

STIFEL FINANCIAL CORP  
Form 424B3  
January 08, 2013  
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**Filed Pursuant to Rule 424(b)(3)**  
**File No. 333-185145**

787 Seventh Avenue

New York, New York 10019

January 7, 2013

Dear Stockholder of KBW, Inc.:

You are cordially invited to attend a Special Meeting of Stockholders of KBW, Inc. (which we refer to as the Special Meeting) which will be held on February 12, 2013, at 10:00 a.m., Eastern time. KBW, Inc. (which we refer to as KBW) has entered into a merger agreement with Stifel Financial Corp. (which we refer to as Stifel). If the merger and the other transactions contemplated by the merger agreement are approved and consummated, KBW will become a wholly-owned subsidiary of Stifel and will no longer be a publicly held corporation. The KBW board of directors, acting upon the unanimous recommendation of its committee of independent directors, has unanimously determined that the merger and the merger agreement are advisable, and are fair to, and in the best interests of, KBW and its stockholders and has approved the merger agreement and the merger. The merger requires the approval of holders of a majority of the outstanding shares of KBW common stock, par value \$0.01 per share, and we are asking you to vote to adopt the merger agreement and thereby to approve the transactions contemplated by the merger agreement, including the merger, at the Special Meeting.

Holders of KBW common stock as of the close of business on December 24, 2012 will be entitled to vote at the Special Meeting. Each share of KBW common stock is entitled to one vote for each matter to be voted on at the Special Meeting. The holders of shares entitled to cast a majority of the total votes of the outstanding shares of KBW common stock on December 24, 2012, present in person or represented by proxy at the Special Meeting and entitled to vote, will constitute a quorum at the Special Meeting.

On December 24, 2012, there were 34,557,980 shares of KBW common stock outstanding and entitled to vote at the Special Meeting held by approximately 83 stockholders of record. KBW does not have cumulative voting.

Upon completion of the merger, each share of KBW common stock will be converted into the right to receive a combination of (i) cash consideration of \$8.00 (\$10.00 less the per share extraordinary dividend amount (as set forth in the merger agreement and summarized in this proxy statement/prospectus) of \$2.00) (which we refer to as the cash consideration) and (ii) stock consideration of a fraction of a share of Stifel common stock equal to the exchange ratio, as described below (which we refer to as the stock consideration). On November 29, 2012, the KBW board of directors declared an extraordinary dividend of \$2.00 per share of KBW's common stock, payable to stockholders of record on December 10, 2012, which was paid on December 17, 2012. The exchange ratio will depend on the average of the volume weighted average trading prices of Stifel common stock on each of the ten trading days ending on the trading day immediately prior to the closing date of the merger. If the average of the daily volume weighted average trading prices of Stifel common stock during this valuation period is between \$29.00 and \$35.00, then current KBW stockholders will receive a number of shares of Stifel common stock equal to a fraction, the numerator of which equals \$7.50 and the denominator of which is the average of the daily volume weighted average trading prices of Stifel common stock during this valuation period, rounding the result to the nearest 1/10,000, as the stock consideration for each share of KBW common stock. If the average of the daily volume weighted average trading prices of Stifel common stock during the valuation period is less than or equal to \$29.00, then current KBW stockholders will receive 0.2586 shares of Stifel common stock as the stock consideration for each share of KBW common stock. If the average of the daily volume weighted average trading prices of Stifel common stock during the valuation period is greater than or equal to \$35.00, then current KBW stockholders will receive 0.2143 shares of Stifel common stock as the stock consideration for each share of KBW common stock. Based on the number of shares of KBW common stock and Stifel common stock outstanding as of December 31, 2012, current KBW stockholders are expected to own approximately 13% of the outstanding common stock of Stifel (without giving effect to any shares of Stifel common stock held by KBW stockholders prior to the merger).

Stifel common stock is traded on the New York Stock Exchange, or the NYSE, under the symbol SF. On November 2, 2012, the last trading day before public announcement of the merger agreement, its closing stock price on the NYSE was \$31.91. Based on the volume weighted average trading price of Stifel common stock on the NYSE for the last ten trading days until November 2, 2012, the stock consideration represented \$7.36 in market value for each KBW share. On December 31, 2012, the closing price for Stifel's common stock on the NYSE was \$31.97. Based on the volume weighted average trading price of Stifel common stock for the last ten trading days until December 31, 2012, the stock consideration represented approximately \$7.56 in market value for each KBW share.

At the Special Meeting, the KBW stockholders will be asked to vote on the following proposals:

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1. To adopt the merger agreement and thereby to approve the transactions contemplated by the merger agreement, including the merger;
2. To approve, by non-binding advisory vote, certain compensation arrangements for KBW's named executive officers in connection with the merger; and
3. To approve the adjournment of the Special Meeting, if necessary, for any purpose, including to solicit additional proxies if there are not sufficient votes to adopt the merger agreement and thereby to approve the transactions contemplated by the merger agreement, including the merger, at the time of the Special Meeting.

**The KBW board of directors, acting upon the unanimous recommendation of its committee of independent directors, recommends that you vote FOR the proposal to adopt the merger agreement and thereby to approve the transactions contemplated by the merger agreement, including the merger, and recommends that you vote FOR the proposal to approve, by non-binding advisory vote, certain compensation arrangements for KBW's named executive officers in connection with the merger and FOR the adjournment of the Special Meeting, if necessary, for any purpose, including to solicit additional proxies in favor of the adoption of the merger agreement and thereby the approval of the transactions contemplated by the merger agreement, including the merger.**

**Your vote is very important.** Regardless of the number of shares you own or whether or not you plan to attend the Special Meeting, it is important that your shares be represented and voted. Voting instructions are inside.

The obligations of Stifel and KBW to complete the merger are subject to several conditions set forth in the merger agreement and summarized in this proxy statement/prospectus. Important information about Stifel, KBW, the Special Meeting, the merger agreement, and the merger is contained in or incorporated by reference into this proxy statement/prospectus. I urge you to read the entire document, including any documents incorporated by reference into this proxy statement/prospectus and its annexes, carefully and in their entirety. **In particular, you should carefully consider the discussion in the section entitled Risk Factors beginning on page 45 of this proxy statement/prospectus.**

KBW stockholders will have the right to demand appraisal of their shares of KBW common stock and obtain payment in cash for the fair value of their shares, but only if they perfect their appraisal rights and comply with the applicable provisions of Delaware law. A copy of the Delaware statutory provisions related to appraisal rights is attached as **Annex D** to this proxy statement/prospectus, and a summary of these provisions can be found under Proposal One: The Merger Appraisal Rights beginning on page 99.

I look forward to seeing you at the Special Meeting.

Sincerely,

Thomas B. Michaud

Chief Executive Officer

Andrew M. Senchak

Chairman of the Board

**Neither the U.S. Securities and Exchange Commission nor any state securities commission has approved or disapproved of the securities to be issued under this proxy statement/prospectus or determined that this proxy statement/prospectus is accurate or complete. Any representation to the contrary is a criminal offense.**

**The securities to be issued in connection with the merger are not savings accounts, deposits or other obligations of any bank or savings association and are not insured by the Federal Deposit Insurance Corporation or any other governmental agency.**

YOUR VOTE IS IMPORTANT.

PLEASE PROMPTLY SUBMIT YOUR PROXY BY TELEPHONE, INTERNET OR MAIL.

This proxy statement/prospectus is first being distributed to the stockholders of KBW on or about January 8, 2013.

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**Sources of Additional Information**

This proxy statement/prospectus incorporates important business and financial information about Stifel and KBW from documents that are not included in or delivered with this proxy statement/prospectus. Documents incorporated by reference are available from the applicable company without charge, excluding all exhibits unless the applicable company has specifically incorporated by reference an exhibit in this proxy statement/prospectus. You may obtain documents incorporated by reference in this proxy statement/prospectus by requesting them in writing or by telephone from the applicable company at the following addresses and telephone numbers:

Stifel Financial Corp.	KBW, Inc.
Attention: Investor Relations	Attention: Alan Oshiki
501 North Broadway	c/o King Worldwide Investor Relations
St. Louis, Missouri 63102	48 Wall Street, 32 <sup>nd</sup> Floor
(314) 342-2000	New York, NY 10005
	(866) 529-2339

**To receive timely delivery of documents in advance of the Special Meeting, please make your request no later than February 5, 2013.**

If you have any questions about the Special Meeting or if you need additional copies of this proxy statement/prospectus, you should contact:

D.F. King & Co., Inc.  
48 Wall Street, 22<sup>nd</sup> Floor  
New York, New York 10005  
Banks & Brokers: (212) 269-5550  
Toll Free: (800) 207-3158  
Email: kbw@dfking.com

**To receive timely delivery of additional copies of this proxy statement/prospectus in advance of the Special Meeting, please make your request no later than February 5, 2013.**

Stifel common stock is traded on the New York Stock Exchange under the symbol SF, and KBW common stock is traded on the New York Stock Exchange under the symbol KBW.

For a more detailed description of the information incorporated by reference into this proxy statement/prospectus and how you may obtain it, see Where You Can Find More Information on page 146 of this proxy statement/prospectus.

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**KBW, Inc.**

787 Seventh Avenue

New York, New York 10019

**NOTICE OF SPECIAL MEETING OF STOCKHOLDERS**

- Date:** February 12, 2013
- Time:** 10:00 a.m., Eastern time.
- Location:** 1271 Avenue of the Americas (Time Life Building), Luce Room, New York, New York.
- Purposes:**
1. To consider and vote on a proposal to adopt the Agreement and Plan of Merger, dated as of November 5, 2012 (as it may be amended from time to time, the merger agreement), among Stifel, SFKBW One, Inc. (which we refer to as Merger Sub), a wholly-owned subsidiary of Stifel, SFKBW Two, LLC (which we refer to as Successor Sub), a Delaware limited liability company, which is wholly owned by and disregarded from Stifel for U.S. federal income tax purposes, and KBW, a copy of which is attached as **Annex A** to the proxy statement/prospectus accompanying this notice, and thereby to approve the transactions contemplated by the merger agreement, including the merger of Merger Sub with and into KBW (the merger );
  2. To consider and vote on a proposal to approve, by a non-binding, advisory vote, certain compensation arrangements for KBW's named executive officers in connection with the merger; and
  3. To approve the adjournment of the Special Meeting, if necessary, for any purpose, including to solicit additional proxies if there are not sufficient votes to adopt the merger agreement and thereby to approve the transactions contemplated by the merger agreement, including the merger, at the time of the Special Meeting.
- Adjournments and Postponements:** The proposal to adopt the merger agreement and thereby to approve the transactions contemplated by the merger agreement, including the merger, may be considered at the Special Meeting at the time and on the date specified above or at any time and date to which the Special Meeting may be properly adjourned or postponed.

**Who Can Vote:**

KBW stockholders at the close of business on December 24, 2012.

**Who May Attend:**

You are entitled to attend the Special Meeting only if you were a KBW stockholder as of the close of business on December 24, 2012 or hold a valid proxy for the Special Meeting. You should be prepared to present photo identification (a driver's license or passport is preferred) for admittance.

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In addition, if you are a stockholder of record, your name is subject to verification against the list of stockholders of record on the record date prior to being admitted to the meeting.

If you are not a stockholder of record but hold shares through a broker or nominee (i.e., in street name), you should be prepared to provide proof of beneficial ownership on the record date, such as your most recent account statement or similar evidence of ownership. If you do not provide photo identification or comply with the other procedures outlined above upon request, you will not be admitted to the Special Meeting.

The Special Meeting will begin promptly at 10:00 a.m., Eastern time. Check in will begin at 9:30 a.m., Eastern time, and you should allow ample time for check-in procedures.

**How You Can Vote:**

**Your vote is very important.** Whether or not you plan to attend the Special Meeting, we encourage you to read this proxy statement/prospectus and submit your proxy or voting instructions for the Special Meeting as soon as possible.

You may submit your proxy or voting instructions for the Special Meeting by completing, signing, dating and returning the proxy card or voting instruction card in the pre-addressed envelope provided, or, in most cases, by using the telephone or the Internet. For specific instructions on how to vote your shares, please refer to the section entitled "The Special Meeting" beginning on page 57 of this proxy statement/prospectus and the instructions on the proxy card or voting instruction card.

**Inspection of List of Stockholders of Record:**

A list of the stockholders of record as of December 24, 2012 will be available for inspection during ordinary business hours at the office of KBW's General Counsel and Corporate Secretary, 787 Seventh Avenue, New York, New York 10019, from January 11, 2013 to February 12, 2013, as well as at the Special Meeting, for any purpose germane to the Special Meeting.

**Additional Information:**

Important information about Stifel, KBW, the Special Meeting, the merger and the other proposals for consideration at the Special Meeting is contained in this proxy statement/prospectus. I urge you to read the entire document, including any documents incorporated by reference into this proxy statement/prospectus and its annexes, carefully and in their entirety. In particular, you should carefully consider the discussion in the section entitled "Risk Factors" beginning on page 45.

By Order of the board of directors,

Mitchell B. Kleinman

General Counsel and Corporate Secretary

January 7, 2013

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**QUESTIONS AND ANSWERS ABOUT THE MERGER AND SPECIAL MEETING**

*The following are some questions that you, as a KBW stockholder, may have regarding the merger and the other matters being considered at KBW's Special Meeting of Stockholders, which is referred to as the Special Meeting, and the answers to those questions. You are urged to carefully read this proxy statement/prospectus and the other documents referred to in this proxy statement/prospectus in their entirety because the information in this section does not provide all of the information that might be important to you with respect to the merger and the other matters being considered at the Special Meeting. Additional important information is contained in the annexes to, and the documents incorporated by reference into, this proxy statement/prospectus. In this proxy statement/prospectus, unless stated to the contrary or the context requires otherwise, the terms the Company, we, our, ours, and us refer to KBW and its subsidiaries.*

***Q: Why am I receiving this proxy statement/prospectus?***

A: Stifel and KBW have agreed to a merger. Under the terms of the merger agreement that is described in this proxy statement/prospectus, KBW will become a wholly-owned subsidiary of Stifel through the merger and the second-step merger (described below) and will no longer be a publicly held corporation. See Proposal One: The Merger and The Merger Agreement. A copy of the merger agreement is attached to this proxy statement/prospectus as **Annex A**. This proxy statement/prospectus contains important information about Stifel, KBW, the Special Meeting, the merger agreement, and the merger. This document is being delivered to you as both a proxy statement of KBW and a prospectus of Stifel in connection with the merger. It is the proxy statement by which the KBW board of directors is soliciting proxies from you to vote on a proposal to adopt the merger agreement and thereby to approve the transactions contemplated by the merger agreement, including the merger, and the other matters to be voted on at the Special Meeting or at any adjournment or postponement of the Special Meeting. It is also the prospectus pursuant to which Stifel will issue Stifel common stock to you in the merger.

You are receiving this proxy statement/prospectus because you have been identified as a stockholder of KBW and may be entitled to vote at the upcoming Special Meeting. To complete the merger, the holders of a majority of the outstanding shares of KBW common stock must vote to adopt the merger agreement and thereby to approve the transactions contemplated by the merger agreement, including the merger, and all other conditions to the merger must be satisfied or waived. You should read this proxy statement/prospectus carefully.

***Q: What will happen in the proposed merger?***

A: In the merger, Merger Sub, a wholly-owned subsidiary of Stifel, will merge with and into KBW. As a result, KBW will become a wholly-owned subsidiary of Stifel and will no longer be a publicly held corporation. Following the merger, KBW, as a wholly owned subsidiary of Stifel, will be merged with and into the Successor Sub, whereupon the Successor Sub will be the surviving limited liability company as a direct wholly-owned subsidiary of Stifel. Such transaction is referred to in this proxy statement/prospectus as the second-step merger. See Proposal One: The Merger Structure of the Merger.

***Q: What will I be entitled to receive in the merger?***

A: If the merger is completed, for each share of KBW common stock (other than shares for which appraisal rights have been properly exercised and perfected under the General Corporation Law of the State of Delaware and certain shares of KBW common stock subject to continuing restricted share awards, continuing RSU awards and other equity awards (each as defined below)) that you own, you will have the right to receive a combination of (i) cash consideration of \$8.00 (\$10.00 less the per share extraordinary dividend amount of \$2.00) and (ii) stock consideration of a fraction of a share of Stifel common stock equal to the exchange ratio, as described below. The number of shares of Stifel common stock you receive will depend on the average of the volume weighted average trading prices of Stifel common stock on each of the ten trading days ending on the trading day immediately prior to the closing date of the merger:

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You will receive a number of shares of Stifel common stock equal to a fraction, the numerator of which equals \$7.50 and the denominator of which is the average of the daily volume weighted average trading prices of Stifel common stock during this valuation period, rounding the result to the nearest 1/10,000, as the stock consideration for each share of KBW common stock if the average of such daily volume weighted average trading prices of Stifel common stock during this valuation period is between \$29.00 and \$35.00.

