

The background of the slide features a grayscale image of classical architectural columns, likely from a government building or institution, creating a sense of stability and tradition. The columns are arranged in a perspective that recedes into the distance.

# **4<sup>th</sup> Quarter and Full-Year 2014 Financial Results Presentation**

**February 23, 2015**

**STIFEL**

# Disclaimer

## **Forward-Looking Statements**

This presentation may contain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995 that involve significant risks, assumptions, and uncertainties, including statements relating to the market opportunity and future business prospects of Stifel Financial Corp., as well as Stifel, Nicolaus & Company, Incorporated and its subsidiaries (collectively, “SF” or the “Company”). These statements can be identified by the use of the words “may,” “will,” “should,” “could,” “would,” “plan,” “potential,” “estimate,” “project,” “believe,” “intend,” “anticipate,” “expect,” and similar expressions. In particular, these statements may refer to our goals, intentions, and expectations, our business plans and growth strategies, our ability to integrate and manage our acquired businesses, estimates of our risks and future costs and benefits, and forecasted demographic and economic trends relating to our industry.

You should not place undue reliance on any forward-looking statements, which speak only as of the date they were made. We will not update these forward-looking statements, even though our situation may change in the future, unless we are obligated to do so under federal securities laws.

Actual results may differ materially and reported results should not be considered as an indication of future performance. Factors that could cause actual results to differ are included in the Company’s annual and quarterly reports and from time to time in other reports filed by the Company with the Securities and Exchange Commission and include, among other things, changes in general economic and business conditions, actions of competitors, regulatory and legal actions, changes in legislation, and technology changes.

## **Use of Non-GAAP Financial Measures**

The Company utilized non-GAAP calculations of presented net revenues, compensation and benefits, non-compensation operating expenses, income from continuing operations before income taxes, provision for income taxes, net income from continuing operations, net income, compensation and non-compensation operating expense ratios, pre-tax margin and diluted earnings per share as an additional measure to aid in understanding and analyzing the Company’s financial results for the three and twelve months ended December 31, 2014. Specifically, the Company believes that the non-GAAP measures provide useful information by excluding certain items that may not be indicative of the Company’s core operating results and business outlook. The Company believes that these non-GAAP measures will allow for a better evaluation of the operating performance of the business and facilitate a meaningful comparison of the Company’s results in the current period to those in prior periods and future periods. Reference to these non-GAAP measures should not be considered as a substitute for results that are presented in a manner consistent with GAAP. These non-GAAP measures are provided to enhance investors’ overall understanding of the Company’s financial performance.

# Chairman's Comments

“We had a strong finish to the year and are excited to report that 2014 was our 19th consecutive year of record net revenues. Both the Global Wealth Management and Institutional Group generated record revenues and record pre-tax operating income in 2014. We continue to add capabilities and talented professionals in our pursuit of building the preeminent brokerage and investment banking firm.

Today, we announced the acquisition of Sterne Agee, which bolsters our Global Wealth Management segment with the addition of more than 700 financial advisors and independent representatives nationwide managing over \$20 billion in client assets, and complements our Fixed Income platform, generating significant scale.”

# Market Overview

	Market Valuations		Rates	Volatility / Volumes			Flows	Underwriting Volumes and M&A				
	S&P 500	Dow	U.S. 10yr Yield	VIX	Equity ADV	Corporate Bond ADV	Equity Mutual Fund (\$)	U.S. ECM (\$)	U.S. DCM (\$)	Municipal Bond DCM (\$)	U.S. Announced M&A (\$)	U.S. Completed M&A (\$)
2014 Q4	2,059	17,823	2.17%	15.7	7,004	20,489	(17.5)	62,061	483,727	102,942	384,411	386,672
2014 Q3	1,972	17,043	2.49%	13.0	5,678	19,329	(10.8)	82,218	489,693	75,969	444,526	262,352
4Q Δ	4%	5%	-32 bps	21%	23%	6%	-63%	-25%	-1%	36%	-14%	47%
2014	2,059	17,823	2.17%	14.1	6,419	20,690	38.9	294,508	2,043,732	333,018	1,604,689	1,220,258
2013	1,848	16,577	3.03%	14.1	6,190	19,032	142.2	282,036	2,173,054	331,586	1,119,155	1,023,772
Y/Y Δ	11%	8%	-86 bps	0%	4%	9%	-73%	4%	-6%	0%	43%	19%

Equity Risk Premium					
Date	S&P 500		10yr	=	Risk Premium
12/31/2014	5.19%	less	2.17%	=	3.02%
12/31/2013	5.54%	less	3.04%	=	2.50%



# **Financial Results**

# Stifel Financial Corp. Results

## Three months ended December 31, 2014

	Three Months Ended December 31, 2014			Three Months Ended			
	Non-GAAP	Non-Core <sup>(1)</sup>	GAAP	12/31/13 <sup>(2)</sup>	% Change	9/30/14	% Change <sup>(2)</sup>
<i>(\$ in thousands, except per share amounts)</i>							
<b>Total revenues</b>	\$ 590,675	\$ (39)	\$ 590,636	\$ 576,236	2.5%	\$ 536,241	10.2%
Interest expense	12,560	-	12,560	11,555	8.7%	11,516	9.1%
<b>Net revenues</b>	<b>578,115</b>	<b>(39)</b>	<b>578,076</b>	564,681	2.4%	524,725	10.2%
Compensation and benefits	355,584	14,870	370,454	347,263	2.4%	324,193	9.7%
Non-comp operating expenses	132,792	5,452	138,244	126,990	4.6%	122,501	8.4%
<b>Total non-interest expenses</b>	<b>488,376</b>	<b>20,322</b>	<b>508,698</b>	474,253	3.0%	446,694	9.3%
<b>Income from continuing operations before income taxes</b>	<b>89,739</b>	<b>(20,361)</b>	<b>69,378</b>	90,428	(0.8%)	78,031	15.0%
Provision for income taxes	31,299	(7,409)	23,890	30,609	2.3%	29,333	6.7%
<b>Net income from continuing operations</b>	<b>\$ 58,440</b>	<b>\$ (12,952)</b>	<b>\$ 45,488</b>	\$ 59,819	(2.3%)	\$ 48,698	20.0%
<b>Discontinued operations:</b>							
Loss from discontinued operations, net of tax	-	(306)	(306)	-		-	
<b>Net income</b>	<b>\$ 58,440</b>	<b>\$ (13,258)</b>	<b>\$ 45,182</b>	\$ 59,819	(2.3%)	\$ 48,698	20.0%
<b><u>Earnings per diluted common share:</u></b>							
Income from continuing operations	\$ 0.75	\$ (0.16)	\$ 0.59	\$ 0.79	(5.1%)	\$ 0.64	17.2%
Loss from discontinued operations	-	(0.01)	(0.01)	-		-	
<b>Earnings per diluted common share</b>	<b>\$ 0.75</b>	<b>\$ (0.17)</b>	<b>\$ 0.58</b>	\$ 0.79	(5.1%)	\$ 0.64	17.2%
<b><u>Weighted average number of shares outstanding:</u></b>							
Diluted	77,540			75,495	2.7%	76,681	1.1%
<b><u>Ratios to net revenues:</u></b>							
Compensation and benefits	61.5%		64.1%	61.5%		61.8%	
Non-comp operating expenses	23.0%		23.9%	22.5%		23.3%	
Income from continuing operations before income taxes	15.5%		12.0%	16.0%		14.9%	

