

STIFEL FINANCIAL CORP
Form 10-Q
August 09, 2010

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Quarterly Period Ended June 30, 2010

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 No. 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
(IRS Employer Identification No.)

501North Broadway
St. Louis, Missouri
(Address of principal executive offices)

63102
(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 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 (§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 or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

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

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

The number of shares outstanding of the registrant's common stock as of July 30, 2010 was 35,817,247, which includes 780,118 exchangeable shares of TWP Acquisition Company (Canada), Inc., a wholly-owned subsidiary of the registrant. These shares are exchangeable at any time into a share of common stock of the registrant; entitle the holder to dividend and other rights substantially economically equivalent to those of a share of common stock; and, through a voting trust, entitle the holder to a vote on matters presented to common shareholders.

STIFEL FINANCIAL CORP.

Form 10-Q

TABLE OF CONTENTS

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements	3
Condensed Consolidated Statements of Financial Condition as of June 30, 2010 (unaudited) and December 31, 2009	3
Condensed Consolidated Statements of Operations for the three months and six months ended June 30, 2010 and June 30, 2009 (unaudited)	5
Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2010 and June 30, 2009 (unaudited)	6
Notes to Condensed Consolidated Financial Statements	8
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	45
Item 3. Quantitative and Qualitative Disclosures About Market Risk	81
Item 4. Controls and Procedures	86

PART II - OTHER INFORMATION

Item 1. Legal Proceedings	87
Item 1A. Risk Factors	88
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	88
Item 6. Exhibits	89
Signatures	90

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

<i>(in thousands)</i>	June 30, 2010 (Unaudited)	December 31, 2009
Assets		
Cash and cash equivalents	\$ 262,702	\$ 161,820
Cash segregated for regulatory purposes	19	19
Receivables:		
Brokerage clients, net	441,854	383,222
Broker, dealers and clearing organizations	196,231	309,609
Securities purchased under agreements to resell	88,668	124,854
Trading securities owned, at fair value (includes securities pledged of \$253,835 and \$287,683, respectively)	476,498	454,891
Available-for-sale securities, at fair value	740,121	578,488
Held-to-maturity securities, at amortized cost	7,574	7,574
Loans held for sale	60,154	91,117
Bank loans, net	367,819	335,157
Bank foreclosed assets held for sale, net of estimated cost to sell	1,345	3,143
Investments	126,205	109,403
Fixed assets, net of accumulated depreciation and amortization of \$81,477 and \$71,445, respectively	63,124	62,115
Goodwill	166,725	166,725
Intangible assets, net	22,508	24,648
Loans and advances to financial advisors and other employees, net	180,912	185,123
Deferred tax assets, net	58,314	53,462
Other assets	109,934	115,986
Total Assets	\$ 3,370,707	\$ 3,167,356

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>	June 30, 2010 (Unaudited)	December 31, 2009
Liabilities and Shareholders' Equity		
Short-term borrowings from banks	\$ 163,900	\$ 90,800
Payables:		
Customers	218,647	214,883
Brokers, dealers and clearing organizations	111,364	90,460
Drafts	47,235	66,964
Securities sold under agreements to repurchase	58,584	122,533
Bank deposits	1,255,292	1,047,211
Federal Home Loan Bank advances	-	2,000
Trading securities sold, but not yet purchased, at fair value	253,463	277,370
Accrued compensation	119,215	166,346
Accounts payable and accrued expenses	124,197	113,364
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	982	9,398
	2,435,379	2,283,829
Liabilities subordinated to claims of general creditors	8,241	10,081
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 31,379,884 and 30,388,270 shares, respectively	4,707	4,558
Additional paid-in-capital	656,402	623,943
Retained earnings	285,257	244,615
Accumulated other comprehensive income	1,860	1,302
	948,226	874,418
Treasury stock, at cost, 399,075 and 4,221 shares, respectively	(20,514)	(242)
Unearned employee stock ownership plan shares, at cost, 97,617 and 113,885 shares, respectively	(625)	(730)
	927,087	873,446
Total Liabilities and Shareholders' Equity	\$ 3,370,707	\$ 3,167,356

See accompanying Notes to Consolidated Financial Statements.

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

<i>(in thousands, except per share amounts)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Revenues:				
Principal transactions	\$ 122,923	\$ 121,261	\$ 240,343	\$ 218,539
Commissions	103,634	80,721	208,669	155,331
Asset management and service fees	44,138	25,433	85,241	51,254
Investment banking	41,252	24,702	75,473	40,206
Interest	14,654	10,584	29,301	20,476
Other income	3,757	1,849	5,702	1,076
Total revenues	330,358	264,550	644,729	486,882
Interest expense				