If the average of the daily volume weighted average trading prices of Stifel common stock during the valuation period is less than or equal to \$29.00, you will receive 0.2586 shares of Stifel common stock as the stock consideration for each share of KBW common stock.

If the average of the daily volume weighted average trading prices of Stifel common stock during the valuation period is greater than or equal to \$35.00, you will receive 0.2143 shares of Stifel common stock as the stock consideration for each share of KBW common stock.

The merger agreement defines a per share extraordinary dividend amount, which reduces the cash consideration by an equal amount up to \$2.00, to be equal to (i) the aggregate amount of all dividends paid by KBW after the date of the merger agreement and before the closing date of the merger (other than quarterly dividends consistent with past practice that are paid on or prior to December 31, 2012) (ii) divided by the number of issued and outstanding KBW shares immediately prior to the closing date of the merger. The merger agreement provides that extraordinary dividends will not exceed \$2.00. On November 29, 2012, the KBW board of directors declared an extraordinary dividend of \$2.00 per share of KBW's common stock, payable to stockholders of record on December 10, 2012, which was paid on December 17, 2012.

***Q: How will the merger affect KBW equity awards?***

**A:** The equity awards will be affected as follows:

*Restricted Stock and RSU Awards.* At or immediately prior to the effective time of the merger, all outstanding awards of KBW restricted stock and awards of restricted stock units (which we refer to as RSUs), other than continuing awards, as discussed below, to the extent not currently vested, will fully vest and convert into the right to receive the merger consideration for each KBW share granted pursuant to, or subject to, such awards, subject to any applicable tax withholding.

*Continuing Restricted Stock and RSU Awards.* At or immediately prior to the effective time of the merger, all outstanding awards of KBW restricted stock that are subject to a letter agreement providing for a waiver of certain vesting rights (which we refer to as a continuing restricted share award) and all outstanding awards of KBW restricted stock units for which the holder has made a change in control override election (which we refer to as a continuing RSU award) will convert into the right to receive the number of shares of Stifel common stock equal to the product (rounded up to the nearest whole number in case of continuing restricted share awards) of (i) the number of shares of KBW common stock subject to such continuing restricted share award or continuing RSU award, respectively, immediately prior to the effective time of the merger and (ii) the equity exchange ratio, subject to any applicable tax withholding (as discussed under Summary Treatment of KBW Equity-Based Awards below).

*Other Awards.* At the effective time of the merger, each other right of any kind, contingent or accrued, to acquire or receive shares of KBW common stock or benefits measured by the value of such shares, and each other award of any kind consisting of shares of KBW common stock that may be held, awarded, outstanding, payable or reserved for issuance under any stock-based or other incentive compensation plan or arrangement of KBW other than any restricted stock awards or restricted stock unit awards of KBW (which we refer to as any other equity award), shall be deemed to be converted into the right to acquire or receive benefits measured by the value of the number of shares of Stifel common stock equal to the product of (i) the number of shares of KBW common stock subject to such other equity award and (ii) the equity exchange ratio, subject to any applicable tax withholding. Following the completion of the merger, each such other equity award shall continue to be governed by the same terms and conditions as were applicable under such award immediately prior to the merger.

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*Performance Share Awards.* The outstanding KBW performance share awards will be forfeited pursuant to waiver agreements with the performance share award holders.

***Q: When do you expect the merger to be completed?***

A: Stifel and KBW are working toward completing the merger as quickly as possible. The merger is expected to close during the first quarter of 2013, subject to receipt of KBW stockholder approval, governmental and regulatory approvals and other usual and customary closing conditions. However, no assurance can be given as to when, or if, the merger will occur.

***Q: Are there conditions to completing the merger?***

A: Yes. Stifel and KBW's respective obligations to complete the merger are subject to the satisfaction or waiver of certain specified closing conditions. See Proposal One: The Merger Agreement Conditions to Complete the Merger.

***Q: What happens if the merger is not completed?***

A: If the merger agreement is not adopted and the transactions contemplated thereby, including the merger, are not approved by KBW stockholders or if the merger is not completed for any other reason, you will not receive any payment for your shares of KBW common stock in connection with the merger. Instead, KBW will remain an independent public company and its common stock will continue to be listed and traded on the NYSE. If the merger agreement is terminated under specified circumstances, KBW may be required to pay Stifel a termination fee of \$17,255,000 as described under Proposal One: The Merger Agreement Expenses and Fees Termination Fees Payable by KBW beginning on page 119.

***Q: Am I entitled to appraisal rights?***

A: KBW stockholders will have the right to demand appraisal of their shares of KBW common stock and obtain payment in cash for the fair value of their shares, but only if they perfect their appraisal rights and comply with the applicable provisions of Delaware law. A copy of the Delaware statutory provisions related to appraisal rights is attached as **Annex D** to the this proxy statement/prospectus, and a summary of these provisions can be found under Proposal One: The Merger Appraisal Rights beginning on page 99. Due to the complexity of the procedures for exercising the right to seek appraisal, KBW stockholders who are considering exercising such rights are encouraged to seek the advice of legal counsel. Failure to strictly comply with the applicable DGCL provisions will result in the loss of the right of appraisal.

***Q: What are the tax consequences of the merger to me?***

A: The merger, together with the second-step merger, is intended to qualify as a reorganization under Section 368(a) of the Internal Revenue Code of 1986, as amended (which we refer to as the Code), and will so qualify provided that the value of the shares of Stifel common stock delivered to KBW stockholders in the merger, valued as of the closing date, is sufficient to meet certain requirements more fully discussed below in Material United States Federal Income Tax Consequences of the Merger beginning on page 132. If the value of the shares of Stifel common stock delivered to KBW stockholders in the merger is not sufficient to meet these requirements, the transaction will not qualify as a reorganization under Section 368(a).

It will not be known at the time of the special meeting whether the transaction will qualify as a reorganization under Section 368(a) of the Code and, therefore, the U.S. federal income tax treatment of the transactions contemplated by the merger agreement will not be known at such time.

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If the transaction qualifies as a reorganization under Section 368(a) of the Code, U.S. holders of KBW common stock receiving both Stifel common stock and cash pursuant to the merger agreement will

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generally recognize gain, but not loss, equal to the lesser of (i) the amount of cash treated as received in exchange for KBW common stock in the merger and (ii) the excess of the amount realized in the transaction (*i.e.*, the fair market value of the Stifel common stock at the effective time of the merger plus the amount of cash treated as received in exchange for KBW common stock in the merger) over their tax basis in their surrendered KBW common stock. In certain circumstances, such gain could be taxable as a dividend rather than capital gain.

To review the tax consequences to stockholders in greater detail, see Material United States Federal Income Tax Consequences of the Merger beginning on page 132.

You are encouraged to consult your tax advisor as to the tax consequences of the merger in your particular circumstances, including the applicability and effect of the alternative minimum tax and any state, local or foreign and other tax laws and of changes in those laws.

***Q: Are there any risks related to the proposed transaction or any risks related to owning Stifel common stock?***

A: Yes. You should carefully review the risk factors beginning on page 45.

***Q: What stockholder approvals are required for the merger?***

A: To adopt the merger agreement and thereby to approve the transactions contemplated by the merger agreement, including the merger, the holders of a majority of the outstanding shares of KBW common stock must vote FOR the adoption of the merger agreement and thereby the approval of the transactions contemplated by the merger agreement. Only holders of record of KBW common stock at the close of business on December 24, 2012, referred to in this proxy statement/prospectus as the record date, are entitled to notice of and to vote at the Special Meeting. As of the record date, there were 34,557,980 shares of KBW common stock outstanding and entitled to vote at the Special Meeting. Failure to vote your shares, abstentions and broker non votes will have the same effect as voting AGAINST the proposal to adopt the merger agreement and thereby to approve the transactions contemplated by the merger agreement, including the merger. See The Special Meeting Quorum; Vote Required; Abstentions; Voting of Proxies by Holders of Record; Shares Held in Street Name beginning on page 57.

***Q: What stockholder approvals are required for the proposal to approve, by non-binding advisory vote, certain compensation arrangements?***

A: The affirmative vote of a majority of the shares of KBW common stock represented (in person or by proxy) at the Special Meeting and entitled to vote on the proposal is required for such proposal to pass. For the proposal to approve, by non-binding advisory vote, certain compensation arrangements for KBW's named executive officers in connection with the merger, any share of KBW common stock represented in person or by proxy at the Special Meeting but abstaining from voting will have the same effect as a vote cast AGAINST this proposal. Shares of KBW common stock not represented in person or by proxy at the Special Meeting and broker non-votes will have no effect on the vote count for the KBW proposal to approve, by non-binding advisory vote, certain compensation arrangements for KBW's named executive officers in connection with the merger.

***Q: What stockholder approvals are required for the adjournment of the Special Meeting, if necessary, for any purpose, including to solicit additional proxies in favor of the adoption of the merger agreement and thereby the approval of the transactions contemplated by the merger agreement, including the merger?***

A: The affirmative vote of a majority of the shares of KBW common stock represented (in person or by proxy) at the Special Meeting and entitled to vote on the proposal is required for such proposal to pass. For the proposal to adjourn the Special Meeting, any share of KBW common stock represented in person or by



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proxy at the Special Meeting but abstaining from voting will have the same effect as a vote cast **AGAINST** this proposal. Shares of KBW common stock not represented in person or by proxy at the Special Meeting and broker non-votes will have no effect on the proposal to adjourn the Special Meeting. See **The Special Meeting Quorum; Vote Required; Abstentions** beginning on page 57.

***Q: Why am I being asked to consider and vote on a proposal to approve, by non-binding advisory vote, certain compensation arrangements for KBW's named executive officers in connection with the merger?***

**A:** The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (which we refer to as the Dodd-Frank Act) and the Securities Exchange Act of 1934, as amended (which we refer to as the Exchange Act) rules require us to seek a non-binding, advisory vote with respect to the compensation that may be paid or become payable to our named executive officers that is based on or otherwise relates to the merger, which is referred to as **golden parachute compensation**.

***Q: What will happen if KBW's stockholders do not approve the golden parachute compensation?***

**A:** Approval of the compensation that may be paid or become payable to KBW's named executive officers that is based on or otherwise relates to the merger is not a condition to completion of the merger. The vote is an advisory vote and will not be binding on KBW or the surviving corporation. Therefore, if the merger agreement is adopted by KBW's stockholders and the merger is completed, this compensation, including amounts that KBW is contractually obligated to pay, could still be payable regardless of the outcome of the advisory vote.

***Q: What do I need to do now?***

**A:** Please carefully review this proxy statement/prospectus and vote the proxy card or voting instruction card you receive as soon as possible. Your proxy card or voting instruction card must be received, or you must vote using the telephone or the Internet if available, no later than 11:59 p.m., Eastern time, on February 11, 2013 in order for your shares to be voted at the Special Meeting, unless you attend and vote at the Special Meeting.

***Q: How does the KBW board of directors recommend I vote on the merger and adjournment proposals?***

**A:** After careful consideration, the KBW board of directors, acting upon the unanimous recommendation of its committee of independent directors, has unanimously determined that the merger and the merger agreement are advisable, and are fair to, and in the best interests of, KBW and its stockholders and approved the merger agreement and the merger. Accordingly, the KBW board of directors recommends that you vote **FOR** the proposal to adopt the merger agreement and thereby to approve the transactions contemplated by the merger agreement, including the merger, **FOR** the proposal to approve, by non-binding advisory vote, certain compensation arrangements for KBW's named executive officers in connection with the merger, and **FOR** the adjournment of the Special Meeting, if necessary, for any purpose, including to solicit additional proxies in favor of the adoption of the merger agreement and thereby the approval of the transactions contemplated by the merger agreement, including the merger. See **Proposal One: The Merger KBW's Reasons for the Merger; Recommendation of the KBW Board of Directors** beginning on page 68.

***Q: Why is it important for me to vote?***

**A:** KBW and Stifel cannot complete the merger without the approval of holders of a majority of the outstanding shares of KBW common stock. Therefore, any shares that are not voted will have the same effect as a vote **AGAINST** the merger.





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***Q: Do I need to send in my KBW stock certificates now?***

A: No. If the merger is consummated, instructions will be sent to holders of physical KBW stock certificates regarding the exchange of your KBW stock certificates for the merger consideration payable to you in the merger.

***Q: When and where will the Special Meeting be held?***

A: The Special Meeting will take place on February 12, 2013, at 1271 Avenue of the Americas (Time Life Building), Luce Room, New York, New York, commencing at 10:00 a.m., Eastern time.

***Q: What matters will be voted on at the Special Meeting?***

A: You will be asked to vote on the following proposals:

1. To adopt the merger agreement and thereby to approve the transactions contemplated by the merger agreement, including the merger;
2. To approve, by non-binding advisory vote, certain compensation arrangements for KBW's named executive officers in connection with the merger; and
3. To approve the adjournment of the Special Meeting, if necessary, for any purpose, including to solicit additional proxies if there are not sufficient votes to adopt the merger agreement and thereby to approve the transactions contemplated by the merger agreement, including the merger, at the time of the Special Meeting.

***Q: What vote is needed for each proposal?***

A: The following are the vote requirements for the various proposals:

*Adoption of the Merger Agreement and Thereby the Approval of the Transactions Contemplated by the Merger Agreement, Including the Merger:* You may vote FOR, AGAINST or ABSTAIN with respect to the adoption of the merger agreement and thereby the approval of the transactions contemplated by the merger agreement, including the merger. To adopt the merger agreement and thereby to approve the transactions contemplated by the merger agreement, including the merger, the holders of a majority of the outstanding shares of KBW common stock must vote FOR the adoption of the merger agreement and thereby the approval of the transactions contemplated by the merger agreement, including the merger. Failure to vote your shares, broker non-votes and abstentions will have the same effect as voting AGAINST the adoption of the merger agreement and thereby the approval of the transactions contemplated by the merger agreement, including the merger.

*Approval, by a Non-Binding Advisory Vote, of Certain Compensation Arrangements.* You may vote FOR, AGAINST or ABSTAIN with respect to the compensation proposal at the Special Meeting. The affirmative vote of a majority of the shares of KBW common stock represented (in person or by proxy) at the Special Meeting and entitled to vote on the proposal is required for such proposal to pass. For the proposal to approve, by non-binding advisory vote, certain compensation arrangements for KBW's named executive officers in connection with the merger any share of KBW common stock represented in person or by proxy at the Special Meeting

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but abstaining from voting will have the same effect as a vote cast AGAINST this proposal. Shares of KBW common stock not represented in person or by proxy at the Special Meeting and broker non-votes will have no effect on the vote count for the KBW proposal to approve, by non-binding advisory vote, certain compensation arrangements for KBW's named executive officers in connection with the merger.

*Approval of the Adjournment of the Special Meeting.* You may vote FOR, AGAINST or ABSTAIN with respect to the adjournment proposal at the Special Meeting. The affirmative vote of a majority of the shares of KBW common stock represented (in person or by proxy) at the Special

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Meeting and entitled to vote on the proposal is required for such proposal to pass. For the proposal to adjourn the Special Meeting, any share of KBW common stock represented in person or by proxy at the Special Meeting but abstaining from voting will have the same effect as a vote cast AGAINST this proposal. Shares of KBW common stock not represented in person or by proxy at the Special Meeting and broker non-votes will have no effect on the proposal to adjourn the Special Meeting.

***Q: Who can vote at the Special Meeting?***

A: KBW stockholders of record at the close of business on the record date are entitled to vote at the Special Meeting.

***Q: What is the record date for the Special Meeting?***

A: The record date for the Special Meeting is December 24, 2012.

***Q: What constitutes a quorum for purposes of the Special Meeting?***

A: The holders of shares entitled to cast a majority of the total votes of the outstanding shares of KBW common stock on December 24, 2012, the record date, present in person or represented by proxy at the Special Meeting and entitled to vote, will constitute a quorum for the transaction of business at the Special Meeting. Abstentions and broker non-votes are counted for purposes of determining the presence or absence of a quorum for the transaction of business.

***Q: How can I vote?***

A: If you are a stockholder of record, you may submit a proxy for the Special Meeting by: (1) completing, signing, dating and returning the proxy card in the pre-addressed envelope provided; (2) using the telephone; or (3) using the Internet. For specific instructions on how to use the telephone or the Internet to submit a proxy for the Special Meeting, please refer to the instructions on your proxy card.

If you hold your shares of KBW common stock in a stock brokerage account or if your shares are held by a bank or nominee (i.e., in street name), you must provide the stockholder of record of your shares with instructions on how to vote your shares. Please check the voting instruction card used by your broker or nominee to see if you may use the telephone or the Internet to provide instructions on how to vote your shares.

If you are a stockholder of record, you may also vote in person at the Special Meeting. If you hold shares in a stock brokerage account or if your shares are held by a bank or nominee (i.e., in street name), you may not vote in person at the Special Meeting unless you obtain a signed proxy from the stockholder of record giving you the right to vote the shares (i.e. a legal proxy). You will also need to present photo identification and comply with the other procedures described in *The Special Meeting Date, Time and Place; Attending the Special Meeting* on page 57. Giving a proxy will not affect your right to vote your KBW shares if you attend the Special Meeting and want to vote in person.