**STIFEL**

(1) Non-core adjustments consist of merger-related revenues and expenses associated with our acquisitions and discontinued operations of SN Canada.

(2) Results for the three months ended December 31, 2013 and September 30, 2014 are Core (non-GAAP).

# Q4 2014 Estimates - Core

	4Q14	4Q14 Mean	% Δ	\$ Δ
<b>Revenues</b>				
<b>CORE</b>				
Commissions	\$ 175.0	\$ 156.7	11.7%	\$ 18.3
Principal transactions	94.1	119.8	(21.4%)	(25.7)
Commissions + Principal transactions	269.1	276.5	(2.7%)	(7.4)
Investment banking	174.6	156.5	11.6%	18.1
Asset management and service fees	106.0	100.9	5.0%	5.1
Net Interest	32.4	37.9	(14.6%)	(5.6)
Other income	(4.0)	8.2	(148.5%)	(12.1)
<b>Net revenues</b>	<b>578.1</b>	<b>580.0</b>	<b>(0.3%)</b>	<b>(1.9)</b>
<b>Non-interest expenses</b>				
Compensation and benefits	355.6	361.1	(1.5%)	(5.5)
Non-compensation operating expenses	132.8	125.3	6.0%	7.5
<b>Total non-interest expenses</b>	<b>488.4</b>	<b>486.4</b>	<b>0.4%</b>	<b>2.0</b>
<b>Income before income taxes</b>	<b>89.7</b>	<b>93.6</b>	<b>(4.1%)</b>	<b>(3.9)</b>
Provision for income taxes	31.3	36.0	(13.1%)	(4.7)
<b>Net Income</b>	<b>\$ 58.4</b>	<b>\$ 59.5</b>	<b>(1.8%)</b>	<b>\$ (1.1)</b>
<b>Diluted Operating EPS</b>	<b>0.75</b>	<b>0.77</b>	<b>(2.4%)</b>	<b>(0.02)</b>
Diluted shares outstanding	77.5	77.1	0.6%	0.5
Operating net income margin	10.1%	10.3%	(1.5%)	(0.2%)
Income before income taxes	15.5%	16.1%	(3.8%)	(0.6%)
Compensation Ratio	61.5%	62.3%	(1.2%)	(0.8%)
Non-Compensation Ratio	23.0%	21.6%	6.3%	1.4%
Effective tax rate	34.9%	38.5%	(9.4%)	(3.6%)



# Stifel Financial Corp. Results

## Year ended December 31, 2014

	Year Ended December 31, 2014			Year Ended	
	Non-GAAP	Non-Core <sup>(1)</sup>	GAAP	12/31/13 <sup>(2)</sup>	% Change
<i>(\$ in thousands, except per share amounts)</i>					
<b>Total revenues</b>	<b>\$ 2,254,747</b>	<b>\$ (5,063)</b>	<b>\$ 2,249,684</b>	<b>\$ 2,024,538</b>	<b>11.4%</b>
Interest expense	<b>41,977</b>	<b>(717)</b>	<b>41,260</b>	46,198	<b>(9.1%)</b>
<b>Net revenues</b>	<b>2,212,770</b>	<b>(4,346)</b>	<b>2,208,424</b>	1,978,340	<b>11.8%</b>
Compensation and benefits	<b>1,378,018</b>	25,914	<b>1,403,932</b>	1,236,991	<b>11.4%</b>
Non-comp operating expenses	<b>497,480</b>	16,218	<b>513,698</b>	446,265	<b>11.5%</b>
<b>Total non-interest expenses</b>	<b>1,875,498</b>	<b>42,132</b>	<b>1,917,630</b>	1,683,256	<b>11.4%</b>
<b>Income from continuing operations before income taxes</b>	<b>337,272</b>	<b>(46,478)</b>	<b>290,794</b>	295,084	<b>14.3%</b>
Provision for income taxes	<b>126,840</b>	<b>(15,176)</b>	<b>111,664</b>	110,426	<b>14.9%</b>
<b>Net income from continuing operations</b>	<b>\$ 210,432</b>	<b>\$ (31,302)</b>	<b>\$ 179,130</b>	<b>\$ 184,658</b>	<b>14.0%</b>
<b>Discontinued operations:</b>					
Loss from discontinued operations, net	-	<b>(3,063)</b>	<b>(3,063)</b>	-	
<b>Net income</b>	<b>\$ 210,432</b>	<b>\$ (34,365)</b>	<b>\$ 176,067</b>	<b>\$ 184,658</b>	<b>14.0%</b>
<b><u>Earnings per diluted common share:</u></b>					
Income from continuing operations	<b>\$ 2.76</b>	<b>\$ (0.41)</b>	<b>\$ 2.35</b>	<b>\$ 2.51</b>	<b>10.0%</b>
Loss from discontinued operations, net	-	<b>(0.04)</b>	<b>(0.04)</b>	-	
Earnings per diluted common share	<b>\$ 2.76</b>	<b>\$ (0.45)</b>	<b>\$ 2.31</b>	<b>\$ 2.51</b>	<b>10.0%</b>
<b><u>Weighted average number of shares outstanding:</u></b>					
Diluted	<b>76,376</b>			73,504	<b>3.9%</b>
<b><u>Ratios to net revenues:</u></b>					
Compensation and benefits	<b>62.3%</b>		<b>63.6%</b>	62.5%	
Non-comp operating expenses	<b>22.5%</b>		<b>23.3%</b>	22.6%	
Income from continuing operations before income taxes	<b>15.2%</b>		<b>13.2%</b>	14.9%	

**STIFEL**

(1) Non-core adjustments consist of merger-related revenues and expenses associated with our acquisitions and discontinued operations of SN Canada.  
(2) Results for the year ended December 31, 2013 are Core (non-GAAP).



