

STIFEL FINANCIAL CORP  
Form 10-Q  
May 10, 2013  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

(Mark One)

**Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**  
For the quarterly period ended March 31, 2013

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)

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**Delaware**  
(State or other jurisdiction of  
incorporation or organization)  
**43-1273600**  
(I.R.S. Employer  
Identification No.)  
**501 N. Broadway, St. Louis, Missouri 63102-2188**  
(Address of principal executive offices and zip code)  
**(314) 342-2000**  
(Registrant's telephone number, including area code)

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

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

Large accelerated filer  Accelerated filer   
Non-accelerated filer  (Do not check if smaller reporting company) Smaller reporting company   
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The number of shares outstanding of the registrant's common stock, \$0.15 par value per share, as of the close of business on April 30, 2013, was 63,570,932.

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**STIFEL FINANCIAL CORP.**

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**Table of Contents****PART I FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****STIFEL FINANCIAL CORP.****Consolidated Statements of Financial Condition**

<i>(in thousands)</i>	March 31, 2013 (Unaudited)	December 31, 2012
<b>Assets</b>		
Cash and cash equivalents	\$ 573,664	\$ 403,941
Restricted cash	4,415	4,414
Cash segregated for regulatory purposes	32	128,031
Receivables:		
Brokerage clients, net	543,316	487,761
Brokers, dealers, and clearing organizations	528,187	276,224
Securities purchased under agreements to resell	156,341	158,695
Trading securities owned, at fair value (includes securities pledged of \$706,761 and \$607,586, respectively)	923,452	763,608
Available-for-sale securities, at fair value	1,729,837	1,625,168
Held-to-maturity securities, at amortized cost	716,273	708,008
Loans held for sale	165,698	214,531
Bank loans, net of allowance	886,647	815,937
Other real estate owned	373	373
Investments, at fair value	268,082	236,434
Fixed assets, net	148,886	141,403
Goodwill	730,006	419,393
Intangible assets, net	31,085	28,967
Loans and advances to financial advisors and other employees, net	175,711	179,284
Deferred tax assets, net	181,885	124,576
Other assets	369,865	249,392
 Total Assets	 \$ 8,133,755	 \$ 6,966,140

*See accompanying Notes to Consolidated Financial Statements.*

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

*(in thousands, except share and per share amounts)*

	March 31, 2013 (Unaudited)	December 31, 2012
<b>Liabilities and Shareholders Equity</b>		
Short-term borrowings from banks	\$ 569,800	\$ 304,700
Payables:		
Brokerage clients	325,691	295,509
Brokers, dealers, and clearing organizations	109,947	33,211
Drafts	58,315	90,433
Securities sold under agreements to repurchase	108,529	140,346
Bank deposits	3,556,568	3,346,133
Trading securities sold, but not yet purchased, at fair value	588,922	319,742
Securities sold, but not yet purchased, at fair value	24,550	22,966
Accrued compensation	154,882	187,466
Accounts payable and accrued expenses	266,320	259,163
Corporate debt	380,934	383,992
Debentures to Stifel Financial Capital Trusts	82,500	82,500
	<b>6,226,958</b>	<b>5,466,161</b>
Liabilities subordinated to claims of general creditors	3,131	5,318
Shareholders Equity:		
Preferred stock - \$1 par value; authorized 3,000,000 shares; none issued		
Common stock - \$0.15 par value; authorized 97,000,000 shares; issued 63,246,221 and 54,967,858 shares, respectively	9,487	8,245
Additional paid-in-capital	1,496,909	1,100,137
Retained earnings	397,932	383,970
Accumulated other comprehensive income	782	4,918
	<b>1,905,110</b>	<b>1,497,270</b>
Treasury stock, at cost, 41,727 and 77,577 shares, respectively	(1,392)	(2,505)
Unearned employee stock ownership plan shares, at cost, 12,202 and 24,405 shares, respectively	(52)	(104)
	<b>1,903,666</b>	<b>1,494,661</b>
<b>Total Liabilities and Shareholders Equity</b>	<b>\$ 8,133,755</b>	<b>\$ 6,966,140</b>

