,075, respectively	47,547	47,765
Goodwill	131,412	128,278
Intangible assets, net of accumulated amortization of \$9,024 and \$8,290, respectively	16,926	15,984
Loans and advances to financial advisors and other employees, net of allowance for doubtful receivables from former employees of \$1,117 and \$1,186, respectively	114,237	105,767
Deferred tax assets, net	43,828	47,337

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Other assets	<b>96,086</b>	77,174
Total assets	<b>\$ 2,014,698</b>	<b>\$ 1,558,145</b>

*See accompanying Notes to Condensed Consolidated Financial Statements.*

**STIFEL FINANCIAL CORP.**  
**Condensed Consolidated Statements of Financial Condition (continued)**

	March 31, 2009	December 31, 2008
<i>(in thousands, except share amounts)</i>	<b>(Unaudited)</b>	
<b>Liabilities and Stockholders' Equity</b>		
Short-term borrowings from banks	\$ 163,500	\$ --
Drafts payable	35,059	49,401
Securities sold under agreements to repurchase	763	2,216
Payable to brokers and dealers:		
Securities failed to receive	25,566	8,811
Deposits received from securities loaned	29,658	16,987
Clearing organizations	903	3,893
Payable to customers	146,006	156,495
Bank deposits	459,305	284,798
Federal Home Loan Bank advances and other secured financing	6,035	6,000
Trading securities sold, but not yet purchased, at fair value	260,684	98,934
Accrued employee compensation	71,360	130,037
Accounts payable and accrued expenses	89,525	100,528
Debenture to Stifel Financial Capital Trust II	35,000	35,000
Debenture to Stifel Financial Capital Trust III	35,000	35,000
Debenture to Stifel Financial Capital Trust IV	12,500	12,500
Other	9,398	19,998
	<b>1,380,262</b>	<b>960,598</b>
Liabilities subordinated to claims of general creditors	3,634	4,362
<b>Stockholders' Equity:</b>		
Preferred stock - \$1 par value; authorized 3,000,000 shares; none issued	--	--
Common stock - \$0.15 par value; authorized 30,000,000 shares; issued 27,340,886 and 26,300,135 shares, respectively	4,101	3,945
Additional paid-in capital	450,045	427,480
Retained earnings	182,450	168,993
Accumulated other comprehensive loss	(4,908)	(6,295)
	<b>631,688</b>	<b>594,123</b>
Unearned employee stock ownership plan shares, at cost, 138,287 and 146,421 shares, respectively	(886)	(938)
	<b>630,802</b>	<b>593,185</b>
Total liabilities and stockholders' equity	<b>\$ 2,014,698</b>	<b>\$ 1,558,145</b>

*See accompanying Notes to Condensed Consolidated Financial Statements.*





**STIFEL FINANCIAL CORP.**  
**Condensed Consolidated Statements of Operations**  
**(Unaudited)**

	Three Months Ended March 31,	
	2009	2008
<i>(in thousands, except per share amounts)</i>		
<b>Revenues:</b>		
Commissions	\$ 74,610	\$ 85,701
Principal transactions	97,278	66,937
Investment banking	15,504	21,844
Asset management and service fees	24,933	30,278
Interest	9,892	13,689
Other income/(loss)	115	(1,207)
Total revenues	222,332	217,242
Interest expense	2,351	5,765
Net revenues	219,981	211,477
<b>Non-interest expenses:</b>		
Employee compensation and benefits	147,840	146,030
Occupancy and equipment rental	17,867	15,716
Communication and office supplies	11,845	11,947
Commissions and floor brokerage	4,360	481
Other operating expenses	15,914	13,378
Total non-interest expenses	197,826	187,552
Income before income taxes	22,155	23,925
Provision for income taxes	8,978	9,578
<b>Net income</b>	<b>\$ 13,177</b>	<b>\$ 14,347</b>
Net income per share - basic*	<b>\$ 0.49</b>	<b>\$ 0.61</b>
Net income per share - diluted*	<b>\$ 0.44</b>	<b>\$ 0.54</b>
Weighted average common shares outstanding - basic*	26,772	23,276
Weighted average common shares outstanding - diluted*	30,198	26,645

\* All share and earnings per share amounts for the three months ended March 31, 2008 have been adjusted for the June 12, 2008 three-for-two stock split.

See accompanying Notes to Condensed Consolidated Financial Statements.

**STIFEL FINANCIAL CORP.**  
**Condensed Consolidated Statements of Cash Flows**  
**(Unaudited)**

	<b>Three Months Ended March 31,</b>	
	<b>2009</b>	<b>2008</b>
<i>(in thousands)</i>		
<b>Operating Activities:</b>		
Net income	\$ 13,177	\$ 14,347
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	4,753	3,568
Loans and advances amortization	6,341	4,472
Accretion of discounts on available-for-sale securities	(75)	(145)
Provision for loan losses and allowances for loans and advances to financial advisors and other employees	663	(189)
Deferred taxes and other	3,115	1,328
Excess tax benefit associated with stock based awards	(9,597)	(5,957)
Stock-based compensation	13,077	12,074
Loss on the sale of investments	2,409	3,796
Loss on sale of bank foreclosed assets	107	--
Decrease (increase) in assets:		
Operating receivables	(61,171)	(49,373)
Cash segregated under federal and other regulations	--	(4,998)
Securities purchased under agreements to resell	(51,870)	(83)
Loans originated as mortgages held for sale	(240,131)	(75,896)
Proceeds from mortgages held for sale	240,270	61,929
Trading securities owned, including those pledged	(286,010)	(26,244)
Loans and advancements to financial advisors and other employees	(15,161)	(6,448)
Other assets	(14,574)	23,988
Increase (decrease) in liabilities:		
Operating payables	3,377	52,366
Trading securities sold, but not yet purchased	161,750	91,456
Other liabilities	(104,064)	(80,578)
Net Cash Provided by (Used in) Operating Activities	(333,614)	19,413

*See accompanying Notes to Condensed Consolidated Financial Statements.*

**STIFEL FINANCIAL CORP.**  
**Condensed Consolidated Statements of Cash Flows (continued)**  
**(Unaudited)**

	<b>Three Months Ended March 31,</b>	
	<b>2009</b>	2008
<i>(in thousands)</i>		
<b>Investing Activities:</b>		
Proceeds from:		
Sale or maturity of investments	<b>\$ 24,848</b>	\$ 8,758