# Source of Revenues

(\$ in thousands)	Three Months Ended					Year Ended		
	12/31/14	12/31/13	% Change	9/30/14	% Change	12/31/14	12/31/13	% Change
Commissions	\$ 174,990	\$ 163,715	6.9%	\$ 162,814	7.5%	\$ 674,418	\$ 640,287	5.3%
Principal transactions	94,109	105,393	(10.7%)	94,915	(0.8%)	409,823	408,954	0.2%
Brokerage revenues	269,099	269,108	(0.0%)	257,729	4.4%	1,084,241	1,049,241	3.3%
Capital raising	71,178	73,537	(3.2%)	72,478	(1.8%)	305,198	256,307	19.1%
Advisory	103,423	87,481	18.2%	50,939	103.0%	273,491	201,429	35.8%
Investment banking	174,601	161,018	8.4%	123,417	41.5%	578,689	457,736	26.4%
Asset mgt and service fees	105,962	83,928	26.3%	96,638	9.6%	386,001	305,639	26.3%
Other	(3,960)	19,391	(120.4%)	4,803	(182.4%)	14,785	64,659	(77.1%)
<b>Total operating revenues</b>	<b>545,702</b>	<b>533,445</b>	<b>2.3%</b>	<b>482,587</b>	<b>13.1%</b>	<b>2,063,716</b>	<b>1,877,275</b>	<b>9.9%</b>
Interest revenue	44,934	40,711	10.4%	52,096	(13.7%)	185,969	142,539	30.5%
<b>Total revenues</b>	<b>590,636</b>	<b>574,156</b>	<b>2.9%</b>	<b>534,683</b>	<b>10.5%</b>	<b>2,249,685</b>	<b>2,019,814</b>	<b>11.4%</b>
Interest expense	12,560	11,630	8.0%	11,228	11.9%	41,261	46,368	(11.0%)
<b>Net revenues</b>	<b>\$ 578,076</b>	<b>\$ 562,526</b>	<b>2.8%</b>	<b>\$ 523,455</b>	<b>10.4%</b>	<b>\$ 2,208,424</b>	<b>\$ 1,973,446</b>	<b>11.9%</b>

# Brokerage & Investment Banking Revenues

	Three Months Ended					Year Ended		
	12/31/14	12/31/13	% Change	9/30/14	% Change	12/31/14	12/31/13	% Change
<i>(\$ in thousands)</i>								
<b>Global Wealth Management</b>	<b>\$ 160,022</b>	\$ 159,114	<b>0.6%</b>	\$ 157,595	<b>1.5%</b>	<b>\$ 638,206</b>	\$ 632,804	<b>0.9%</b>
Institutional Group								
Equity brokerage	<b>67,273</b>	59,259	<b>13.5%</b>	57,371	<b>17.3%</b>	<b>249,845</b>	228,755	<b>9.2%</b>
Fixed income brokerage	<b>41,804</b>	50,735	<b>(17.6%)</b>	42,763	<b>(2.2%)</b>	<b>196,191</b>	187,683	<b>4.5%</b>
Total Institutional Group	<b>109,077</b>	109,994	<b>(0.8%)</b>	100,134	<b>8.9%</b>	<b>446,036</b>	416,438	<b>7.1%</b>
<b>Total brokerage revenues</b>	<b>269,099</b>	269,108	<b>0.0%</b>	257,729	<b>4.4%</b>	<b>1,084,242</b>	1,049,242	<b>3.3%</b>
<b>Investment Banking:</b>								
Capital raising								
Equity	<b>49,866</b>	57,335	<b>(13.0%)</b>	56,413	<b>(11.6%)</b>	<b>232,454</b>	183,307	<b>26.8%</b>
Fixed income	<b>21,311</b>	16,122	<b>32.2%</b>	16,066	<b>32.6%</b>	<b>72,744</b>	72,706	<b>0.1%</b>
<b>Total capital raising</b>	<b>71,177</b>	73,457	<b>(3.1%)</b>	72,479	<b>(1.8%)</b>	<b>305,198</b>	256,013	<b>19.2%</b>
Advisory fees	<b>103,424</b>	87,561	<b>18.1%</b>	50,938	<b>103.0%</b>	<b>273,491</b>	201,723	<b>35.6%</b>
<b>Total Investment banking</b>	<b>\$ 174,601</b>	\$ 161,018	<b>8.4%</b>	\$ 123,417	<b>41.5%</b>	<b>\$ 578,689</b>	\$ 457,736	<b>26.4%</b>