If you need assistance voting your shares, please contact KBW's proxy solicitor, D.F. King at (800) 207-3158 or [kbw@dfking.com](mailto:kbw@dfking.com).

***Q: What is the difference between holding shares as a stockholder of record and as a beneficial owner?***

A: Many KBW stockholders hold their shares through a broker, bank or other nominee rather than directly in their own name. There are some important distinctions between shares held of record and shares beneficially owned.

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*Stockholder of Record:* If your shares are registered directly in your name with KBW's transfer agent, you are considered the stockholder of record with respect to those shares and this proxy statement/prospectus is

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being sent directly to you by KBW. As a stockholder of record, you have the right to grant your proxy directly to KBW or to vote in person at the Special Meeting. KBW has enclosed a proxy card for your use.

*Beneficial Owner:* If your shares are held in a brokerage account, bank account or by another nominee, you are considered the beneficial owner of shares held in street name, and this proxy statement/prospectus is being forwarded to you by your broker, bank or nominee together with a voting instruction card. As the beneficial owner, you have the right to direct your broker, bank or other nominee how to vote and are also invited to attend the Special Meeting. However, since you are not the stockholder of record, you may not vote your shares in person at the Special Meeting unless you obtain a legal proxy from the broker, bank or nominee that holds your shares, giving you the right to vote the shares instead of the broker, bank or nominee holding your shares. Your broker, bank or nominee has enclosed voting instructions for your use in directing your broker, bank or nominee how to vote your shares.

***Q: What do I do if I receive more than one proxy statement/prospectus or set of voting instructions?***

A: If you hold shares directly as a stockholder of record and also in street name, or otherwise through a nominee, you may receive more than one proxy statement/prospectus and/or set of voting instructions relating to the meeting. These should each be voted and/or returned separately in order to ensure that all of your shares are voted.

***Q: What happens if I don't indicate how to vote on my proxy card?***

A: If you sign and send in your proxy card and do not indicate how you want to vote, your proxy will be counted voted as the KBW board of directors recommends, which is:

**FOR** the adoption of the merger agreement and thereby the approval of the transactions contemplated by the merger agreement, including the merger;

**FOR** the approval, by non-binding advisory vote, of certain compensation arrangements for KBW's named executive officers in connection with the merger; and

**FOR** the approval of the adjournment of the Special Meeting, if necessary, for any purpose, including to solicit additional proxies if there are not sufficient votes to adopt the merger agreement and thereby to approve the transactions contemplated by the merger agreement, including the merger.

***Q: What happens if I do not vote?***

A: If you do not sign and send in your proxy card, vote using the telephone or the Internet or vote at the Special Meeting, or submit voting instructions, as applicable, it will have the effect of a vote **AGAINST** the adoption of the merger agreement and thereby the approval of the transactions contemplated by the merger agreement, including the merger. Shares of KBW common stock not represented in person or by proxy at the Special Meeting will have no effect on the vote count for the KBW proposal to approve certain compensation arrangements or the proposal to adjourn the Special Meeting. See The Special Meeting Quorum; Vote Required; Abstentions; Voting of Proxies by Holders of Record; Shares Held in Street Name beginning on page 57.

***Q: What happens if I abstain?***

- A: Abstentions are counted as present and entitled to vote for purposes of determining a quorum. For each of the proposals to be considered at the meeting, including the proposal to adopt the merger agreement and thereby to approve the transactions contemplated by the merger agreement, the proposal to approve, by non-binding advisory vote, certain compensation arrangements for KBW's named executive officers in connection with the merger and the adjournment proposal, abstentions have the same effect as a vote AGAINST such proposals.

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***Q: If my shares are held in street name by my broker, will my broker automatically vote my shares for me?***

A: No. If your shares are held in an account at a broker, you must instruct the broker on how to vote your shares. If you do not provide voting instructions to your broker, your shares will not be voted on any proposal on which your broker does not have discretionary authority to vote. This is called a broker non-vote. In these cases, the broker can register your shares as being present at the meeting for purposes of determining the presence of a quorum but will not be able to vote on those matters for which specific authorization is required. Under the current rules of the NYSE, we believe that brokers do not have discretionary authority to vote on the proposal to adopt the merger agreement and thereby to approve the transactions contemplated by the merger agreement, including the merger, or to vote on the proposal to approve, by non-binding advisory vote, certain compensation arrangements for KBW's named executive officers in connection with the merger or the adjournment of the Special Meeting. Accordingly, a broker non-vote will have the same effect as a vote AGAINST adoption of the merger agreement and thereby the approval of the transactions contemplated by the merger agreement, including the merger. Broker non-votes will have no effect on the proposal to approve, by non-binding advisory vote, certain compensation arrangements or the proposal to adjourn the Special Meeting.

***Q: Can I change my vote after I have voted?***

A: Yes. KBW stockholders of record may revoke their proxies at any time prior to the time their proxies are voted at the Special Meeting. Proxies may be revoked by written notice to the corporate secretary of KBW, by a later-dated proxy signed and returned by mail, or by attending the Special Meeting and voting in person. However, attending the Special Meeting without voting will not revoke your previously submitted proxy. KBW stockholders of record may also revoke proxies by a later-dated proxy using the telephone or the Internet voting procedures described on their proxy cards.

KBW stockholders whose shares are held in the name of a broker or nominee may change their votes by submitting new voting instructions to their brokers or nominees. Those KBW stockholders may not vote their shares in person at the Special Meeting unless they obtain a signed proxy from the stockholder of record giving them the right to vote their shares.

***Q: Who will count the votes?***

A: KBW has retained Broadridge Financial Solutions, Inc. to receive and tabulate the votes in connection with the Special Meeting. KBW has also retained through Broadridge Financial Solutions, Inc. an election inspector that will certify the results and perform any other acts required by the Delaware General Corporation Law.

***Q: What do I do if I have questions?***

A: If you have any questions about the Special Meeting or if you need additional copies of this proxy statement/prospectus, you should contact:

D.F. King & Co., Inc.

48 Wall Street, 22<sup>nd</sup> Floor

New York, NY 10005

Banks & Brokers: (212) 269-5550

Toll Free: (800) 207-3158

Email: [kbw@dfking.com](mailto:kbw@dfking.com)





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This proxy statement/prospectus incorporates important business and financial information about Stifel and KBW that is not included in, or delivered with, this proxy statement/prospectus. The applicable company will provide you with copies of the information relating to such company, without charge, upon written or oral request to:

Stifel Financial Corp.	KBW, Inc.
Attention: Investor Relations	Attention: Alan Oshiki
501 North Broadway	c/o King Worldwide Investor Relations
St. Louis, Missouri 63102	48 Wall Street, 32 <sup>nd</sup> Floor
(314) 342-2000	New York, NY 10005
	(866) 529-2339

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**SUMMARY**

*This summary highlights selected information from this proxy statement/prospectus and may not contain all of the information that is important to you. You are encouraged to read carefully this entire proxy statement/prospectus and the other documents referred to in this proxy statement/prospectus because the information in this section does not provide all of the information that might be important to you with respect to the merger agreement, the merger and the other matters being considered at the Special Meeting. See **Where You Can Find More Information** on page 146. The merger agreement is attached as **Annex A** to this proxy statement/prospectus and is incorporated herein by reference. You are encouraged to read it, as it is the most important legal document that governs the merger. Page references are included in parentheses to direct you to a more complete description contained elsewhere in this proxy statement/prospectus of the topics presented in this summary. **In addition, Stifel and KBW encourage you to read the information incorporated by reference into this proxy statement/prospectus, which includes important business and financial information about Stifel and KBW that has been filed with the Securities and Exchange Commission, which is referred to as the SEC in this proxy statement/prospectus. You may obtain the information incorporated by reference into this proxy statement/prospectus without charge by following the instructions in the section titled **Where You Can Find More Information** beginning on page 146 of this proxy statement/prospectus.***

**The Companies**

**Stifel Financial Corp.**

501 North Broadway

St. Louis, Missouri 63102

(314) 342-2000

Stifel (NYSE: SF) is a financial services holding company headquartered in St. Louis. Stifel operates 339 offices in 45 states, the District of Columbia and in certain foreign countries. Its principal subsidiary is Stifel, Nicolaus & Company, Incorporated, a full-service retail and institutional brokerage and investment banking firm. Stifel, with operations in two business segments: Global Wealth Management and Institutional Group, provides securities brokerage, investment banking, trading, investment advisory, and related financial services, primarily, to individual investors, professional money managers, businesses, and municipalities. Stifel Bank & Trust, a Missouri retail and commercial bank, offers a full range of consumer and commercial lending solutions.

The Global Wealth Management segment consists of two businesses, the private client group and Stifel Bank. The private client group includes branch offices and independent contractor offices of Stifel's broker-dealer subsidiaries located throughout the United States, primarily in the Midwest and Mid-Atlantic regions with a growing presence in the Northeast, Southeast and Western United States. These branches provide securities brokerage services, including the sale of equities, mutual funds, fixed income products, and insurance, as well as offering banking products to their private clients through Stifel Bank, which provides residential, consumer, and commercial lending, as well as FDIC-insured deposit accounts to customers of Stifel's broker-dealer subsidiaries and to the general public.

The Institutional Group segment includes institutional sales and trading. It provides securities brokerage, trading, and research services to institutions with an emphasis on the sale of equity and fixed income products. This segment also includes the management of and participation in underwritings for both corporate and public finance (exclusive of sales credits, which are included in the Global Wealth Management segment), merger and acquisition, and financial advisory services.

Additional information about Stifel and its subsidiaries is included in documents incorporated by reference into this proxy statement/prospectus. See **Where You Can Find More Information** beginning on page 146.

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### **KBW, Inc.**

787 Seventh Avenue

New York, New York 10019

(212) 887-7777

KBW (NYSE: KBW) is a full service investment bank specializing in the financial services industry. KBW's principal activities are: (i) investment banking, including mergers and acquisitions, and other strategic advisory services, equity and fixed income securities offerings, and mutual thrift conversions, (ii) equity and fixed income sales and trading, and (iii) research that provides fundamental, objective analysis that identifies investment opportunities and helps our investor customers make better investment decisions.

Within KBW's full service business model, its focus includes bank and thrift holding companies, banks, thrifts, insurance companies, broker-dealers, mortgage banks, asset management companies, real estate investment trusts, consumer and specialty finance firms, financial processing companies and securities exchanges. As of January 3, 2013, KBW's research department covered an aggregate of 556 financial services companies, including 443 companies in the United States and Canada, and 113 in Europe.

Additional information about KBW and its subsidiaries is included in documents incorporated by reference into this proxy statement/prospectus. See "Where You Can Find More Information" beginning on page 146.

### **SFKBW One, Inc.**

SFKBW One, Inc., sometimes referred to in this proxy statement/prospectus as Merger Sub, is a newly-formed and wholly-owned subsidiary of Stifel. If Stifel and KBW complete the merger, Merger Sub will be merged with and into KBW, with KBW becoming a wholly-owned subsidiary of Stifel. Merger Sub was organized solely for use in the merger. Merger Sub has not carried on any activities to date, except for activities incidental to its formation and activities undertaken in connection with the transactions contemplated by the merger agreement.

### **SFKBW Two, LLC**

SFKBW Two, LLC, sometimes referred to in this proxy statement/prospectus as Successor Sub, is a Delaware limited liability company that is wholly owned by and disregarded from Stifel for U.S. federal income tax purposes. As described above, following the merger, KBW, as a wholly-owned subsidiary of Stifel, will be merged with and into the Successor Sub, whereupon the Successor Sub will be the surviving limited liability company as a direct wholly-owned subsidiary of Stifel. Successor Sub was organized solely for use in the second-step merger. Successor Sub has not carried on any activities to date, except for activities incidental to its formation and activities undertaken in connection with the transactions contemplated by the merger agreement.

### **Recent Developments**

On December 21, 2012, Stifel issued \$150,000,000 aggregate principal amount of its 5.375% Senior Notes due December 2022 ( "Senior Notes" ). Interest on the Senior Notes accrues from December 21, 2012 and will be paid quarterly in arrears on January 15, April 15, July 15 and October 15 of each year, commencing on April 15, 2013. The Senior Notes will mature on December 31, 2022. Stifel may redeem the Senior Notes in whole or in part on or after December 31, 2015 at its option at a redemption price equal to 100% of their principal amount, plus accrued and unpaid interest to the date of redemption. Proceeds from such notes issuance of \$145 million, after discounts, commissions and expenses, will be used for general corporate purposes.

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**The Merger**

(see page 104)

Stifel and KBW agreed to the acquisition of KBW by Stifel under the terms of the merger agreement that is described in this proxy statement/prospectus. Pursuant to the merger agreement, Merger Sub will merge with and into KBW, with KBW continuing as a wholly-owned subsidiary of Stifel. Following the merger, KBW, as a wholly-owned subsidiary of Stifel, will be merged with and into the Successor Sub, whereupon the Successor Sub will be the surviving limited liability company as a direct wholly-owned subsidiary of Stifel.

Stifel and KBW have attached the merger agreement as **Annex A** to this proxy statement/prospectus. Stifel and KBW encourage you to read carefully the merger agreement in its entirety because it is the legal document that governs the merger.

**Effects of the Merger; Merger Consideration**

(see page 104)

In the merger, each issued and outstanding share of KBW common stock (other than shares owned by KBW as treasury stock, shares of KBW common stock owned by Stifel, shares for which appraisal rights have been properly exercised and perfected under the General Corporation Law of the State of Delaware and certain shares of KBW common stock subject to continuing restricted share awards, continuing RSU awards and other equity awards, as described under Treatment of KBW Equity-Based Awards below) will be automatically converted into the right to receive a combination of (i) cash consideration of \$8.00 (\$10.00 less the per share extraordinary dividend amount of \$2.00) and (ii) stock consideration of a fraction of a share of Stifel common stock equal to the exchange ratio, as described below.

The merger agreement defines a per share extraordinary dividend amount, which reduces the cash consideration by an equal amount up to \$2.00, to be equal to (i) the aggregate amount of all dividends paid by KBW after the date of the merger agreement and before the closing date of the merger (other than quarterly dividends consistent with past practice that are paid on or prior to December 31, 2012) (ii) divided by the number of issued and outstanding KBW shares immediately prior to the closing date of the merger. The merger agreement provides that extraordinary dividends will not exceed \$2.00. On November 29, 2012, the KBW board of directors declared an extraordinary dividend of \$2.00 per share of KBW's common stock, payable to stockholders of record on December 10, 2012, which was paid on December 17, 2012.

The number of shares of Stifel common stock KBW stockholders (other than those holders described above) receive will depend on the average of the volume weighted average trading prices of Stifel common stock on each of the ten trading days ending on the trading day immediately prior to the closing date of the merger. If the average of the daily volume weighted average trading prices of Stifel common stock during this valuation period is between \$29.00 and \$35.00, then current KBW stockholders will receive a number of shares of Stifel common stock equal to a fraction, the numerator of which equals \$7.50 and the denominator of which is the average of the daily volume weighted average trading prices of Stifel common stock during this valuation period, rounding the result to the nearest 1/10,000, as the stock consideration for each share of KBW common stock. If the average of the daily volume weighted average trading prices of Stifel common stock during the valuation period is less than or equal to \$29.00, then current KBW stockholders will receive 0.2586 shares of Stifel common stock as the stock consideration for each share of KBW common stock. If the average of the daily volume weighted average trading prices of Stifel common stock during the valuation period is greater than or equal to \$35.00, then current KBW stockholders will receive 0.2143 shares of Stifel common stock as the stock consideration for each share of KBW common stock.

Holders of KBW common stock will receive cash in lieu of any fractional shares of Stifel common stock they otherwise would have received in the merger. Each KBW stockholder who would otherwise have been entitled to receive a fraction of a share of Stifel common stock will receive an amount in cash (without interest and subject to

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withholding taxes) equal to the product obtained by multiplying (1) the fractional share interest to which such holder (after taking into account all fractional share interests then held by such holder) would otherwise be entitled (rounded to the nearest one-hundredth of a share) by (2) the average of the daily volume weighted average trading prices of Stifel common stock on each of the ten trading days prior to the closing date of the merger.

The \$8.00 in cash (\$10.00 less the per share extraordinary dividend amount of \$2.00) and the number of shares of Stifel common stock to be received by holders of KBW common stock in the merger are referred to collectively as the merger consideration .

The merger agreement provides that the exchange ratio will be appropriately adjusted to reflect the effect of any stock split, reverse stock split, stock dividend, reclassification or other similar change with respect to Stifel common stock or KBW common stock, or securities convertible or exchangeable into or exercisable into Stifel common stock or KBW common stock, with a record date occurring on or after the date of the merger agreement and prior to the effective time of the merger.