*See accompanying Notes to Consolidated Financial Statements.*

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

<i>(in thousands, except per share amounts)</i>	<b>Three Months Ended March 31,</b>	
	<b>2013</b>	<b>2012</b>
<b>Revenues:</b>		
Commissions	\$ 148,648	\$ 123,303
Principal transactions	107,244	116,233
Investment banking	78,379	70,438
Asset management and service fees	68,912	60,818
Interest	29,845	25,257
Other income	20,212	13,294
<b>Total revenues</b>	<b>453,240</b>	<b>409,343</b>
Interest expense	11,460	9,010
<b>Net revenues</b>	<b>441,780</b>	<b>400,333</b>
<b>Non-interest expenses:</b>		
Compensation and benefits	315,727	254,704
Occupancy and equipment rental	34,048	30,791
Communications and office supplies	22,979	20,373
Commissions and floor brokerage	9,058	7,612
Other operating expenses	36,622	27,599
<b>Total non-interest expenses</b>	<b>418,434</b>	<b>341,079</b>
<b>Income before income tax expense</b>	<b>23,346</b>	<b>59,254</b>
Provision for income taxes	8,727	24,481
<b>Net income</b>	<b>\$ 14,619</b>	<b>\$ 34,773</b>
<b>Earnings per common share:</b>		
Basic	\$ 0.24	\$ 0.65
Diluted	\$ 0.21	\$ 0.55
<b>Weighted average number of common shares outstanding:</b>		
Basic	60,054	53,243
Diluted	69,189	62,669

*See accompanying Notes to Consolidated Financial Statements.*

**Table of Contents****STIFEL FINANCIAL CORP.****Consolidated Statements of Comprehensive Income****(Unaudited)**

<i>(in thousands)</i>	<b>Three Months Ended March 31,</b>	
	<b>2013</b>	<b>2012</b>
Net income	<b>\$ 14,619</b>	<b>\$ 34,773</b>
Other comprehensive income:		
Changes in unrealized gains/(losses) on available-for-sale securities, net of tax <sup>(1)</sup>	<b>(4,586)</b>	4,850
Changes in unrealized gains on cash flow hedging instruments, net of tax <sup>(2)</sup>	<b>1,519</b>	2,364
Foreign currency translation adjustment, net of tax	<b>(1,069)</b>	535
	<b>(4,136)</b>	7,749
Comprehensive income	<b>\$ 10,483</b>	<b>\$ 42,522</b>

<sup>(1)</sup> Amounts are net of reclassifications to earnings of realized gains of \$0.4 million for the three months ended March 31, 2013. We had no significant reclassifications out of accumulated other comprehensive income for the three months ended March 31, 2012.

<sup>(2)</sup> Amounts are net of reclassifications to earnings of losses of \$2.3 million and \$3.2 million for the three months ended March 31, 2013 and 2012, respectively.

*See accompanying Notes to Consolidated Financial Statements.*

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

<i>(in thousands)</i>	<b>Three Months Ended March 31,</b>	
	<b>2013</b>	<b>2012</b>
<b>Cash Flows from Operating Activities:</b>		
Net income	<b>\$ 14,619</b>	<b>\$ 34,773</b>
Adjustments to reconcile net income to net cash provided by/(used in) operating activities:		
Depreciation and amortization	<b>7,876</b>	7,189
Amortization of loans and advances to financial advisors and other employees	<b>15,553</b>	13,931
Amortization of premium/(accretion of discount) on investment portfolio	<b>(2,989)</b>	2,886
Provision for loan losses and allowance for loans and advances to financial advisors and other employees	<b>1,294</b>	955
Amortization of intangible assets	<b>1,138</b>	1,329
Deferred income taxes	<b>14,846</b>	31,514
Excess tax benefits from stock-based compensation	<b>(8,237)</b>	(12,438)
Stock-based compensation	<b>70,184</b>	6,963
(Gains)/losses on investments	<b>3,530</b>	(7,952)
Other, net	<b>403</b>	(308)
Decrease/(increase) in operating assets, net of assets acquired:		
Cash segregated for regulatory purposes and restricted cash	<b>127,998</b>	299
Receivables:		
Brokerage clients	<b>(55,519)</b>	(9,270)
Brokers, dealers, and clearing organizations	<b>(177,699)</b>	15,378
Securities purchased under agreements to resell	<b>2,354</b>	(28,503)