# Core Non-Interest Expenses

## Three months ended December 31, 2014

(\$ in thousands)	Three Months Ended					% of Net revenues		
	12/31/14 <sup>(1)</sup>	12/31/13	% Change	9/30/14	% Change	12/31/14 <sup>(1)</sup>	12/31/13	9/30/14
<b>Net revenues</b>	<b>\$ 578,115</b>	\$ 564,681	<b>2.4%</b>	\$ 524,725	<b>10.2%</b>	<b>100.0%</b>	100.0%	100.0%
Compensation and benefits	<b>332,364</b>	324,569	<b>2.4%</b>	297,340	<b>11.8%</b>	<b>57.5%</b>	57.5%	56.7%
Transition pay <sup>(2)</sup>	<b>23,220</b>	22,694	<b>2.3%</b>	26,853	<b>(13.5%)</b>	<b>4.0%</b>	4.0%	5.1%
<b>Total compensation and benefits</b>	<b>355,584</b>	347,263	<b>2.4%</b>	324,193	<b>9.7%</b>	<b>61.5%</b>	61.5%	61.8%
Occupancy and equipment rental	<b>42,550</b>	40,892	<b>4.1%</b>	40,421	<b>5.3%</b>	<b>7.4%</b>	7.2%	7.7%
Communication and office supplies	<b>28,449</b>	24,974	<b>13.9%</b>	27,448	<b>3.6%</b>	<b>4.9%</b>	4.4%	5.2%
Commissions and floor brokerage	<b>8,308</b>	8,213	<b>1.2%</b>	9,971	<b>(16.7%)</b>	<b>1.4%</b>	1.5%	1.9%
Other operating expenses	<b>53,485</b>	52,911	<b>1.1%</b>	44,661	<b>19.8%</b>	<b>9.3%</b>	9.4%	8.5%
<b>Total non-comp operating expenses</b>	<b>132,792</b>	126,990	<b>4.6%</b>	122,501	<b>8.4%</b>	<b>23.0%</b>	22.5%	23.3%
<b>Total non-interest expense</b>	<b>488,376</b>	474,253	<b>3.0%</b>	446,694	<b>9.3%</b>	<b>84.5%</b>	84.0%	85.1%
<b>Income from continuing operations before income taxes</b>	<b>89,739</b>	90,428	<b>(0.8%)</b>	78,031	<b>15.0%</b>	<b>15.5%</b>	16.0%	14.9%
Provision for income taxes	<b>31,299</b>	30,609	<b>2.3%</b>	29,333	<b>6.7%</b>	<b>5.4%</b>	5.4%	5.6%
<b>Non-GAAP net income from continuing operations</b>	<b>\$ 58,440</b>	\$ 59,819	<b>(2.3%)</b>	\$ 48,698	<b>20.0%</b>	<b>10.1%</b>	10.6%	9.3%
Non-core expenses (after-tax)	(12,952)	(7,693)		(8,605)				
<b>GAAP net income from continuing operations</b>	<b>\$ 45,488</b>	\$ 52,126		\$ 40,093				

(1) Excludes non-core adjustments consisting of merger-related revenues and expenses associated with our acquisitions and discontinued operations of SN Canada.

(2) Transition pay includes amortization of retention awards, signing bonuses, and upfront notes.

# Core Non-Interest Expenses

## Year ended December 31, 2014

(\$ in thousands)	Year Ended			% of Net revenues	
	12/31/14 <sup>(1)</sup>	12/31/13	% Change	12/31/14 <sup>(1)</sup>	12/31/13
<b>Net revenues</b>	<b>\$ 2,212,770</b>	\$ 1,978,340	<b>11.8%</b>	<b>100.0%</b>	100.0%
Compensation and benefits	<b>1,279,119</b>	1,150,883	<b>11.1%</b>	<b>57.8%</b>	58.2%
Transition pay <sup>(2)</sup>	<b>98,899</b>	86,108	<b>14.9%</b>	<b>4.5%</b>	4.3%
<b>Total compensation and benefits</b>	<b>1,378,018</b>	1,236,991	<b>11.4%</b>	<b>62.3%</b>	62.5%
Occupancy and equipment rental	<b>163,033</b>	149,488	<b>9.1%</b>	<b>7.4%</b>	7.6%
Communication and office supplies	<b>106,389</b>	95,539	<b>11.4%</b>	<b>4.8%</b>	4.8%
Commissions and floor brokerage	<b>36,556</b>	35,812	<b>2.1%</b>	<b>1.7%</b>	1.8%
Other operating expenses	<b>191,502</b>	165,426	<b>15.8%</b>	<b>8.6%</b>	8.4%
<b>Total non-comp operating expenses</b>	<b>497,480</b>	446,265	<b>11.5%</b>	<b>22.5%</b>	22.6%
<b>Total non-interest expense</b>	<b>1,875,498</b>	1,683,256	<b>11.4%</b>	<b>84.8%</b>	85.1%
<b>Income from continuing operations before income taxes</b>	<b>337,272</b>	295,084	<b>14.3%</b>	<b>15.2%</b>	14.9%
Provision for income taxes	<b>126,840</b>	110,426	<b>14.9%</b>	<b>5.7%</b>	5.6%
<b>Non-GAAP net income from continuing operations</b>	<b>\$ 210,432</b>	\$ 184,658	<b>14.0%</b>	<b>9.5%</b>	9.3%
Non-core expenses (after-tax)	(31,302)	(11,751)			
<b>GAAP net income from continuing operations</b>	<b>\$ 179,130</b>	\$ 172,907			

(1) Excludes non-core adjustments consisting of merger-related revenues and expenses associated with our acquisitions and discontinued operations of SN Canada.

(2) Transition pay includes amortization of retention awards, signing bonuses, and upfront notes.

# Segment Comparison - Core

	Three Months Ended					Year Ended		
	12/31/14	12/31/13	% Change	9/30/14	% Change	12/31/14	12/31/13	% Change
<i>(\$ in thousands)</i>								
<b>Net revenues:</b>								
Global Wealth Management	\$ 310,980	\$ 292,836	6.2%	\$ 317,241	(2.0%)	\$ 1,232,651	\$ 1,117,179	10.3%
Institutional Group	272,732	267,282	2.0%	215,160	26.8%	993,581	861,158	15.4%
Other	(5,597)	4,563	nm	(7,676)	nm	(13,462)	3	nm
	<u>\$ 578,115</u>	<u>\$ 564,681</u>	<u>2.4%</u>	<u>\$ 524,725</u>	<u>10.2%</u>	<u>\$ 2,212,770</u>	<u>\$ 1,978,340</u>	<u>11.8%</u>
<b>Operating contribution:</b>								
Global Wealth Management	\$ 84,178	\$ 79,022	6.5%	\$ 94,026	(10.5%)	\$ 346,978	\$ 299,572	15.8%
Institutional Group	35,093	48,590	(27.8%)	29,500	19.0%	152,905	142,889	7.0%
Other	(29,532)	(37,184)	(20.6%)	(45,495)	(35.1%)	(162,611)	(147,377)	10.3%
	<u>\$ 89,739</u>	<u>\$ 90,428</u>	<u>(0.8%)</u>	<u>\$ 78,031</u>	<u>15.0%</u>	<u>\$ 337,272</u>	<u>\$ 295,084</u>	<u>14.3%</u>
<b>As a percentage of net revenues: <sup>(1)</sup></b>								
Operating contribution								
Global Wealth Management	27.1	27.0		29.6		28.1	26.8	
Institutional Group	12.9	18.2		13.7		15.4	16.6	
	<u>15.5</u>	<u>16.0</u>		<u>14.9</u>		<u>15.2</u>	<u>14.9</u>	

(1) Excludes the Other segment.