The exchange ratio will be determined shortly before completion of the merger. On December 31, 2012, the latest practicable date before the date of this proxy statement/prospectus, Stifel common stock closed on the New York Stock Exchange (the NYSE ), at \$31.97. The average of the daily volume weighted average trading price per share of Stifel common stock on the last ten trading days before December 31, 2012, was \$31.6984. If this were the volume weighted average trading price per share of Stifel common stock used to calculate the exchange ratio, the exchange ratio would be 0.2366, which would result in total consideration of \$15.56. The actual exchange ratio and, accordingly, the actual number of shares of Stifel common stock issued in respect of each share of KBW common stock in the merger, may differ from this example and will not be known at the Special Meeting because the valuation period will not be complete until after the Special Meeting.

For a full description of the merger consideration, see Proposal One: The Merger Agreement Merger Consideration beginning on page 104 of this proxy statement/prospectus.

### **Treatment of KBW Equity-Based Awards**

(see page 106)

*Restricted Stock and RSU Awards.* At or immediately prior to the effective time of the merger, all outstanding awards of KBW restricted stock and awards of restricted stock units, other than continuing awards, as discussed below, to the extent not currently vested, will fully vest and convert into the right to receive the merger consideration for each KBW share granted pursuant to, or subject to, such awards, subject to any applicable tax withholding.

*Continuing Restricted Stock and RSU Awards.* At or immediately prior to the effective time of the merger, all outstanding continuing restricted share awards and all outstanding continuing RSU awards will convert into the right to receive the number of shares of Stifel common stock equal to the product (rounded up to the nearest whole number in case of continuing restricted share awards) of (i) the number of shares of KBW common stock subject to such continuing restricted share award or continuing RSU award immediately prior to the effective time of the merger and (ii) the equity exchange ratio, subject to any applicable tax withholding (as described below).

*Other Awards.* At the effective time of the merger, each other equity award shall be deemed to be converted into the right to acquire or receive benefits measured by the value of the number of shares of Stifel common stock equal to the product of (i) the number of shares of KBW common stock subject to such other equity award and (ii) the equity exchange ratio, subject to any applicable tax withholding. Following the completion of the merger, each such other equity award shall continue to be governed by the same terms and conditions as were applicable under such award immediately prior to the merger.

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The equity exchange ratio will depend on the average of the volume weighted average trading prices of Stifel common stock on each of the ten trading days ending on the trading day immediately prior to the closing date of the merger. The equity exchange ratio is a fraction, the numerator of which equals \$15.50 (\$17.50 less the per share extraordinary dividend amount of \$2.00) (as discussed above) and the denominator of which equals (i) \$29.00, if the average of such daily volume weighted average trading prices of Stifel common stock during the valuation period is less than or equal to \$29.00, (ii) the average of such daily volume weighted average trading prices of Stifel common stock during the valuation period, if such average is greater than \$29.00 and less than \$35.00 and (iii) \$35.00, if the average of such daily volume weighted average trading prices of Stifel common stock during the valuation period is greater than or equal to \$35.00, in each case rounding the result to the nearest 1/10,000.

*Performance Shares.* The outstanding KBW performance share awards will be forfeited pursuant to waiver agreements with the performance share award holders.

### **Risk Factors**

(see page 45)

In addition to the other information contained in or incorporated by reference into this proxy statement/prospectus, you should carefully consider the factors discussed under the caption entitled *Risk Factors* beginning on page 45 in deciding whether to vote in favor of the proposal to adopt the merger agreement and thereby to approve the transactions contemplated by the merger agreement, including the merger.

This proxy statement/prospectus (including the documents incorporated by reference into this proxy statement/prospectus) contains forward-looking statements that involve risks, uncertainties and assumptions, such as statements of Stifel's, KBW's and the combined company's plans, objectives, expectations and intentions. When used in this proxy statement/prospectus and the documents incorporated by reference into this proxy statement/prospectus, the words *as may*, *might*, *should*, *expects*, *anticipates*, *believes*, *estimates*, *intends*, *plans*, *seek*, *would*, *projects*, *predicts*, *continues* and similar expressions or the negatives of these terms and other comparable terminology are intended to identify certain of these forward-looking statements. Because these forward-looking statements involve risks, uncertainties and assumptions, including those discussed under the caption entitled *Risk Factors*, the actual results of Stifel, KBW and the combined company could differ materially from those expressed or implied by the forward-looking statements in this proxy statement/prospectus and the documents incorporated by reference into this proxy statement/prospectus.

### **The Special Meeting; KBW Stockholders Entitled to Vote; Required Vote**

(see page 57)

The Special Meeting of KBW stockholders will be held on February 12, 2013 at 10:00 a.m., Eastern time, at 1271 Avenue of the Americas (Time Life Building), Luce Room, New York, New York. At the Special Meeting, KBW stockholders will be asked to:

1. consider and vote on a proposal to adopt the merger agreement and thereby to approve the transactions contemplated by the merger agreement, including the merger;
2. approve, by non-binding advisory vote, certain compensation arrangements for KBW's named executive officers in connection with the merger; and
3. approve the adjournment of the Special Meeting, if necessary, for any purpose, including to solicit additional proxies if there are not sufficient votes to adopt the merger agreement and thereby to approve the transactions contemplated by the merger agreement, at the time of the Special Meeting.

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The close of business on December 24, 2012 was the record date for the Special Meeting. Only KBW stockholders on the record date are entitled to notice of and to vote at the Special Meeting. Each share of KBW common stock will be entitled to one vote on each matter to be acted upon at the Special Meeting. On the record date, there were 34,557,980 shares of KBW common stock outstanding and entitled to vote at the Special Meeting.

The approval of holders of a majority of the outstanding shares of KBW common stock is required to adopt the merger agreement and thereby to approve the transactions contemplated by the merger agreement, including the merger. Approval of the affirmative vote of a majority of the shares of KBW common stock represented (in person or by proxy) at the Special Meeting and entitled to vote on such proposal is required for the proposal to approve, by non-binding advisory vote, certain compensation arrangements for KBW's named executive officers in connection with the merger; and for the proposal to approve the adjournment of the Special Meeting.

### **Recommendation of the KBW Board of Directors and KBW's Reasons for the Merger**

(See page 68)

Acting upon the unanimous recommendation of its committee of independent directors, and after careful consideration of the numerous factors described in the section entitled "Proposal One: The Merger - KBW's Reasons for the Merger; Recommendation of the KBW Board of Directors" beginning on page 68 of this proxy statement/prospectus, the KBW board of directors has unanimously determined that the merger and the merger agreement are advisable, and are fair to, and in the best interests of, KBW and its stockholders. Accordingly, the KBW board of directors recommends that you vote **FOR** the proposal to adopt the merger agreement and thereby to approve the transactions contemplated by the merger agreement, including the merger.

In addition, the KBW board of directors recommends that you vote **FOR** the proposal to approve, by non-binding advisory vote, certain compensation arrangements for KBW's named executive officers in connection with the merger.

Finally, the KBW board of directors recommends that you vote **FOR** the adjournment of the Special Meeting, if necessary, for any purpose, including to solicit additional proxies in favor of the adoption of the merger agreement and thereby the approval of the transactions contemplated by the merger agreement, including the merger.

### **Opinions of KBW's Financial Advisors**

(See page 71)

In connection with the transaction, each of KBW's financial advisors, Merrill Lynch, Pierce, Fenner & Smith Incorporated (which we refer to as BofA Merrill Lynch) and Keefe, Bruyette & Woods, Inc. (which we refer to as Keefe, Bruyette & Woods), delivered a written opinion, dated November 4, 2012, to KBW's board of directors as to the fairness, from a financial point of view and as of such date, of the merger consideration to be received pursuant to the merger agreement by holders of KBW common stock. For purposes of the opinions of KBW's financial advisors and the descriptions of such opinions in this proxy statement/prospectus, the cash portion of the merger consideration was inclusive of the extraordinary dividend amount permitted to be paid as of the date of such opinions, which dividend amount subsequently was paid on December 17, 2012. The full text of BofA Merrill Lynch's written opinion and Keefe, Bruyette & Woods's written opinion, each dated November 4, 2012, to KBW's board of directors, which describe, among other things, the assumptions made, procedures followed, factors considered and limitations on the review undertaken, are attached to this proxy statement/prospectus as **Annex B** and **Annex C**, respectively. **BofA Merrill Lynch and Keefe, Bruyette & Woods delivered their respective opinions to KBW's board of directors for the benefit and use of KBW's board of directors (in its capacity as such) in connection with and for purposes of its evaluation of the merger consideration from a financial point of view. Neither BofA Merrill Lynch's opinion nor Keefe, Bruyette & Woods's opinion addressed any other aspect of the transaction and no opinion or view was expressed as to**



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**the relative merits of the transaction in comparison to other strategies or transactions that might be available to KBW or in which KBW might engage or as to the underlying business decision of KBW to proceed with or effect the transaction. Neither BofA Merrill Lynch nor Keefe, Bruyette & Woods expressed an opinion or recommendation as to how any stockholder should vote or act in connection with the transaction or any related matter.**

### **No Stifel Stockholder Approval**

**(See page 97)**

Stifel stockholders are not required to adopt the merger agreement or approve the merger or the issuance of shares of Stifel common stock as part of the merger consideration.

### **Interests of Certain Persons in the Merger**

**(See page 89)**

When considering the recommendation by the KBW board of directors to vote FOR the proposal to adopt the merger agreement and thereby to approve the transactions contemplated by the merger agreement, including the merger, you should be aware that directors and executive officers of KBW have interests in the merger, including financial interests, that may be different from, or in addition to, your interests. Stifel currently anticipates that the senior management of KBW, including several of its executive officers, will be executive officers and/or key employees of Stifel following the merger. Mr. Thomas B. Michaud, Chief Executive Officer, President and Vice Chairman of KBW, Mr. John G. Duffy, Vice Chairman of KBW, and Mr. Andrew M. Senchak, Chairman of KBW, have each entered into an employment agreement or offer letter with Stifel that is conditioned on completion of the merger and provides certain retention and/or severance benefits as discussed below. Messrs. Michaud, Duffy and Senchak have agreed to waive all rights under their existing employment agreements with KBW, waive the change in control vesting provisions of their outstanding restricted share awards and forfeit their outstanding performance share and cash incentive awards. Directors, officers or employees of KBW who hold restricted stock awards or vested restricted stock units pursuant to existing plans may receive certain benefits upon the merger, including accelerated vesting of those restricted stock awards or delivery of those restricted stock units, as well as other retention or special awards in connection with the merger. Additionally, some officers and employees of KBW may, pursuant to employment or change of control agreements with KBW, be entitled to the payment of severance obligations upon certain qualifying terminations of employment that may occur in connection with or following the merger. KBW directors and officers will also receive indemnification from Stifel, and Stifel has agreed to provide and pay for liability insurance benefits for members of the KBW board of directors and KBW officers. The committee of independent directors of the KBW board of directors was aware of these interests and considered them in its recommendation to approve the merger agreement and the merger. The KBW board of directors was aware of these interests and considered them in approving the merger agreement and the merger.

### **Security Ownership by Directors and Executive Officers of KBW**

**(See page 142)**

As of the record date for the Special Meeting, the directors and executive officers of KBW and their affiliates, as a group, beneficially owned and were entitled to vote approximately 3.11% of the outstanding shares of KBW common stock entitled to vote at the Special Meeting. The approval of the holders of a majority of the outstanding shares of KBW common stock is required to adopt the merger agreement and thereby to approve the transactions contemplated by the merger agreement, including the merger.

### **Ownership of Stifel Following the Merger**

**(See page 97)**

If the merger is completed, holders of KBW common stock collectively will receive up to approximately 8.3 million shares of Stifel common stock in the merger.



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Based on the number of shares of Stifel common stock and KBW common stock outstanding as of December 31, 2012, current KBW stockholders are expected to own up to approximately 13% of the outstanding common stock of Stifel following the merger (without giving effect to any shares of Stifel common stock held by KBW stockholders prior to the merger).

### **Listing of Stifel Common Stock and Delisting and Deregistration of KBW Common Stock**

(See page 103)

Application will be made to have the shares of Stifel common stock issued in the merger approved for listing on the NYSE. If the merger is completed, KBW common stock will no longer be listed on the NYSE and will be deregistered under the Exchange Act, and KBW will no longer file periodic reports with the SEC.

### **Regulatory Approvals**

(See page 99)

Stifel and KBW have both agreed to use their reasonable best efforts to apply for and obtain all regulatory approvals necessary or advisable in connection with the transactions contemplated by the merger agreement. They have made applications for regulatory approvals from the Financial Industry Regulatory Authority and the United Kingdom Financial Services Authority, among others.

The Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, or the HSR Act, prohibits Stifel and KBW from completing the merger until Stifel and KBW have furnished certain information and materials to the Antitrust Division of the Department of Justice and the Federal Trade Commission and the required waiting period has expired or been terminated. Stifel and KBW each filed the required notification and report forms on November 15, 2012. On November 23, 2012, the Federal Trade Commission granted early termination of the waiting period under the HSR Act.

### **Appraisal Rights**

(See page 99)

KBW stockholders will have the right to demand appraisal of their shares of KBW common stock and obtain payment in cash for the fair value of their shares, but only if they perfect their appraisal rights and comply with the applicable provisions of Delaware law. A copy of the Delaware statutory provisions related to appraisal rights is attached as **Annex D** to this proxy statement/prospectus, and a summary of these provisions can be found under Proposal One: The Merger Appraisal Rights beginning on page 99. Due to the complexity of the procedures for exercising the right to seek appraisal, KBW stockholders who are considering exercising such rights are encouraged to seek the advice of legal counsel. Failure to strictly comply with the applicable DGCL provisions will result in the loss of the right of appraisal.

### **Conditions to Complete The Merger**

(See page 116)

Each of Stifel's, Merger Subs and KBW's obligation to effect the merger is subject to the satisfaction (or, to the extent permissible, waiver) of a number of conditions, including:

adoption of the merger agreement and thereby the approval of the transactions contemplated by the merger agreement, including the merger, by KBW's stockholders in accordance with applicable law;

the absence of any applicable law that prohibits the merger, makes the merger illegal or enjoins the consummation of the merger;

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authorizations, consents, orders, declarations or approvals of, or filings with, or terminations or expirations of waiting periods imposed by, various governmental authorities to the extent required by applicable law;

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listing on the NYSE of the shares of Stifel common stock issuable to KBW stockholders in the merger and effectiveness of the registration statement of which this proxy statement/prospectus forms a part;

the accuracy of representations and warranties of KBW or Stifel, as applicable, contained in the merger agreement, subject to certain exceptions, without regard to any materiality qualification, except to the extent that the failure of any such representation and warranty, individually or in the aggregate does not have, and would not reasonably be likely to have, a material adverse effect on KBW or Stifel, as applicable; and

subsequent to the date of the merger agreement, there not having occurred any event, occurrence, revelation or development of a state of circumstances or facts that, individually or in the aggregate, has had or would reasonably be expected to have a material adverse effect on KBW or Stifel, as applicable.

### **Expected Timing of the Merger**

(See page 3)

Stifel and KBW are working toward completing the merger as quickly as possible. The merger is expected to close during the first quarter of 2013, subject to receipt of KBW stockholder approval, governmental and regulatory approvals and the satisfaction of other usual and customary closing conditions. However, no assurance can be given as to when, or if, the merger will occur.

### **Termination**

(See page 117)

Stifel and KBW may mutually agree to terminate the merger agreement before completing the merger, even after KBW stockholder approval. In addition, either of Stifel or KBW may terminate the merger agreement under certain circumstances, including:

the merger has not been completed by March 31, 2013, which is referred to as the termination date (except that this right is not available to any party whose breach of the merger agreement resulted in failure of the merger to be completed);

there is any applicable law that (A) makes consummation of the merger illegal or otherwise prohibited or (B) enjoins KBW or Stifel from consummating the merger and such law has become final and nonappealable; or

at the KBW stockholder meeting (including any adjournment or postponement thereof), adoption of the merger agreement and thereby the approval of the transactions contemplated by the merger agreement, including the merger, by the KBW stockholders is not obtained.

Stifel may also terminate the merger agreement if:

the board of directors of KBW has changed or withdrawn its recommendation or the board of directors fails to publicly confirm the recommendation of the board of directors of KBW to proceed with the merger within five business days of a written request by Stifel made before adoption of the merger agreement by KBW's stockholders that it do so;

KBW breaches its representations and warranties, covenants or agreements under the merger agreement such that the applicable closing conditions will not have been satisfied (and such condition is incapable of being satisfied prior to the termination date); or

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all of the conditions to the closing of the merger (other than conditions that by their nature are to be satisfied at closing, provided that any such conditions are capable of satisfaction as of the date on which the closing otherwise would have occurred) have been satisfied or waived and KBW has failed to consummate the closing of the merger within the required time period.