# Global Wealth Management

(\$ in thousands)	Three Months Ended					Year Ended		
	12/31/14	12/31/13	% Change	9/30/14	% Change	12/31/14	12/31/13	% Change
Commissions	\$ 115,351	\$ 108,588	6.2%	\$ 113,177	1.9%	\$ 453,730	\$ 428,610	5.9%
Principal transactions	44,671	50,526	(11.6%)	44,418	0.6%	184,476	204,194	(9.7%)
Asset management & service fees	105,511	82,964	27.2%	96,354	9.5%	385,182	304,541	26.5%
Net interest	40,236	31,092	29.4%	43,357	(7.2%)	154,694	104,748	47.7%
Investment banking	9,811	10,412	(5.8%)	13,443	(27.0%)	45,768	49,921	(8.3%)
Other income	(4,600)	9,254	nm	6,492	nm	8,801	25,165	(65.0%)
<b>Net revenues</b>	<b>310,980</b>	<b>292,836</b>	<b>6.2%</b>	<b>317,241</b>	<b>(2.0%)</b>	<b>1,232,651</b>	<b>1,117,179</b>	<b>10.3%</b>
Compensation and benefits	180,491	167,980	7.4%	177,296	1.8%	703,679	648,681	8.5%
Non-comp operating expenses	46,311	45,834	1.0%	45,919	0.9%	181,994	168,926	7.7%
<b>Total non-interest expenses</b>	<b>226,802</b>	<b>213,814</b>	<b>6.1%</b>	<b>223,215</b>	<b>1.6%</b>	<b>885,673</b>	<b>817,607</b>	<b>8.3%</b>
<b>Income before income taxes</b>	<b>\$ 84,178</b>	<b>\$ 79,022</b>	<b>6.5%</b>	<b>\$ 94,026</b>	<b>(10.5%)</b>	<b>\$ 346,978</b>	<b>\$ 299,572</b>	<b>15.8%</b>
<b><i>Ratios to net revenues :</i></b>								
Compensation and benefits	58.0%	57.4%		55.9%		57.1%	58.1%	
Non-comp operating expenses	14.9%	15.6%		14.5%		14.8%	15.1%	
Income before income taxes	27.1%	27.0%		29.6%		28.1%	26.8%	

# Stifel Bank & Trust

(an operating unit of GWM)

	As of 12/31/14		As of 12/31/13		% Change	As of 9/30/14		% Change
	Actual (\$)	Yield (%)	Actual (\$)	Yield (%)		Actual (\$)	Yield (%)	
<b>Assets</b>								
Cash	119,501	0.31	318,920	0.25	(62.5%)	142,444	0.39	(16.1%)
Investment securities <sup>(1)</sup>	2,684,947	2.61	3,062,602	2.19	(12.3%)	2,720,860	2.39	(1.3%)
Bank loans <sup>(2)</sup>	2,298,929	5.18	1,530,389	3.31	50.2%	1,988,076	4.82	15.6%
Total interest earning assets	5,103,377	2.92	4,911,911	2.42	3.9%	4,851,380	3.24	5.2%
Other assets (non-interest earning)	134,593		126,803			125,814		7.0%
Total assets	5,237,970		5,038,714		4.0%	4,977,194		5.2%
<b>Liabilities</b>								
Deposits	4,790,084	0.08	4,666,789	0.66	2.6%	4,552,524	0.15	5.2%
Other liabilities (non-interest bearing)	41,867		53,340		(21.5%)	35,348		18.4%
Total liabilities	4,831,951		4,720,129		2.4%	4,587,872		5.3%
Net interest margin		2.75		2.14			3.10	
Allowance for loan losses	\$ 20,731		\$ 12,668		63.6%	\$ 18,996		9.1%
Allowance as a percentage of loans	0.94 %		0.89 %			1.01 %		
Non-performing assets as a percentage of total assets	0.11 %		0.03 %			0.07 %		

Note: Actual amounts presented above are as of period-end and yields are based off of quarter-to-date averages.

(1) Investment securities includes available-for-sale and held-to-maturity securities.

(2) Includes loans held for sale.

**STIFEL**



# Institutional Group

	Three Months Ended					Year Ended		
	12/31/14	12/31/13	% Change	9/30/14	% Change	12/31/14	12/31/13	% Change
<i>(\$ in thousands)</i>								
<b>Net revenues</b>	<b>\$ 272,732</b>	\$ 267,282	<b>2.0%</b>	\$ 215,160	<b>26.8%</b>	<b>\$ 993,581</b>	\$ 861,158	<b>15.4%</b>
Compensation and benefits	<b>176,897</b>	165,779	<b>6.7%</b>	131,589	<b>34.4%</b>	<b>620,001</b>	524,870	<b>18.1%</b>
Non-comp operating expenses	<b>60,742</b>	52,913	<b>14.8%</b>	54,071	<b>12.3%</b>	<b>220,675</b>	193,399	<b>14.1%</b>
<b>Total non-interest expenses</b>	<b>237,639</b>	218,692	<b>8.7%</b>	185,660	<b>28.0%</b>	<b>840,676</b>	718,269	<b>17.0%</b>
<b>Income before income taxes</b>	<b>\$ 35,093</b>	\$ 48,590	<b>(27.8%)</b>	\$ 29,500	<b>19.0%</b>	<b>\$ 152,905</b>	\$ 142,889	<b>7.0%</b>
<b><i>Ratios to net revenues :</i></b>								
Compensation and benefits	<b>64.9%</b>	62.0%		61.2%		<b>62.4%</b>	60.9%	
Non-comp operating expenses	<b>22.2%</b>	19.8%		25.1%		<b>22.2%</b>	22.5%	
Income before income taxes	<b>12.9%</b>	18.2%		13.7%		<b>15.4%</b>	16.6%	



# **Financial Condition**

# Capital Structure

## As of December 31, 2014

(in thousands, except ratios)

*(\$ in thousands)*

Total Assets	9,518,151
Stockholders' Equity	2,322,038
6.70% senior notes, due 2022	\$ 175,000
5.375% senior notes, due 2022	150,000
4.250% senior notes, due 2024	300,000
Debentures to Stifel Financial Capital Trusts II, III, & IV	82,500
Total Capitalization	\$ 3,029,538

### Ratios:

Debt to Equity <sup>(1)</sup>	30.5%
Pro Forma Debt to Equity <sup>(2)</sup>	22.9%
Tier 1 Leverage Ratio	16.5%
Tier 1 Risk Based Capital Ratio	25.0%


(1) Debt to equity ratio includes the debentures to Stifel Financial Capital Trusts (\$82.5m) and Senior Notes (\$625.0m) divided by stockholders' equity.

(2) Pro forma debt to equity ratio excludes the 6.70% senior notes, due 2022, that were redeemed by the Company on January 15, 2015.

# Other Financial Data

	As of			As of	
	12/31/14	12/31/13	% Change	9/30/14	% Change
<b>Total assets (000s):</b>					
Stifel Nicolaus & Stifel Financial	\$ 4,296,803	\$ 3,986,927	7.8%	\$ 4,365,545	(1.6%)
Stifel Bank	5,221,348	5,021,943	4.0%	4,960,572	5.3%
<b>Total assets</b>	<b>9,518,151</b>	<b>\$ 9,008,870</b>	<b>5.7%</b>	<b>\$ 9,326,117</b>	<b>2.1%</b>
<b>Total shareholders' equity (000s):</b>					
Stifel Nicolaus & Stifel Financial	\$ 1,916,019	\$ 1,740,264	10.1%	\$ 1,849,227	3.6%
Stifel Bank	406,019	318,585	27.4%	389,322	4.3%
<b>Total shareholders' equity</b>	<b>2,322,038</b>	<b>\$ 2,058,849</b>	<b>12.8%</b>	<b>\$ 2,238,549</b>	<b>3.7%</b>
<b>Leverage ratio:</b>					
Stifel Nicolaus & Stifel Financial	1.6	1.9	(11.8%)	1.7	(4.1%)
Stifel Bank	12.9	15.8	(18.4%)	12.7	0.9%
<b>Total leverage ratio</b>	<b>3.1</b>	<b>3.7</b>	<b>(14.0%)</b>	<b>3.2</b>	<b>(0.8%)</b>
Book value per share	\$ 35.00	\$ 32.30	8.4%	\$ 33.92	3.2%
Financial advisors <sup>(1)</sup>	2,103	2,077	1.3%	2,096	0.3%
Full-time associates	6,223	5,862	6.2%	6,083	2.3%
Locations	367	357	2.8%	360	1.9%
Total client assets (000s)	\$ 186,558,000	\$ 165,570,000	12.7%	\$ 172,742,000	8.0%

(1) Includes 138, 143, and 139 independent contractors as of December 31, 2014, December 31, 2013, and September 30, 2014.



# **Sterne Agee Merger**

## Chairman's Comments

“We have identified a great firm in Sterne Agee to bolster our Global Wealth Management group with the addition of more than 700 financial advisors and independent representatives increasing advisor professionals by 35%. Sterne Agee’s fixed income platform is highly complementary to our existing products and services, and together will catapult this business to a new level, continuing the momentum we established with the addition of Knight’s fixed income sales and trading business.

This acquisition furthers our goal of creating a balanced, well-diversified business mix with wealth management and institutional exposure.”

# Why this Combination Makes Sense

*This transaction brings together two companies with a shared goal of building the preeminent wealth management and investment banking firm*

Leverages both the Wealth Management and Institutional Platforms

Significantly Increases Financial Advisors and Independent Representatives Nationwide in a Challenging Recruiting Environment

Highly Complementary Fixed Income Platforms

Accretive to Stifel



# Sterne Agee Business Lines

## Global Wealth Management

### Private Client

Over 130 financial advisors in 23 branches with \$10B in AUM and \$1.4B in managed fee based accounts

\$85M Revenue

### Independent Advisors

Over 600 independent reps in 40 states with \$10B in AUM

\$90M Revenue

### Trust

Private trust company offering the full range of trust services

\$6M Revenue

### Clearing

Top 10 clearing firm in the U.S. with over \$27B in assets under custody

\$5M Revenue

## Institutional

### Fixed Income

Over 200 professionals with minimal overlap between the platforms

\$130M Revenue

## Strategic Evaluation

### FBC Mortgage

Agreement with founders to sell the business back to them

\$65M Revenue

### ECM

Committed to finding the right partner or spinning off as a separate stand-alone entity

\$115 Revenue

Acquired business lines bring \$300 - \$325 million in annual gross revenues with an expected after-tax contribution of approximately \$28 - \$38 million after cost savings are fully phased-in

# Transaction Highlights

- Purchase Price:**                   ▪ \$150 million , based upon a premium to tangible book at closing
- 
- Consideration Mix:**               ▪ At closing, a minimum of 1.42 million shares of Stifel common stock valued at \$51.55, and up to a maximum of 1.62 million shares
- Approximately \$77 million, based on the minimum number of share issued, or \$66million, based on the maximum number of share issued, to be paid in cash (subject to adjustments at closing based on shareholder elections)
- 
- Retention:**                           ▪ Expected retention payments of \$58 million, comprised of cash & RSUs
- 
- Expected EPS Impact:**           • Approximately 6% - 8% accretive to core EPS, with full implementation of cost savings
- 
- Required Approvals:**           ▪ Subject to customary regulatory approvals and Sterne Agee shareholder approval
- 
- Anticipated Closing:**           ▪ 2<sup>nd</sup> Quarter of 2015
-