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KBW may terminate the merger agreement if:

the board of directors of KBW authorizes KBW, subject to complying with the terms of the merger agreement, to enter into a written agreement concerning a superior proposal, as defined in the merger agreement, but only if KBW pays any amounts due as described under Proposal One: The Merger Agreement Expenses and Fees Termination Fees Payable by KBW and prior to any such termination:

KBW notifies Stifel in writing of its intention to terminate the merger agreement and to enter into a binding written agreement concerning an acquisition proposal that constitutes a superior proposal, attaching the most current version of such agreement (or a description of all material terms and conditions thereof), and

Stifel does not make, within four days of receipt of such written notification (subject to certain extensions), an offer that is at least as favorable to the stockholders of KBW as such superior proposal;

Stifel or Merger Sub breaches its representations and warranties, covenants or agreements such that certain closing conditions will not have been satisfied (and such conditions are incapable of being satisfied prior to the termination date); or

All of the conditions to the closing of the merger (other than conditions that by their nature are to be satisfied at closing, provided that any such conditions are capable of satisfaction as of the date on which the closing otherwise would have occurred) have been satisfied or waived and Stifel has failed to consummate the closing of the merger within the required time period.

**Termination Fees**

(See page 119)

***Termination Fees Payable by KBW***

Under the terms of the merger agreement, KBW would be obligated to pay Stifel a \$17,255,000 cash termination fee if:

the board of directors of KBW authorizes KBW, subject to complying with the terms of the merger agreement, to enter into a written agreement concerning a superior proposal;

an adverse recommendation change occurs or the board of directors of KBW fails to publicly confirm the recommendation by the board of directors of KBW to proceed with the merger within five business days of a written request by Stifel that it do so, provided that if such adverse recommendation change or the failure by the board of directors of KBW to publicly confirm such recommendation was, in whole or in part, the result of the occurrence of a material adverse effect on Stifel, both (A) after the date of the merger agreement and prior to the Special Meeting, or the date of termination, as the case may be, an acquisition proposal must have been made, and (B) within 12 months following the date of such termination: (1) KBW merges with or into, or is acquired by, the person making such acquisition proposal; (2) such person acquires more than 50% of the total assets of KBW and its subsidiaries, taken as a whole; or (3) such person acquires more than 50% of the outstanding shares of capital stock of KBW (or in the case of (1) through (3) above, if KBW has entered into any contract or agreement providing for such action, in which case such cash termination fee shall be paid on the later date on which such action is completed); or

the merger is not completed before the termination date (if stockholder approval is not obtained at the KBW stockholder meeting (including any adjournment)) but only if, both (A) prior to KBW stockholder meeting, or the date of termination, as the case may be,

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an acquisition proposal has been made, and (B) within 12 months following the date of such termination: (1) KBW merges with or into,



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or is acquired by, the person making such acquisition proposal; (2) such person acquires more than 50% of the total assets of KBW and its subsidiaries, taken as a whole; or (3) such person acquires more than 50% of the outstanding shares of capital stock of KBW (or in the case of (1) through (3) above, if KBW has entered into any contract or agreement providing for such action, in which case such cash termination fee shall be paid on the later date on which such action is completed).

### **Material United States Federal Income Tax Consequences of the Merger**

(See page 132)

The merger, together with the second-step merger, is intended to qualify as a reorganization under Section 368(a) of the Code, and will so qualify provided that the value of the shares of Stifel common stock delivered to KBW stockholders in the merger, valued as of the closing date, is sufficient to meet certain requirements more fully discussed below in Material United States Federal Income Tax Consequences of the Merger beginning on page 132. If the value of the shares of Stifel common stock delivered to KBW stockholders in the merger is not sufficient to meet these requirements, the transaction will not qualify as a reorganization under Section 368(a) of the Code.

It will not be known at the time of the special meeting whether the transaction will qualify as a reorganization under Section 368(a) of the Code and, therefore, the U.S. federal income tax treatment of the transactions contemplated by the merger agreement will not be known at such time.

If the transaction qualifies as a reorganization under Section 368(a) of the Code, U.S. holders of KBW common stock receiving both Stifel common stock and cash pursuant to the merger agreement will generally recognize gain, but not loss, equal to the lesser of (i) the amount of cash treated as received in exchange for KBW common stock in the merger and (ii) the excess of the amount realized in the transaction (*i.e.*, the fair market value of the Stifel common stock at the effective time of the merger plus the amount of cash treated as received in exchange for KBW common stock in the merger) over their tax basis in their surrendered KBW common stock. In certain circumstances, such gain could be taxable as a dividend rather than capital gain.

To review the tax consequences to stockholders in greater detail, see Material United States Federal Income Tax Consequences of the Merger beginning on page 132.

You are encouraged to consult your tax advisor as to the tax consequences of the merger in your particular circumstances, including the applicability and effect of the alternative minimum tax and any state, local or foreign and other tax laws and of changes in those laws.

*The U.S. federal income tax consequences described above may not apply to all holders of KBW common stock. Your tax consequences will depend on your individual situation. Accordingly, you are urged to consult your tax advisor for a full understanding of the particular tax consequences of the merger to you.*

### **Accounting Treatment**

(See page 98)

In accordance with accounting principles generally accepted in the United States, Stifel will account for the merger using the acquisition method of accounting for business combinations.

### **Comparison of Rights of KBW Stockholders and Stifel Stockholders**

(See page 121)

KBW's certificate of incorporation and by-laws and Delaware corporate law govern the rights of KBW stockholders. Stifel's certificate of incorporation and by-laws and Delaware corporate law will govern your rights as a stockholder of Stifel following the merger. Your rights under Stifel's certificate of incorporation and by-laws will differ in some respects from your rights under KBW's certificate of incorporation and by-laws.

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**STIFEL FINANCIAL CORP. SELECTED HISTORICAL FINANCIAL INFORMATION**

The following Stifel selected consolidated financial data (presented in thousands, except per share amounts) is provided to aid your analysis of the financial aspects of the merger. The information set forth below is only a summary and is not necessarily indicative of the results of future operations of Stifel or the combined company. When you read this historical consolidated financial data, it is important that you also read Stifel's historical consolidated financial statements and related notes, as well as the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations", each included in Stifel's Annual Report on Form 10-K for the year ended December 31, 2011, which is incorporated by reference into this proxy statement/prospectus. See "Where You Can Find More Information" on page 146.

The table below presents selected historical consolidated financial data of Stifel. The consolidated financial data for the five years ended December 31, 2011 have been derived from audited consolidated financial statements of Stifel incorporated by reference into this proxy statement/prospectus.

The consolidated financial data of Stifel as of September 30, 2012 and for the nine month periods ended September 30, 2012 and 2011 have been derived from Stifel's historical unaudited interim consolidated financial statements contained in its Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2012, which is incorporated by reference into this proxy statement/prospectus. In the opinion of Stifel's management, the unaudited interim consolidated financial statements of Stifel have been prepared on the same basis as its audited consolidated financial statements and include all adjustments, consisting of normal recurring adjustments, necessary for a fair statement of the financial position of Stifel as of September 30, 2012 and its results of operations for the nine month periods ended September 30, 2012 and 2011. Results of interim periods are not necessarily indicative of the results expected for a full year or for future periods.

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<i>(In thousands, except per share amounts)</i>	Nine Months Ended September 30,		Year Ended December 31,				
	2012	2011	2011	2010	2009	2008	2007
<b>Revenues:</b>							
Commissions	\$ 378,696	\$ 437,344	\$ 561,081	\$ 445,260	\$ 345,520	\$ 341,090	\$ 315,514
Principal transactions	310,776	249,250	343,213	453,533	458,188	293,285	139,248
Asset management and service fees	189,010	172,914	228,834	193,159	117,357	122,773	101,610
Investment banking	210,739	143,509	199,584	218,104	125,807	83,710	169,413
Interest	79,744	64,246	89,466	65,326	46,860	50,148	59,071
Other income/(loss)	50,634	11,352	19,731	19,855	9,138	(2,159)	8,234
Total revenues	1,219,599	1,078,615	1,441,909	1,395,237	1,102,870	888,847	793,090
Interest expense	24,779	18,931	25,347	13,211	12,234	18,510	30,025
Net revenues	1,194,820	1,059,684	1,416,562	1,382,026	1,090,636	870,337	763,065
<b>Non-interest expenses:</b>							
Compensation and benefits	761,730	671,678	900,421	1,056,202	718,115	582,778	543,021
Occupancy and equipment rental	96,172	89,962	121,929	115,742	89,741	67,984	57,796
Communications and office supplies	61,146	56,198	75,589	69,929	54,745	45,621	42,355
Commissions and floor brokerage	23,390	20,943	27,040	26,301	23,416	13,287	9,921
Other operating expenses	87,577	127,321	152,975	114,081	84,205	68,898	56,126
Total non-interest expenses	1,030,015	966,102	1,277,954	1,382,255	970,222	778,568	709,219
<b>Income before income tax expense</b>	164,805	93,582	138,608	(229)	120,414	91,769	53,846
Provision for income taxes/(benefit)	66,186	36,464	54,474	(2,136)	44,616	36,267	21,676
<b>Net income</b>	\$ 98,619	\$ 57,118	\$ 84,134	\$ 1,907	\$ 75,798	\$ 55,502	\$ 32,170
<b>Earnings per common share:</b>							
Basic	\$ 1.84	\$ 1.09	\$ 1.61	\$ 0.04	\$ 1.79	\$ 1.54	\$ 0.99
Diluted	\$ 1.57	\$ 0.90	\$ 1.33	\$ 0.03	\$ 1.56	\$ 1.32	\$ 0.83
<b>Weighted average number of common shares outstanding:</b>							
Basic	53,471	52,610	52,418	48,723	42,445	36,103	32,631
Diluted	62,817	63,174	63,058	57,672	48,441	42,109	38,584
<b>Financial Condition</b>							
Total assets	\$ 6,139,530	\$ 4,942,364	\$ 4,951,900	\$ 4,213,115	\$ 3,167,356	\$ 1,558,145	\$ 1,499,440
Long-term obligations	\$ 262,818	\$ 89,457	\$ 89,457	\$ 90,741	\$ 101,979	\$ 106,860	\$ 124,242
Shareholders' equity	\$ 1,427,124	\$ 1,261,751	\$ 1,302,105	\$ 1,253,883	\$ 873,446	\$ 593,185	\$ 424,637

On March 7, 2011, Stifel's board of directors approved a 50% stock dividend, in the form of a three-for-two stock split, of Stifel common stock payable on April 5, 2011 to stockholders of record as of March 22, 2011. All share and per share information has been retroactively adjusted to reflect the stock split.

**Table of Contents****RETROACTIVE PRESENTATION FOR STIFEL FINANCIAL CORP. CHANGE IN ACCOUNTING PRINCIPLE**

During the first quarter of 2012, Stifel adopted the accounting standard regarding the presentation of comprehensive income. This standard was issued to increase the prominence of items reported in other comprehensive income. The standard does not change the items that must be reported in other comprehensive income, when an item of other comprehensive income must be reclassified to net income, the requirement to disclose the tax effect for each component of other comprehensive income or how earnings per share is calculated or presented. The adoption of this standard in the first quarter of 2012 impacted Stifel's financial statement presentation only. The following presents the retroactive presentation of the accounting standard regarding the presentation of comprehensive income for the nine months ended September 30, 2011 and 2010 and the years ended December 31, 2011, 2010 and 2009:

<i>(In thousands)</i>	<b>Nine Months Ended</b>		<b>Year Ended December 31,</b>		
	<b>September 30,</b>		<b>2011</b>	<b>2010</b>	<b>2009</b>
	<b>2012</b>	<b>2011</b>			
<b>Statement of Comprehensive Income:</b>					
Net income	\$ 98,619	\$ 57,118	\$ 84,134	\$ 1,907	\$ 75,798
Other comprehensive income/(loss):					
Unrealized gains on available-for-sale securities, net of tax	12,714	3,245	2,103	3,132	7,517
Unrealized (losses)/gains in cash flow hedging instruments, net of tax	1,492	(10,105)	(9,615)	(5,793)	80
Foreign currency translation adjustment, net of tax	1,439	(1,277)	(807)	1,740	
	15,645	(8,137)	(8,319)	(921)	7,597
Comprehensive income	\$ 114,264	\$ 48,981	\$ 75,815	\$ 986	\$ 83,395

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**KBW, INC. SELECTED HISTORICAL FINANCIAL INFORMATION**

The following KBW selected consolidated financial data (presented in thousands, except per share amounts) is provided to aid your analysis of the financial aspects of the merger. The information set forth below is only a summary and is not necessarily indicative of the results of future operations of KBW or the combined company. When you read this historical consolidated financial data, it is important that you also read KBW's historical consolidated financial statements and related notes, as well as the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations", each included in KBW's Annual Report on Form 10-K for the year ended December 31, 2011, which is incorporated by reference into this proxy statement/prospectus. See "Where You Can Find More Information" on page 146.

The table below presents selected historical consolidated financial data of KBW. The consolidated financial data for the five years ended December 31, 2011 have been derived from audited consolidated financial statements of KBW incorporated by reference into this proxy statement/prospectus.

The consolidated financial data of KBW as of September 30, 2012 and for the nine month periods ended September 30, 2012 and 2011 have been derived from KBW's historical unaudited interim consolidated financial statements contained in its Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2012, which is incorporated by reference into this proxy statement/prospectus. In the opinion of KBW's management, the unaudited interim consolidated financial statements of KBW have been prepared on the same basis as its audited consolidated financial statements and include all adjustments, consisting of normal recurring adjustments, necessary for a fair statement of the financial position of KBW as of September 30, 2012 and its results of operations for the nine month periods ended September 30, 2012 and 2011. Results of interim periods are not necessarily indicative of the results expected for a full year or for future periods.

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<i>(In thousands, except per share amounts)</i>	Nine Months Ended		Year Ended December 31,				
	September 30, 2012	2011	2011	2010	2009	2008	2007
<b>Revenues:</b>							
Investment banking	\$ 73,624	\$ 84,923	\$ 98,739	\$ 208,913	\$ 160,450	\$ 163,664	\$ 226,464
Commissions	74,860	101,726	128,069	133,560	142,015	192,752	165,803
Principal transactions, net	17,613	9,375	21,403	53,964	63,611	(142,962)	(7,520)
Interest and dividend income	7,264	8,383	10,068	13,125	10,524	24,687	37,612
Investment advisory fees			1,009	3,194	2,826	1,197	1,751
Other	1,868	5,199	5,223	13,101	7,728	2,879	3,418
Total revenues	175,229	209,606	264,511	425,857	387,154	242,217	427,528
<b>Expenses:</b>							
Compensation and benefits	117,404	138,778	183,367	263,633	236,159	226,311	257,070
Occupancy and equipment	14,332	17,081	22,707	22,460	21,639	19,831	18,722
Communications and data processing	22,303	26,676	35,089	32,365	28,464	27,743	24,283
Brokerage and clearing	7,879	14,876	16,054	17,747	17,203	24,244	22,967
Business development	10,128	14,405	17,705	16,529	14,328	16,115	16,601
Professional services	5,862	10,932	13,743	15,425	15,410	14,210	11,987
Interest	493	849	1,017	1,104	1,151	4,603	14,732
Restructuring charges	6,285	1,783	14,952				
Other operating expenses	5,778	8,519	10,952	11,509	9,942	11,165	11,761
Total expenses	190,464	233,899	315,586	380,772	344,296	344,222	378,123
<b>(Loss)/income before income taxes</b>	(15,235)	(24,293)	(51,075)	45,085	42,858	(102,005)	49,405
Income tax (benefit)/expense	(5,093)	(8,957)	(19,409)	18,457	19,251	(39,656)	22,113
<b>Net (loss)/income</b>	\$ (10,142)	\$ (15,336)	\$ (31,666)	\$ 26,628	\$ 23,607	\$ (62,349)	\$ 27,292
<b>Earnings per share:</b>							
Basic	\$ (0.36)	\$ (0.49)	\$ (1.02)	\$ 0.71	\$ 0.66	\$ (2.02)	\$ 0.81
Diluted	\$ (0.36)	\$ (0.49)	\$ (1.02)	\$ 0.71	\$ 0.66	\$ (2.02)	\$ 0.81
<b>Dividends declared per common share</b>	\$ 0.15	\$ 0.15	\$ 0.20	\$ 1.10	\$	\$	\$
<b>Weighted average number of common shares outstanding:</b>							
Basic	30,339	32,312	31,698	32,429	31,448	30,838	30,654
Diluted	30,339	32,312	31,698	32,429	31,448	30,838	30,654
<b>Consolidated Statements of Financial Condition Data:</b>							
Total assets	\$ 489,197	\$ 512,360	\$ 519,099	\$ 699,657	\$ 631,368	\$ 571,466	\$ 864,450
Shareholders' equity	\$ 381,176	\$ 399,134	\$ 383,153	\$ 458,117	\$ 449,069	\$ 396,731	\$ 448,426
<b>Other Data (Unaudited):</b>							
Book value per common share	\$ 12.63	\$ 13.67	\$ 13.27	\$ 14.45	\$ 14.60	\$ 13.30	\$ 15.31

**Table of Contents****RETROACTIVE PRESENTATION FOR KBW, INC. CHANGE IN ACCOUNTING PRINCIPLE**

During the first quarter of 2012, KBW adopted the accounting standard regarding the presentation of comprehensive income. This standard was issued to increase the prominence of items reported in other comprehensive income. The adoption of this standard in the first quarter of 2012 impacted KBW's financial statement presentation only. The following presents the retroactive presentation of the accounting standard regarding the presentation of comprehensive income for the nine months ended September 30, 2011 and 2010 and the years ended December 31, 2011, 2010 and 2009:

<i>(In thousands)</i>	<b>Nine Months Ended</b>		<b>Year Ended December 31,</b>		
	<b>September 30,</b>		<b>2011</b>	<b>2010</b>	<b>2009</b>
	<b>2012</b>	<b>2011</b>			
<b>Statement of Comprehensive Income:</b>					
Net (loss) / income	\$ (10,142)	\$ (15,336)	\$ (31,666)	\$ 26,628	\$ 23,607
Currency translation adjustments	1,249	(152)	(211)	(1,329)	3,556
Total other comprehensive (loss) / income	1,249	(152)	(211)	(1,329)	3,556
Comprehensive (loss) / income	\$ (8,893)	\$ (15,488)	\$ (31,877)	\$ 25,299	\$ 27,163

**Table of Contents****COMPARATIVE HISTORICAL AND UNAUDITED PRO FORMA PER SHARE DATA**

The following table sets forth, for the year ended December 31, 2011 and for the nine months ended September 30, 2012, selected per share information for Stifel common stock on a historical and pro forma combined basis and for KBW common stock on a historical and pro forma equivalent basis. Except for the historical information as of and for the year ended December 31, 2011, the information provided in the table below is unaudited. The pro forma information provided in the table below is for informational purposes only and is not necessarily an indication of the results that would have been achieved had the transaction been completed as of the dates indicated or that may be achieved in the future. You should read the data provided below with the historical consolidated financial statements and related notes of Stifel and KBW contained in their respective Annual Reports on Form 10-K for the year ended December 31, 2011 and Quarterly Reports on Form 10-Q for the quarter ended September 30, 2012, which are incorporated by reference into this proxy statement/prospectus. For further information, please see the section titled "Where You Can Find More Information" beginning on page 146. You should also read the section titled "Unaudited Pro Forma Condensed Combined Financial Information" beginning on page 31.