# Financially Compelling Transaction

## Attractive Returns Based on Conservative Modeling

Stifel's Investment (\$M)	Uses of Capital (Initial Estimate)		Sources of Capital (Initial Estimate)	
	<b>Economic Investment</b>		<b>Equity</b>	
	Purchase Price	\$150	Equity Issued (assume 1.42M shares)	\$73
	<u>Plus: Income Statement Expenses (after-tax)</u>		Retention (stock portion after tax)	<u>18</u>
	Retention	35	<b>Equity Investment</b>	<b>\$91</b>
	Restructuring and One-Time Expenses	15		
	Duplicative Corporate Overhead	<u>32</u>	<b>Debt on Balance Sheet</b>	
	Income Statement Expenses	81	<b>Debt</b>	<b>\$100</b>
	Less: Estimated Tangible Book Value @ Close	(40)	<b>Total Sources</b>	<b><u>\$191</u></b>
	<b>Total Uses (Economic Investment)</b>	<b><u>\$191</u></b>		

Conservatively Modeled	Attractive Returns
<ul style="list-style-type: none"> <li>• Potential gross revenue range for acquired business lines of \$300 to \$325 million</li> <li>• Expected after-tax net income contribution of between \$28 and \$38 million, including full realization of cost savings and net of the cost of financing</li> <li>• Expenses of \$136 million pre-tax, or \$81 million after-tax, comprised of retention, restructuring and duplicative corporate overhead will flow through income</li> </ul>	<ul style="list-style-type: none"> <li>• Return on Economic Investment of 15% - 20%, unlevered</li> <li>• Return on Equity Investment of 30% - 40%</li> <li>• Approximately 6% - 8% accretive to EPS, with full implementation of cost savings</li> </ul>

# Significant Private Client Group Expansion

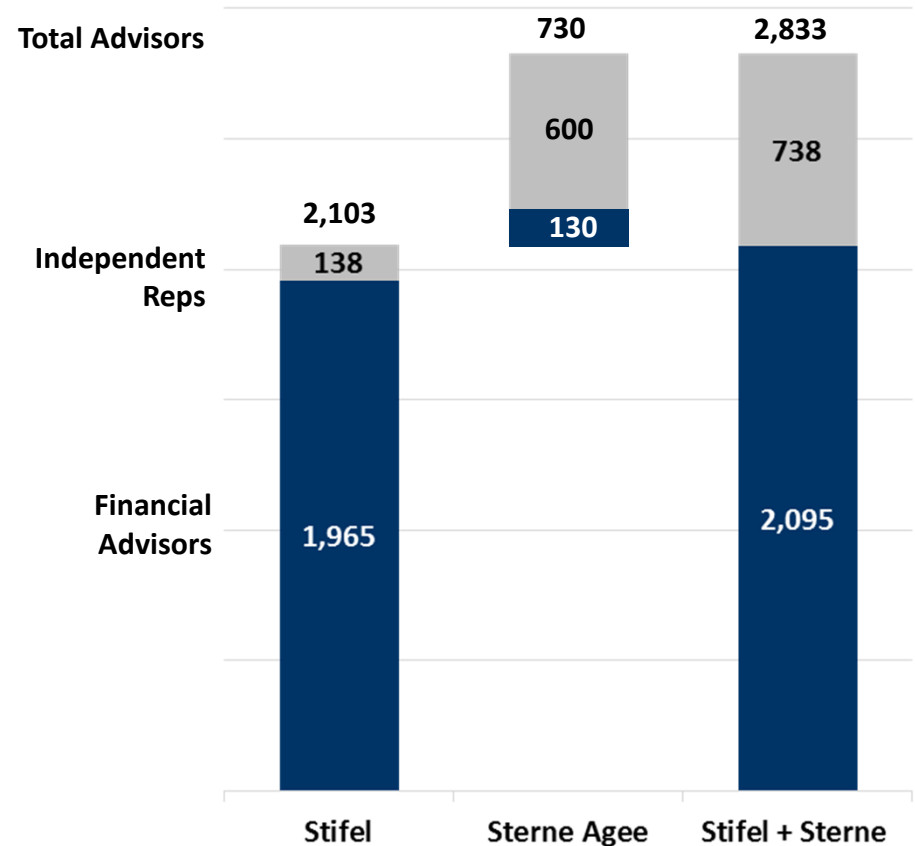
## Sterne Agee's Private Client Overview

- \$10 billion in retail assets under management, including \$1.4 billion in managed fee based accounts
- More than 130 financial advisors in 23 branches

## Sterne Agee's Financial Services (Independent) Overview

- Over 600 independent representatives
- Over \$10 billion in assets under management
- Branches in 40 states
- Serving clients in all 50 states

*Increases Advisor Count by 35%*



# #6 Largest Private Client Franchise

## Retail Brokerage By Number of Advisors/Reps<sup>1</sup>

Rank	Firm	Advisors
1	Morgan Stanley Wealth Management	16,162
2	Bank of America Merrill Lynch	15,900
3	Wells Fargo Securities	15,163
4	Raymond James	6,265
5	UBS	4,286
<b>6</b>	<b>Stifel + Sterne Agee</b>	<b>2,833</b>
<b>7</b>	<b>Stifel</b>	<b>2,103</b>
8	RBC Capital Markets	1,900
9	Oppenheimer & Co Inc	1,390
10	JPMorgan	800
11	Deutsche Bank	772
<b>12</b>	<b>Sterne Agee &amp; Leach Inc</b>	<b>730</b>
13	Janney Montgomery Scott	725
14	Robert W Baird & Co	709
15	Stephens Inc.	526
16	Southwest Securities Inc	464
17	Canaccord Genuity Corp	425
18	Wedbush Securities Inc	400
19	DA Davidson & Co	320
20	Barclays Capital	250

## Pro Forma Franchise

- Over \$200 billion in total client assets
- More than 2,800 financial advisors (including independent professionals)

## Pro Forma Office Locations



<sup>1</sup>Source: SIFMA and publicly available information. Broker table includes investment banks only.

# Sterne Agee's Trust Company and Clearing

## Trust Company Overview

Offers a full range of trust services:

- Investment Management
- Estate Administration
- Personal and Charitable Trusts
- Retirement Plan Services

A Focus on:

- Protecting and preserving client assets
- Meeting current and future income needs
- Providing for the distribution of wealth to future generations

STIFEL

sterne  
agee

<sup>1</sup>Ranked by Investment News as of August 2014.

## Clearing Overview

- 9th Largest Clearing Firm in the Country<sup>1</sup>
- Over 85 broker/dealers clear through Sterne Agee
- Over \$27 billion in assets under custody
- 54,000+ customer accounts
- 51,000+ trades per month

**InvestmentNews**  
The Leading Information Source for Financial Advisers

Rank	Firm	# of clients
1	Pershing LLC	811
2	National Financial Services LLC	253
3	Merrill Lynch Professional Clearing Corp. & Broadcort	201
4	RBC Correspondent Services	180
5	Southwest Securities Inc.	145
6	Wedbush Securities Inc.	120
7	COR Clearing LLC	105
8	Goldman Sachs Execution and Clearing LP	91
<b>9</b>	<b>Sterne Agee Clearing Inc.</b>	<b>87</b>
10	FirstSouthwest	84
11	Apex Clearing Corp.	80
12	First Clearing LLC	80
13	Raymond James & Associates Inc.	37
14	LPL Financial LLC	6

# Complementary Fixed Income Businesses

- Sterne Agee's fixed income capabilities will add over 200 individuals to Stifel's platform.
- Limited overlap across accounts due to Sterne Agee's "Tier 1" account focus.

## Sterne Agee's Fixed Income Overview

Offices throughout the U.S. providing :  
Sales, Trading, Strategies, Analytics, and Research

Sterne Agee furnishes investment products that address the unique needs of its clients in two broad fixed income categories:

- Rate Products
  - Agencies
  - Mortgage Backed Securities
  - Municipals
- Credit Products
  - Structured Products
  - Investment Grade Corporates
  - High Yield Securities
  - Convertibles

## Pro Forma

- Over 700 professionals
- Pro forma revenues expected to exceed \$450 million annually
- Full suite of products and services
- Widespread distribution capabilities
- Offices in the U.S., London and Zurich





# Acquisition Updates

# Acquisition Updates

**MERCHANT CAPITAL**  
L.L.C.

**19/19** INVESTMENT  
COUNSEL

**Oriel**  
SECURITIES

**SSY** STONE &  
YOUNGBERG &  
**DE LA ROSA**  
INVESTMENT BANKERS

**KBW**

**MILLER BUCKFIRE**  
**STIFEL**

- Closed December 31, 2014

- Closed November 7, 2014

- Added approximately \$9 billion in client assets

- Closed July 31, 2014 / Full-service broker-dealer based in London

- Integration and conversion efforts scheduled for Q1 2015

- Ranked #1 in municipal negotiated issues in 2014<sup>1</sup>

- Ranked #1 in 2014 municipal negotiated for the following categories:

- K-12

- TIF

- Assessment District Financing

- Multifamily Housing Financing

- Stifel/KBW ranked #1 M&A advisor in the mid-market in 2014<sup>2</sup>

- Ranked #1 in bank M&A in 2014<sup>3</sup>

- Ranked #1 in bank & thrift IPOs in 2014<sup>4</sup>

- Ranked #2 in bankruptcy cases for the fourth quarter of 2014<sup>5</sup>

Sources: <sup>1</sup>Ranking according to Thomson Reuters SDC. Includes acquired firms. <sup>2</sup>Ranking according to Thomson Reuters. <sup>3</sup>Ranking according to SNL Financial based on deal value. <sup>4</sup>Ranking according to SNL Financial based on deal credit. <sup>5</sup>Ranking according to The Deal.

# Non-Core Deal Costs

(\$ in thousands)	Three months ended									
	Actual				Estimate					
	3/31/14	6/30/14	9/30/14	12/31/14	3/31/15	6/30/15	9/30/15	12/31/15	3/31/16	6/30/16
<b>Existing acquisitions</b>										
<i>Stock-based compensation:</i>										
1919 Investment Counsel	\$ -	\$ -	\$ -	\$ 11,170	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Oriel Securities Holding Limited	-	-	6,771	-	-	-	-	-	-	-
<i>Duplicative operating expenses:</i>										
Acacia Federal Savings Bank	1,723	2,762	1,227	10	-	-	-	-	-	-
De La Rosa & Co., Inc.	130	733	132	459	120	120	120	-	-	-
Keefe, Bruyette & Woods, Inc.	445	432	23	108	-	-	-	-	-	-
Knight Fixed Income	2,407	94	9	2,684	2,600	2,600	2,600	2,600	2,600	-
1919 Investment Counsel	-	328	373	958	300	300	200	200	-	-
Miller Buckfire & Co., LLC	1,172	1,233	1,182	1,441	1,400	1,400	-	-	-	-
Oriel Securities Holding Limited	-	557	589	1,116	1,000	1,000	500	-	-	-
Ziegler Capital Management	4	11	229	39	-	-	-	-	-	-
Intangible amortization	563	1,257	1,730	2,377	1,600	1,600	2,200	2,200	2,200	2,200
<b>Sterne Agee</b>										
Stock-based compensation	-	-	-	-	-	30,500	-	-	-	-
Duplicative operating expenses	-	-	-	-	-	32,200	18,700	15,200	11,700	8,200
<b>Total Deal Costs (pre-tax)</b>	<u>6,444</u>	<u>7,407</u>	<u>12,265</u>	<u>20,361</u>	<u>7,020</u>	<u>69,720</u>	<u>24,320</u>	<u>20,200</u>	<u>16,500</u>	<u>10,400</u>
<b>Total Deal Costs (after-tax) (1)</b>	<u>\$ 4,055</u>	<u>\$ 5,689</u>	<u>\$ 8,605</u>	<u>\$ 12,952</u>	<u>\$ 4,212</u>	<u>\$ 41,832</u>	<u>\$ 14,592</u>	<u>\$ 12,120</u>	<u>\$ 9,900</u>	<u>\$ 6,240</u>

(1) Assumes an effective income tax rate of 40.0%.



**Q & A**