The pro forma combined equivalent per share amounts are calculated by multiplying each Stifel pro forma combined per share amount by the exchange ratio.

	Nine Months Ended September 30, 2012	Year Ended December 31, 2011
<b>Stifel historical data:</b>		
Net income per basic share	\$ 1.84	\$ 1.61
Net income per diluted share	1.57	1.33
Net book value per share	26.62	25.10
<b>KBW historical data:</b>		
Net loss per basic share	\$ (0.36)	\$ (1.02)
Net loss per diluted share	(0.36)	(1.02)
Net book value per share	12.63	13.27
<b>Pro forma combined data:</b>		
Net income per basic share	\$ 1.44	\$ 0.53
Net income per diluted share	1.20	0.43
Net book value per share	28.05	26.72
<b>Pro forma combined equivalent data <sup>(1)</sup>:</b>		
Net income per basic share	\$ 0.33	\$ 0.12
Net income per diluted share	0.28	0.10
Net book value per share	6.50	6.19

<sup>(1)</sup> Calculated using an exchange ratio based on the volume weighted average price of Stifel common stock for the ten days immediately preceding (but not including) the announcement of the merger agreement.



**Table of Contents****COMPARATIVE PER SHARE MARKET PRICE DATA**

Stifel common stock trades on the NYSE under the symbol SF. KBW common stock trades on the NYSE under the symbol KBW.

The following table shows, for the calendar quarters indicated, the high and low sale prices per share, adjusted for stock splits and the like, of KBW common stock and Stifel common stock as reported on the NYSE. On March 7, 2011, the Stifel board of directors approved a 50% stock dividend, in the form of a three-for-two stock split, of the Company's common stock payable on April 5, 2011 to stockholders of record as of March 22, 2011. All per share information has been retroactively adjusted to reflect the stock split.

Calendar quarters:	KBW, Inc. Common Stock			Stifel Financial Corp. Common Stock		
	High	Low	Dividends	High	Low	Dividends
<b>2010</b>						
First quarter	\$ 28.14	\$ 23.60	\$	\$ 39.75	\$ 33.07	\$
Second quarter	\$ 30.15	\$ 21.40	\$	\$ 39.67	\$ 28.70	\$
Third quarter	\$ 26.38	\$ 21.09	\$ 0.05	\$ 33.33	\$ 28.45	\$
Fourth quarter	\$ 28.40	\$ 22.60	\$ 1.05 <sup>(1)</sup>	\$ 42.09	\$ 29.25	\$
<b>2011</b>						
First quarter	\$ 29.21	\$ 24.07	\$ 0.05	\$ 49.94	\$ 40.68	\$
Second quarter	\$ 26.40	\$ 18.16	\$ 0.05	\$ 48.91	\$ 34.97	\$
Third quarter	\$ 19.07	\$ 12.48	\$ 0.05	\$ 40.44	\$ 23.09	\$
Fourth quarter	\$ 15.80	\$ 12.43	\$ 0.05	\$ 34.50	\$ 23.72	\$
<b>2012</b>						
First quarter	\$ 19.27	\$ 15.05	\$ 0.05	\$ 39.84	\$ 32.02	\$
Second quarter	\$ 18.49	\$ 14.80	\$ 0.05	\$ 38.65	\$ 29.33	\$
Third quarter	\$ 18.14	\$ 14.47	\$ 0.05	\$ 36.44	\$ 28.10	\$
Fourth quarter	\$ 17.88	\$ 14.76	\$ 2.05 <sup>(2)</sup>	\$ 35.18	\$ 28.80	\$

<sup>(1)</sup> In December 2010, KBW declared and paid a \$1.00 per share special dividend.

<sup>(2)</sup> On November 29, 2012, KBW declared a \$2.00 per share special dividend, which was paid on December 17, 2012.

The following table sets forth the high, low and closing prices for Stifel common stock and KBW common stock as reported on the NYSE on November 2, 2012, the last full trading day prior to the public announcement of the merger, and December 31, 2012, the latest practicable date before the date of this proxy statement/prospectus. The table also includes the market value of KBW common stock on an equivalent price per share basis, as determined by reference to the value of the merger consideration to be received in respect of each share of KBW common stock in the merger. These equivalent prices per share reflect the fluctuating value of the Stifel common stock that KBW stockholders would receive as the stock consideration for each share of KBW common stock if the merger was completed on either of these dates.

	Stifel Common Stock			KBW Common Stock			Equivalent Price per Share of KBW Common Stock <sup>(1)</sup>		
	High	Low	Close	High	Low	Close	High	Low	Close
November 2, 2012 <sup>(2)</sup>	\$ 32.44	\$ 31.90	\$ 31.91	\$ 16.50	\$ 16.19	\$ 16.30	\$ 17.48	\$ 17.36	\$ 17.36
December 31, 2012 <sup>(3)</sup>	\$ 32.15	\$ 31.75	\$ 31.97	\$ 15.39	\$ 15.25	\$ 15.30	\$ 15.61	\$ 15.51	\$ 15.56

(1) As demonstrated by these examples, even when the average of the daily volume weighted average trading prices of Stifel common stock for each of the ten consecutive trading days ending on the trading day immediately prior to the closing date of the merger is between \$29.00 and \$35.00, the precise market value of Stifel common stock

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to be received as the stock consideration for each share of KBW common stock will fluctuate and may be above or below \$7.50 due to the potential difference in value between the average of the daily volume weighted average trading prices of Stifel common stock during such valuation period and the closing price per share of Stifel common stock on the NYSE on the closing date.

- (2) The equivalent price per share of KBW common stock is calculated as the sum of (a) \$10.00 and (b) the applicable (high, low or closing) price per share of Stifel common stock on November 2, 2012 multiplied by 0.2307 (the exchange ratio, determined by dividing (i) \$7.50 by (ii) the average of the daily volume weighted average trading prices of Stifel common stock on each day during the ten trading day period prior to November 2, 2012 (equal to 32.5057)).
- (3) The equivalent price per share of KBW common stock is calculated as the sum of (a) \$10.00 less the \$2.00 extraordinary dividend declared on November 29, 2012 and paid on December 17, 2012 and (b) the applicable (high, low or closing) price per share of Stifel common stock on December 31, 2012 multiplied by 0.2366 (the exchange ratio, determined by dividing (i) \$7.50 by (ii) the average of the daily volume weighted average trading prices of Stifel common stock on each day during the ten trading day period prior to December 31, 2012 (equal to 31.6984)).

The above table shows only historical comparisons. These comparisons may not provide meaningful information to KBW stockholders in determining whether to adopt the merger agreement. KBW stockholders are urged to obtain current market quotations for Stifel and KBW common stock and to review carefully the other information contained in this proxy statement/prospectus or incorporated by reference into this proxy statement/prospectus, when considering whether to adopt the merger agreement. See [Where You Can Find More Information](#) beginning on page 146 of this proxy statement/prospectus.

As of the record date, there were approximately 83 holders of record of KBW common stock. This number does not include stockholders for whom shares were held in nominee or street name.

**Dividend Data**

On August 1, 2012, KBW's board of directors declared a quarterly dividend of \$0.05 per share on its outstanding common stock, which was paid on September 14, 2012 to stockholders of record on September 4, 2012. On November 2, 2012, KBW's board of directors declared a quarterly dividend of \$0.05 per share on its outstanding common stock which dividend was paid on December 14, 2012 to stockholders of record on December 5, 2012. On November 29, 2012, the KBW board of directors declared an extraordinary dividend of \$2.00 per share of KBW's common stock, payable to stockholders of record on December 10, 2012, which was paid on December 17, 2012. Stifel has not declared or paid a cash dividend on its common stock since 2002. Stifel currently intends to retain any future earnings to fund the growth and development of its businesses and does not anticipate paying any cash dividends in the foreseeable future. KBW does not currently intend to declare an ordinary quarterly dividend for the first quarter of 2013.

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**UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION**

The unaudited pro forma condensed combined financial statements are based on the historical financial statements of Stifel and KBW, combined and adjusted to give effect to the merger as if it had occurred on the first day of the earliest period presented. The unaudited pro forma condensed combined statement of financial condition presents Stifel's historical financial position combined with KBW as if the merger had occurred on September 30, 2012. The unaudited pro forma condensed combined statements of operations presents the results of Stifel's operations combined with KBW as if the merger had occurred on January 1, 2011. Such information includes certain adjustments as described in Note 6 to these unaudited pro forma condensed combined financial statements. Such information does not include the impacts of any revenue, cost or other operating synergies that may result from the merger.

The historical consolidated financial information has been adjusted in the unaudited pro forma condensed combined financial statements to give effect to pro forma events that are (1) directly attributable to the merger, (2) factually supportable, and (3) with respect to the statements of operations, expected to have a continuing impact on the combined results.

The following unaudited pro forma condensed combined financial information is derived from the historical financial statements of Stifel and KBW and has been prepared to illustrate the effects of the merger. The unaudited pro forma condensed combined financial statements have been prepared by management for illustrative purposes only and are not necessarily indicative of the combined financial position or results of operations in future periods or the results that actually would have been realized had Stifel and KBW been a combined company during the specified periods. In addition, the unaudited pro forma condensed combined financial information does not purport to project the combined financial position or operating results for any future period.

The unaudited pro forma condensed combined financial statements, including the notes thereto, should be read in conjunction with the following historical consolidated financial statements and accompanying notes of Stifel and KBW for the applicable periods, which are incorporated by reference into this proxy statement/prospectus:

separate historical financial statements of Stifel as of, and for the year ended December 31, 2011, and the related notes included in Stifel's Annual Report on Form 10-K for the year ended December 31, 2011 filed with the SEC on February 28, 2012;

separate historical financial statements of KBW as of, and for the year ended December 31, 2011, and the related notes included in KBW's Annual Report on Form 10-K for the year ended December 31, 2011 filed with the SEC on February 28, 2012;

separate historical financial statements of Stifel as of, and for the nine months ended, September 30, 2012, and the related notes included in Stifel's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2012, filed with the SEC on November 9, 2012; and

separate historical financial statements of KBW as of, and for the nine months ended, September 30, 2012, and the related notes included in KBW's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2012, filed with the SEC on November 9, 2012.

Based on Stifel's review of KBW's summary of significant accounting policies disclosed in its audited financial statements and related notes, the nature and amount of any adjustments to the historical financial statements of KBW to conform their accounting policies to those of Stifel are not expected to be significant.

The unaudited pro forma condensed combined financial information has been prepared using the acquisition method of accounting for business combinations under accounting principles generally accepted in the United States, or GAAP. The acquisition method of accounting requires management to obtain independent valuations that have yet to commence or progress to a point where there is sufficient information for a definitive measurement. Accordingly, the pro forma adjustments are preliminary and have been made by management solely for the purpose of providing unaudited pro forma condensed combined financial information. Differences between the preliminary estimates made during the preparation of the unaudited pro forma condensed combined financial statements and the final acquisition accounting could be material.



**Table of Contents****STIFEL FINANCIAL CORP.****Pro Forma Condensed Combined Statement of Financial Condition****(Unaudited)****September 30, 2012**

<i>(In thousands)</i>	<b>Stifel</b>	<b>KBW</b>	<b>Pro Forma Adjustments<sup>(1)</sup></b>	<b>Pro Forma Combined</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 193,333	\$ 163,127	\$ (188,011) <b>A</b>	\$ 168,449
Restricted cash	6,589			6,589
Cash segregated for regulatory purposes	28			28
<b>Receivables:</b>				
Brokerage clients, net	519,008	1,174		520,182
Broker, dealers and clearing organizations	212,747	21,575		234,322
Securities purchased under agreements to resell	141,964			141,964
Trading securities owned, at fair value	746,213	181,375	(50,000) <b>A</b>	877,588
Available-for-sale securities, at fair value	1,476,681			1,476,681
Held-to-maturity securities, at amortized cost	657,933			657,933
Loans held for sale	209,358			209,358
Bank loans, net of allowance	746,567			746,567
Other real estate owned	449			449
Investments	242,674	42,428		285,102
Fixed assets, net	96,388	11,971		108,359
Goodwill	361,735		190,339 <b>B</b>	552,074
Intangible assets, net	30,150		33,589 <b>C</b>	63,739
Loans and advances to financial advisors and other employees, net	183,141			183,141
Deferred tax assets, net	115,375	25,050		140,425
Other assets	199,197	42,497	22,102 <b>D</b>	263,796
<b>Total Assets</b>	<b>\$ 6,139,530</b>	<b>\$ 489,197</b>	<b>\$ 8,019</b>	<b>\$ 6,636,746</b>

<sup>(1)</sup> The pro forma adjustments are explained in Note 6, Unaudited Pro Forma Adjustments.

*The accompanying notes are an integral part of these unaudited pro forma condensed combined financial statements.*

**Table of Contents****STIFEL FINANCIAL CORP.****Pro Forma Condensed Combined Statement of Financial Condition (continued)****(Unaudited)****September 30, 2012**

<i>(In thousands)</i>	Stifel	KBW	Pro Forma Adjustments <sup>(1)</sup>		Pro Forma Combined
<b>Liabilities and Shareholders Equity</b>					
Short-term borrowings from banks	\$ 97,900	\$	\$ 100,000	E	\$ 197,900
Payables:					
Customers	329,926				329,926
Brokers, dealers and clearing organizations	124,081				124,081
Drafts	63,397				63,397
Securities sold under agreements to repurchase	78,437				78,437
Bank deposits	2,923,671				2,923,671
Trading securities sold, but not yet purchased, at fair value	369,886	51,103			420,989
Securities sold, but not yet purchased, at fair value	22,194				22,194
Accrued compensation	198,026	22,390			220,416
Accounts payable and accrued expenses	242,070	34,528			276,598
Senior notes	175,000				175,000
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
	4,707,088	108,021	100,000		4,915,109
Liabilities subordinated to claims of general creditors	5,318				5,318
Shareholders Equity:					
Preferred stock					
Common stock	8,058	302	798	F	9,158
Additional paid-in-capital	1,067,196	159,979	161,269	F	1,388,444
Retained earnings	345,866	231,609	(264,762)	G	312,713
Accumulated other comprehensive income (loss)	7,707	(10,714)	10,714	H	7,707
	1,428,827	381,176	(91,981)		1,718,022
Treasury stock	(1,547)				(1,547)
Unearned employee stock ownership plan shares	(156)				(156)
	1,427,124	381,176	(91,981)		1,716,319
<b>Total Liabilities and Shareholders Equity</b>	<b>\$ 6,139,530</b>	<b>\$ 489,197</b>	<b>\$ 8,019</b>		<b>\$ 6,636,746</b>

<sup>(1)</sup> The pro forma adjustments are explained in Note 6, Unaudited Pro Forma Adjustments.

*The accompanying notes are an integral part of these unaudited pro forma condensed combined financial statements.*

**Table of Contents****STIFEL FINANCIAL CORP.****Pro Forma Condensed Combined Statement of Operations****(Unaudited)****For the Year Ended December 31, 2011**

<i>(In thousands, except per share amounts)</i>	<b>Stifel</b>	<b>KBW</b>	<b>Pro Forma Adjustments <sup>(1)</sup></b>	<b>Pro Forma Combined</b>
<b>Revenues:</b>				
Commissions	\$ 561,081	\$ 128,069	\$	\$ 689,150
Principal transactions	343,213	21,403		364,616
Investment banking	199,584	98,739		298,323
Asset management and service fees	228,834	1,009		229,843
Interest	89,466	6,318		95,784
Other income	19,731	8,973		28,704
<b>Total revenues</b>	<b>1,441,909</b>	<b>264,511</b>		<b>1,706,420</b>
Interest expense	25,347	1,017		26,364
<b>Net revenues</b>	<b>1,416,562</b>	<b>263,494</b>		<b>1,680,056</b>
<b>Non-interest expenses:</b>				
Compensation and benefits	900,421	190,366		1,090,787
Occupancy and equipment rental	121,929	30,285		152,214
Communications and office supplies	75,589	35,874		111,463
Commissions and floor brokerage	27,040	16,054		43,094
Other operating expenses	152,975	41,990	5,374	<b>I</b> 200,339
<b>Total non-interest expenses</b>	<b>1,277,954</b>	<b>314,569</b>	<b>5,374</b>	<b>1,597,897</b>
<b>Income/(loss) before income tax expense/(tax benefit)</b>	<b>138,608</b>	<b>(51,075)</b>	<b>(5,374)</b>	<b>82,159</b>
Provision for income taxes/(tax benefit)	54,474	(19,409)	(2,201)	<b>J</b> 32,864
<b>Net income/(loss)</b>	<b>\$ 84,134</b>	<b>\$ (31,666)</b>	<b>\$ (3,173)</b>	<b>\$ 49,295</b>
<b>Earnings per common share:</b>				
Basic	\$ 1.61	\$ (1.02)		\$ 0.83
Diluted	\$ 1.33	\$ (1.02)		\$ 0.67
<b>Weighted average number of common shares outstanding:</b>				
Basic	52,418	31,698	7,332	<b>K</b> 59,750
Diluted	63,058	31,698	10,193	<b>K</b> 73,251

<sup>(1)</sup> The pro forma adjustments are explained in Note 6, Unaudited Pro Forma Adjustments.  
*The accompanying notes are an integral part of these unaudited pro forma condensed combined financial statements.*

**Table of Contents****STIFEL FINANCIAL CORP.****Pro Forma Condensed Combined Statement of Operations****(Unaudited)****For the Nine Months Ended September 30, 2012**

<i>(In thousands, except per share amounts)</i>	<b>Stifel</b>	<b>KBW</b>	<b>Pro Forma Adjustments <sup>(1)</sup></b>	<b>Pro Forma Combined</b>
<b>Revenues:</b>				
Commissions	\$ 378,696	\$ 74,860	\$	\$ 453,556
Principal transactions	310,776	17,613		328,389
Investment banking	210,739	73,624		284,363
Asset management and service fees	189,010	69		189,079
Interest	79,744	2,761		82,505
Other income	50,634	6,302		56,936
<b>Total revenues</b>	<b>1,219,599</b>	<b>175,229</b>		<b>1,394,828</b>
Interest expense	24,779	493		25,272
<b>Net revenues</b>	<b>1,194,820</b>	<b>174,736</b>		<b>1,369,556</b>
<b>Non-interest expenses:</b>				
Compensation and benefits	761,730	122,295		884,025
Occupancy and equipment rental	96,172	15,726		111,898
Communications and office supplies	61,146	22,530		83,676
Commissions and floor brokerage	23,390	7,879		31,269
Other operating expenses	87,577	21,541	4,031	I 113,149
<b>Total non-interest expenses</b>	<b>1,030,015</b>	<b>189,971</b>	<b>4,031</b>	<b>1,224,017</b>
<b>Income/(loss) before income tax expense</b>	<b>164,805</b>	<b>(15,235)</b>	<b>(4,031)</b>	<b>145,539</b>
Provision for income taxes/(tax benefit)	66,186	(5,093)	(2,878)	J 58,215
<b>Net income/(loss)</b>	<b>\$ 98,619</b>	<b>\$ (10,142)</b>	<b>\$ (1,153)</b>	<b>\$ 87,324</b>
<b>Earnings per common share:</b>				
Basic	\$ 1.84	\$ (0.36)		\$ 1.44
Diluted	\$ 1.57	\$ (0.36)		\$ 1.20
<b>Weighted average number of common shares outstanding:</b>				
Basic	53,471	30,339	7,332	K 60,803
Diluted	62,817	30,339	10,193	K 73,010

<sup>(1)</sup> The pro forma adjustments are explained in Note 6, Unaudited Pro Forma Adjustments.  
*The accompanying notes are an integral part of these unaudited pro forma condensed combined financial statements.*



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**STIFEL FINANCIAL CORP.**

**NOTES TO THE PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS (UNAUDITED)**

**NOTE 1 Description of the Transaction**

On November 5, 2012 Stifel and KBW entered into a merger agreement for Stifel to acquire 100% of the outstanding shares of KBW common stock. Under the terms of the merger agreement, which was unanimously approved by the boards of directors of both companies, each share of common stock, including certain restricted stock, of KBW issued and outstanding immediately prior to the effective time of the merger will be cancelled and converted into the right to receive a combination of (i) cash consideration of \$8.00 (\$10.00 less the extraordinary dividend amount of \$2.00) and (ii) stock consideration of a fraction of a share of Stifel common stock equal to the exchange ratio, as described below. The exchange ratio will depend on the average of the volume weighted average trading prices of Stifel common stock on each of the ten trading days ending on the trading day immediately prior to the closing date of the merger, as more fully described in this proxy statement/prospectus.

On November 29, 2012, the KBW board of directors declared an extraordinary dividend of \$2.00 per share of KBW's common stock, payable to stockholders of record on December 10, 2012, which was paid on December 17, 2012.

Additionally, at or immediately prior to the effective time of the merger, all outstanding shares of KBW restricted stock that are subject to a letter agreement providing for a waiver of certain vesting rights will convert into the right to receive the number of shares of Stifel common stock equal to the number of shares of KBW common stock granted pursuant to such award multiplied by the exchange ratio, as defined.

KBW, a full-service investment bank specializing in the financial services industry, will become a wholly owned subsidiary of Stifel at the effective time of the merger.

The merger is subject to adoption of the merger agreement by KBW's stockholders, early termination or expiration of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (the HSR Act), the required regulatory approvals having been obtained and being in full force and effect and other usual and customary conditions to completion. As of the date of this proxy statement/prospectus, the merger is expected to be completed during the first quarter of 2013.

**NOTE 2 Basis of Presentation**

The unaudited pro forma condensed combined financial information is based on the historical financial statements of Stifel and KBW and are prepared and presented pursuant to the regulations of the SEC regarding pro forma financial information. The pro forma adjustments include the application of the acquisition method under Accounting Standards Codification (ASC) Topic 805 (Topic 805), Business Combinations with respect to the merger. Topic 805 requires, among other things, that identifiable assets acquired and liabilities assumed be recognized at their fair values as of the acquisition date, which is presumed to be the closing date.

Under ASC Topic 820 (Topic 820), Fair Value Measurements and Disclosures, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Topic 820 specifies a hierarchy of valuation techniques based on the nature of the inputs used to develop the fair value measures. This is an exit price concept for the valuation of the asset or liability. In addition, market participants are assumed to be unrelated buyers and sellers in the principal or the most advantageous market for the asset or liability. Fair value measurements for an asset assume the highest and best use by these market participants. Many of these fair value measurements can be highly subjective and it is also possible that other professionals, applying reasonable judgment to the same facts and circumstances, could develop and support a range of alternative estimated amounts.

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Under Topic 805, merger-related transaction costs (such as advisory, legal, valuation, regulatory filing fees, and other professional fees) are not included as components of consideration transferred but are accounted for as expenses in the periods in which the costs are incurred. The unaudited pro forma condensed combined balance sheet reflects \$26.1 million of anticipated merger-related transaction costs of both firms, including change-in-control and bonus payments owed at the effective time of the merger, of which none had been incurred as of September 30, 2012. Those costs are reflected in the unaudited pro forma condensed combined balance sheet as a reduction of cash with the related tax benefits reflected as an increase in other assets and the after tax impact presented as a decrease to retained earnings. No adjustment has been made to the unaudited pro forma condensed combined statements of operations for these costs, as they do not have a continuing impact on the results of the combined company.

In addition, after the effective time of the merger, certain employees will be granted restricted stock or restricted stock units of Stifel as retention. The fair value of the awards to be issued as retention is \$29.2 million. These awards will be expensed at grant date, as there is no continuing service requirements associated with these restricted stock units. The issuance of the restricted awards is reflected in the unaudited pro forma condensed combined balance sheet as an increase to additional paid-in-capital with the related tax benefits reflected as an increase in other assets and the after tax impact presented as a decrease to retained earnings. No adjustment has been made to the unaudited pro forma condensed combined statements of operations for these costs, as they do not have a continuing impact on the results of the combined company.

The pro forma condensed combined financial statements do not reflect any cost savings that Stifel expects to achieve from operating efficiencies or synergies, or any expenditure related to restructuring actions to achieve such cost savings. The effects of both cost savings and expenditures for restructuring could materially impact these pro forma condensed combined financial statements.

Certain of KBW's amounts have been reclassified to conform to Stifel's presentation. These reclassifications had no effect on previously reported net earnings. There were no transactions between Stifel and KBW during the periods presented in the unaudited pro forma condensed combined financial statements that would need to be eliminated.

**NOTE 3 Accounting Policies**

Upon completion of the merger, Stifel will perform a review of KBW's accounting policies. As a result of that review, Stifel may identify differences between the accounting policies of the two companies that, when conformed, could have a material impact on the combined financial statements. At this time, Stifel is not aware of any differences that would have a material impact on the combined financial statements. The unaudited pro forma condensed combined financial statements assume there are no differences in accounting policies.

**NOTE 4 Estimate of Consideration Expected to be Transferred**

On November 5, 2012, Stifel entered into the merger agreement to acquire KBW. The following is a preliminary estimate of the aggregate merger consideration payable for all outstanding shares and restricted stock awards of KBW (*in thousands*):

Estimated cash to be paid to KBW shareholders <sup>(a)</sup>	\$ 251,562
Estimated fair value of shares of Stifel common stock to be issued to KBW shareholders <sup>(a)</sup>	233,950
Estimated fair value of outstanding KBW restricted stock awards and restricted stock units to be exchanged for Stifel restricted stock awards <sup>(b)</sup>	59,220
Estimated consideration to be transferred	\$ 544,732

- (a) Assumes 30.2 million shares outstanding, as of November 30, 2012, which will be cancelled and converted into the right to receive \$15.50 per share, comprised of \$8.00 per share in cash (\$10.00 less the per share extraordinary dividend amount of \$2.00) and \$7.50 per share in Stifel common stock. In addition, these

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amounts assume 1.0 million shares of KBW restricted stock awards, as of November 30, 2012. Certain holders of KBW restricted stock may receive certain benefits upon the merger, including accelerated vesting of those restricted stock awards. These awards will be converted into the right to receive \$15.50 per share, comprised of \$8.00 per share in cash (\$10.00 less the per share extraordinary dividend amount of \$2.00) and \$7.50 per share in Stifel common stock, less applicable withholding taxes.

- (b) Assumes 3.2 million shares of KBW restricted stock, as of November 30, 2012, that are subject to a letter agreement providing for a waiver of certain vesting rights. These shares of KBW restricted stock will convert into the right to receive the number of shares of Stifel common stock equal to the number of shares of KBW common stock granted pursuant to such award multiplied by the equity exchange ratio, as defined, less applicable withholding taxes. In addition, this amount assumes 0.2 million of KBW restricted stock units, as of November 30, 2012.

**NOTE 5 Estimate of Assets to be Acquired and Liabilities to be Assumed**

The following is a preliminary estimate of the assets to be acquired and liabilities to be assumed by Stifel after the merger, reconciled to the estimate of consideration expected to be transferred at the close of the merger (*in thousands*):

<b>Assets acquired and liabilities assumed:</b>	
Net book value of net assets acquired	\$ 381,176
Cash and cash equivalents <sup>(a)</sup>	(60,372)
Goodwill <sup>(b)</sup>	190,339
Value assigned to identifiable intangible assets acquired <sup>(c)</sup>	33,589
 Total purchase price	 \$ 544,732

- (a) KBW's cash and cash equivalents as of September 30, 2012 have been adjusted for the \$2.00 per share extraordinary dividend, which was paid on December 17, 2012.
- (b) Goodwill is calculated as the difference between the acquisition date fair value of the total consideration expected to be transferred and the aggregate values assigned to the assets acquired and liabilities assumed. Goodwill is not amortized, but rather it is subject to impairment testing on an annual basis, or more often if events or circumstances indicate there may be impairment. The factors contributing to the recognition of the amount of goodwill are based on several strategic and synergistic benefits that are expected to be realized from the KBW acquisition. These benefits include the expectation that we will continue to create the premier middle-market investment bank, with an expanded presence in the financial services industry. The combined company will benefit from the ability to leverage its Global Wealth management and Capital Markets platforms, while maintaining KBW's premier brand name within investment banking. The combined company anticipates significant growth opportunities within equity research, equity and fixed income sales and trading and investment banking.
- (c) As of completion of the merger, identifiable intangible assets are required to be measured at fair value, and these acquired assets could include assets that are not intended to be used or sold or that are intended to be used in a manner other than their highest and best use. For purposes of these unaudited pro forma condensed combined financial statements and consistent with the Topic 820 requirements for fair value measurements, it is assumed that all assets will be used, and that all assets will be used in a manner that represents the highest and best use of those assets, but it is not assumed that any market participant synergies will be achieved.

At this time, Stifel does not have sufficient information as to the amount, timing and risk of cash flows of all of KBW's identifiable intangible assets to determine their fair value. Some of the more significant assumptions inherent in the development of intangible asset values, from the perspective of a market participant, include: the amount and timing of projected future cash flows (including revenue and profitability); the discount rate selected to measure the risks inherent in the future cash flows; and the

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assessment of the asset's life cycle and the competitive trends impacting the asset. However, for purposes of these unaudited pro forma condensed combined financial statements and using publicly available information, such as historical revenues, KBW's cost structure, industry information for comparable intangible assets and certain other high-level assumptions, the fair value of KBW's identifiable intangible assets and their weighted-average useful lives have been estimated as follows (*in thousands, except years*):

	Estimated Fair Value	Estimated Useful Life (years)
Customer lists	\$ 16,795	5
Trade name	13,436	15
Non-compete agreements	3,358	3
 Total	 \$ 33,589	

These preliminary estimates of fair value and weighted-average useful life will likely be different from the final acquisition accounting, and the difference could have a material impact on the accompanying unaudited pro forma condensed combined financial statements. Once Stifel has full access to information about KBW's intangible assets, additional insight will be gained that could impact (i) the estimated total value assigned to intangible assets, (ii) the estimated allocation of value between finite-lived and indefinite-lived intangible assets and/or (iii) the estimated weighted-average useful life of each category of intangible assets. The estimated intangible asset values and their useful lives could be impacted by a variety of factors that may become known to Stifel only upon access to additional information and/or by changes in such factors that may occur prior to completion of the merger. These factors include, but are not limited to, changes in the regulatory, legislative, legal, technological and competitive environments. Increased knowledge about these and/or other elements could result in a change to the estimated fair value of the identifiable intangible assets and/or to the estimated weighted-average useful lives from what Stifel has assumed in these unaudited pro forma condensed combined financial statements. A 10% change in the valuation of definite lived intangible assets would cause a corresponding \$0.5 million annual increase or decrease in amortization expense.

The fair value of KBW's assets and liabilities and the appropriate useful lives will be determined after the completion of the merger based on a valuation performed by management with the assistance of an independent third-party valuation firm. Actual adjustments will be made when the merger is completed and will be based on KBW's assets and liabilities at that time. Accordingly, the actual adjustments to KBW's assets and liabilities may differ materially from the estimates reflected in these unaudited pro forma condensed combined financial statements. Any changes to the initial estimates of the fair value of the assets acquired and liabilities assumed, after recording any identifiable intangible assets at fair value, will be allocated to residual goodwill.

**Table of Contents****NOTE 6 Unaudited Pro Forma Adjustments**

This note should be read in conjunction with Note 1 Description of Transaction; Note 2 Basis of Presentation; Note 4 Estimate of Consideration Expected to be Transferred; and Note 5 Estimate of Assets to be Acquired and Liabilities to be Assumed. Adjustments included in the column under the heading Pro Forma Adjustments represent the following:

**Unaudited Pro Forma Condensed Combined Statement of Financial Condition**

(A) Reflects adjustments to cash related to the following (*in thousands*):

Cash proceeds received from short-term borrowings <sup>(a)</sup>	\$ 100,000
Liquidation of KBW trading securities <sup>(b)</sup>	50,000
Gross cash received	150,000
Cash payment made to KBW shareholders	(251,562)
Estimated merger-related costs of Stifel and KBW <sup>(c)</sup>	(26,077)
Adjustment to net assets for extraordinary dividend paid to KBW shareholders <sup>(d)</sup>	(60,372)
Gross cash disbursed to fund the acquisition	(338,011)
	\$ (188,011)

(a) See item (E) below for short-term borrowings.

(b) Assumes that a portion of KBW's trading securities will be liquidated to fund the acquisition.

(c) Represents estimated merger-related transaction costs to be incurred by Stifel and KBW of \$1.5 million and \$24.6 million, respectively, including change-in-control and bonus payments owed at the effective time of the merger.

(d) KBW's cash and cash equivalents as of September 30, 2012 have been adjusted for the \$2.00 per share extraordinary dividend, which was paid on December 17, 2012.

(B) To adjust goodwill to an estimate of acquisition-date goodwill.

(C) To adjust intangible assets to an estimate of fair value.

(D) Represents the recognition of income tax receivable (included in other assets) related to the estimated merger-related transaction costs and the issuance of restricted stock awards for employee retention of \$26.1 million and \$29.2 million, respectively, at 40%, the estimated combined federal and state statutory tax rate.

(E) To reflect the use of \$100.0 million of short-term bank borrowings to fund a portion of the acquisition. The estimated interest expense on these short-term borrowings is not reflected in the unaudited pro forma condensed combined statement of operations as it is immaterial given the fact that Stifel will be paying down the advance from our uncommitted, secured bank line immediately after close.

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(F) To eliminate KBW's historical common stock and additional paid-in capital, record the merger consideration, and record the impact of the issuance of restricted stock awards for employee retention as follows (*in thousands*):

	Common Stock	Additional Paid-in Capital
Issuance of common stock by Stifel	\$ 1,100	\$ 232,850
KBW restricted stock awards and restricted stock units to be exchanged for Stifel restricted stock awards		59,220
Elimination of KBW's historical amounts	(302)	(159,979)
Issuance of restricted stock awards for employee retention <sup>(d)</sup>		29,178
	\$ 798	\$ 161,269

<sup>(d)</sup> After the effective time of the merger, certain employees will be granted restricted stock or restricted stock units of Stifel as retention. The fair value of the awards to be issued as retention is \$29.2 million. The amount of restricted stock or restricted stock units granted will generally be based upon the volume weighted average price of Stifel common stock during the five or ten business days immediately preceding (but not including) the closing date of the merger, depending on the award. The restricted stock and restricted stock units will be paid in five equal, annual installments beginning on the first anniversary of the grant date and will not be forfeited upon termination of employment, subject to continued compliance with restrictive covenants. These awards will be expensed at grant date, as there is no continuing service requirements associated with these restricted stock units. No adjustment has been made to the unaudited pro forma condensed combined statements of operations for the charge associated with the issuance of the restricted stock awards, as they do not have a continuing impact on the results of the combined company.

(G) To eliminate KBW's historical retained earnings, to record the impact of the issuance of restricted stock awards for employee retention, and to estimate the after-tax portion of the merger-related transaction costs as follows (*in thousands*):

Elimination of KBW's historical amounts	\$ (231,609)
Issuance of restricted stock awards for employee retention, net of tax	(17,507)
Estimated transaction costs, net of tax	(15,646)
	\$ (264,762)

(H) To eliminate KBW's historical accumulated other comprehensive loss.

**Unaudited Pro Forma Condensed Combined Statements of Operations**

(I) Estimated fair value of identifiable intangible assets of \$33.6 million amortized on a straight-line basis over their estimated weighted average useful lives of 6.3 years.

(J) We assumed a combined federal and state statutory tax rate of 40% when estimating the tax impact of the merger. Although not reflected in these unaudited pro forma condensed combined financial statements, the effective tax rate of the combined company could be significantly different depending on post-acquisition activities, including the geographical mix of taxable income affecting state and foreign taxes, among other factors.

When the merger is completed and additional information becomes available, it is likely the applicable income tax rate will change. If the estimated statutory rate of 40% were to change by 5%, the effect on unaudited pro forma net income for the year ended December 31, 2011 and nine months ended September 30, 2012 would be \$4.1 million and \$7.3 million, respectively.



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(K) Reflects the pro forma total number of shares outstanding giving effect to the common stock issued as part of the consideration. The pro forma weighted average number of common shares outstanding for the year ended December 31, 2011 and the nine months ended September 30, 2012, have been calculated as if the common stock issued as part of the consideration had been issued and outstanding on January 1, 2011. The following table sets forth the computation of pro forma adjustment to basic and diluted shares for the year ended December 31, 2011 and the nine months ended September 30, 2012 (*in thousands*):

	<b>Year Ended December 31, 2011</b>	<b>Nine Months Ended September 30, 2012</b>
Stifel Financial Corp. average shares used to compute basic EPS	52,418	53,471
Issuance of Stifel Financial Corp. common stock as consideration	7,332	7,332
<b>Combined weighted average basic shares outstanding</b>	<b>59,750</b>	<b>60,803</b>
Dilutive effect of Stifel's outstanding stock-based compensation awards	10,640	9,346
KBW restricted stock awards to be exchanged for Stifel restricted stock awards	1,855	1,855
Issuance of restricted stock units for employee retention	1,006	1,006
<b>Pro forma weighted average shares used to compute diluted EPS</b>	<b>73,251</b>	<b>73,010</b>



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**CAUTIONARY STATEMENT CONCERNING  
FORWARD-LOOKING STATEMENTS**

This proxy statement/prospectus (including the documents incorporated by reference into this proxy statement/prospectus) contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that involve risks, uncertainties and assumptions, that, if they never materialize or if they prove incorrect, could cause the actual results of Stifel and its consolidated subsidiaries, KBW and its consolidated subsidiaries, or the combined company, to differ materially from those expressed or implied by such forward-looking statements. All statements other than statements of historical fact are statements that could be deemed forward-looking statements, including, but not limited to, statements about: future financial and operating results; Stifel's, KBW's and the combined company's plans, objectives, strategies, expectations and intentions; products and operations; Stifel's and KBW's expectations with respect to the synergies, costs and charges, capitalization and anticipated financial impacts of the merger and related transactions; benefits of the transaction to customers, stockholders and employees; the expected tax treatment of the transaction; adoption of the merger agreement and thereby the approval of the transactions contemplated by the merger agreement, including the merger, by KBW stockholders; the satisfaction of the closing conditions to the merger; the timing of the completion of the merger; future economic conditions or performance; statements of belief; and any statements of assumptions underlying any of the foregoing.

When used in this proxy statement/prospectus (including the documents incorporated by reference into this proxy statement/prospectus), words such as may, might, should, expects, anticipates, believes, estimates, intends, plans, seeks, will, should, would, pro, similar expressions or the negatives of these terms and other comparable terminology help to identify these forward-looking statements.

Most of the risks, uncertainties and assumptions referred to above are outside Stifel's and KBW's control and are difficult to predict. Factors that may cause such differences include, but are not limited to:

those discussed and identified in public filings with the SEC made by Stifel or KBW;

the inability to close the merger in a timely manner;

the inability to complete the merger due to the failure to obtain stockholder adoption of the merger agreement and thereby the approval of the transactions contemplated by the merger agreement, including the merger, or the failure to satisfy other conditions to completion of the merger, including required regulatory approvals;

the failure of the transaction to close for any other reason;

the possibility that the integration of KBW's business and operations with those of Stifel may be more difficult and/or take longer than anticipated, may be more costly than anticipated and may have unanticipated adverse results relating to KBW's or Stifel's existing businesses;

the challenges of integrating and retaining key employees;

the effect of the announcement of the transaction on Stifel's, KBW's or the combined company's respective business relationships, operating results and business generally;

the possibility that the anticipated synergies and cost savings of the merger will not be realized, or will not be realized within the expected time period;

the possibility that the merger may be more expensive to complete than anticipated, including as a result of unexpected factors or events;

the challenges of maintaining and increasing revenues on a combined company basis following the close of the merger;

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diversion of management's attention from ongoing business concerns;

general competitive, economic, political and market conditions and fluctuations;

actions taken or conditions imposed by the United States and foreign governments;

adverse outcomes of pending or threatened litigation or government investigations; and

the impact of competition in the industries and in the specific markets in which Stifel and KBW, respectively, operate.

The foregoing list is not exclusive. Additional information concerning these and other risks is discussed under the caption entitled "Risk Factors" beginning on page 45. All forward-looking statements included in this proxy statement/prospectus (including the documents incorporated by reference into this proxy statement/prospectus) and all subsequent written and oral forward-looking statements concerning Stifel, KBW, the Special Meeting, the merger, the related transactions or other matters attributable to Stifel or KBW, or any person acting on their behalf, are expressly qualified in their entirety by the cautionary statements above. These forward-looking statements speak only as of the date on which the statements were made and Stifel and KBW expressly disclaim any obligation to release publicly any updates or revisions to any forward-looking statement included in this proxy statement/prospectus or elsewhere, whether written or oral, relating to the matters discussed in this proxy statement/prospectus.

**Table of Contents****RISK FACTORS**

*You should carefully consider the following risk factors, as well as the other information contained in this proxy statement/prospectus and the documents incorporated by reference into this proxy statement/prospectus, in evaluating whether to vote your shares to adopt the merger agreement and thereby to approve the transactions contemplated by the merger agreement, including the merger. This summary of risks is not exhaustive. New risks may emerge from time to time and it is not possible to predict all risk factors, nor can we assess the impact of all factors on the merger and the combined company following the merger or the extent to which any factor or combination of factors may cause actual results to differ materially from those contained in or implied by any forward-looking statements. For further discussion of risk factors relating to the historical business of Stifel, please see the Risk Factors in Stifel's current filings with the SEC. See *Where You Can Find More Information* beginning on page 146.*

**Risks Related to the Merger**

***Because the Market Price of Stifel Common Stock Will Fluctuate, KBW Stockholders Cannot Be Sure of the Value of the Stock Portion of Merger Consideration They Will Receive.***

Upon completion of the merger, each share of KBW common stock will be converted into the merger consideration consisting of a combination of (i) \$8.00 in cash (\$10.00 less the per share extraordinary dividend amount of \$2.00), and (ii) stock consideration of a fraction of a share of Stifel common stock equal to the exchange ratio (as described below).

The merger agreement defines a per share extraordinary dividend amount, which reduces the cash consideration by an equal amount up to \$2.00, to be equal to (i) the aggregate amount of all dividends paid by KBW after the date of the merger agreement and before the closing date of the merger (other than quarterly dividends consistent with past practice that are paid on or prior to December 31, 2012) (ii) divided by the number of issued and outstanding KBW shares immediately prior to the closing date of the merger. The merger agreement provides that extraordinary dividends will not exceed \$2.00. On November 29, 2012, the KBW board of directors declared an extraordinary dividend of \$2.00 per share of KBW's common stock, payable to stockholders of record on December 10, 2012, which was paid on December 17, 2012.

The exchange ratio is subject to a collar and may fluctuate depending on the average of the volume weighted average trading prices of Stifel common stock for each of the ten consecutive trading days ending on the trading day immediately prior to the closing date of the merger. If the average of the daily volume weighted average trading prices of Stifel common stock for such valuation period is between \$29.00 and \$35.00, then the number of shares of Stifel common stock exchangeable for each share of KBW common stock will be determined by dividing \$7.50 by the average of the daily volume weighted average trading prices.

Within the price range prescribed by the collar, the exchange ratio floats so as to ensure that the value of Stifel common stock (calculated with reference to the volume weighted average trading prices of Stifel during the valuation period described above) to be received as the stock consideration for each share of KBW common stock will be \$7.50, resulting in total consideration of \$15.50 (taking into account the per share extraordinary dividend amount of \$2.00). However, if the average of the daily volume weighted average trading prices of Stifel common stock used to calculate the exchange ratio is less than or equal to \$29.00, the exchange ratio will be fixed at 0.2586 shares of Stifel common stock for each share of KBW common stock. If the average of the daily volume weighted average trading prices of Stifel common stock used to calculate the exchange ratio is greater than or equal to \$35.00, the exchange ratio will be fixed at 0.2143 shares of Stifel common stock for each share of KBW common stock. Accordingly, if the average of the daily volume weighted average trading prices of Stifel common stock used to calculate the exchange ratio is less than the low end of the collar, then the value of the stock portion of the consideration (calculated with reference to the volume weighted average trading prices of Stifel during the valuation period described above) to be paid per share of KBW common stock may be less than \$7.50, which would result in total consideration of less than \$15.50 (taking into account the per share

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extraordinary dividend amount of \$2.00). Conversely, if the average of the daily volume weighted average trading prices of Stifel common stock used to calculate the exchange ratio is greater than the high end of the collar, then such value of the stock portion of the consideration may be greater than \$7.50, which would result in total consideration of more than \$15.50 (taking into account the per share extraordinary dividend amount of \$2.00).

The average trading price over the ten trading days ending on the trading day immediately prior to the closing date of the merger may vary from the closing price of Stifel common stock on the date Stifel and KBW announced the merger, on the date that this document is being mailed to each of the Stifel and KBW stockholders, and on the date of the Special Meeting. Any change in the market price of Stifel common stock prior to completion of the merger will affect the value of the merger consideration that KBW stockholders will receive upon completion of the merger. Stock price changes may result from a variety of factors, including general market and economic conditions, changes in our respective businesses, operations and prospects, market assessments of the likelihood that the merger will be completed, and regulatory considerations, among other things. Many of these factors are beyond the control of Stifel and KBW.

Accordingly, at the time of the Special Meeting, KBW stockholders will not know or be able to definitively calculate the actual market value of the Stifel common stock they would receive upon completion of the merger. The actual market value of the shares of Stifel common stock, when received by KBW stockholders, will depend on the market value of those shares on that date. This market value may be less than the value used to determine the exchange ratio, as the ten trading day period used to determine the exchange ratio will occur prior to the consummation of the merger. KBW stockholders are urged to obtain current market quotations for shares of Stifel common stock and KBW common stock, both before and after the Special Meeting.

***KBW directors and executive officers have interests that may influence them to support and approve the merger.***

Some of the directors and executive officers of KBW may receive certain benefits as a result of the merger, including enhancement in employment terms and continuing indemnification against liabilities. They may also have certain KBW equity awards and existing employment terms that provide them with interests in the merger, such as accelerated vesting of restricted stock awards and restricted stock unit awards in certain circumstances following the closing of the merger, or potential cash severance payments following a qualifying termination following the closing of the merger, that are different from, or are in addition to, the interests of other stockholders in the merger. Certain KBW executive officers have entered into employment agreements or offer letters with Stifel that are conditioned on completion of the merger and provide certain retention and/or severance benefits, as discussed below. As a result, these directors and officers may be more likely to vote to adopt the merger agreement and thereby to approve the transactions contemplated by the merger agreement, including the merger, than if they did not have these interests. As of the close of business on the record date for the Special Meeting at which the merger agreement will be presented and voted upon, KBW officers and directors beneficially owned and were entitled to vote approximately 3.11% of the outstanding shares of KBW common stock entitled to vote at the meeting. Subsequent to the effective time of the merger, Stifel intends to grant equity awards to certain key KBW employees. For a description of some of these interests, see the sections entitled *Proposal One: The Merger Interests of Certain Persons in the Merger* and *Proposal One: The Merger Agreement* beginning on page 89 and page 104, respectively, of this proxy statement/prospectus.

***The market price of the shares of Stifel common stock may be affected by factors different from those affecting the shares of KBW common stock.***

Upon completion of the merger, holders of KBW common stock will become holders of Stifel common stock. The businesses of Stifel differ from those of KBW in certain respects and, accordingly, the results of operations of the combined company and the market price of Stifel common stock following the merger may be affected by factors different from those currently affecting the independent results of operations of Stifel and

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KBW. For example, Stifel's financial performance depends relatively more on its retail brokerage business within its Global Wealth Management segment, which derives its revenues principally from commissions, principal transactions and, asset management and service fees and may be more closely tied to changes in stock prices, trading volumes and liquidity. In addition, as a financial holding company, Stifel is subject to regulation by the Board of Governors of the Federal Reserve System (which we refer to as the Federal Reserve), and its banking subsidiary, Stifel Bank, is subject to regulation by the FDIC, as described in Part I Item 1A. Risk Factors Regulatory and legal developments could adversely affect Stifel's business and financial condition on page 16 of Stifel's Annual Report on Form 10-K for the year ended December 31, 2011, filed with the SEC on February 28, 2012, incorporated by reference into this proxy statement/prospectus. See Where You Can Find More Information beginning on page 146 for the location of information incorporated by reference into this proxy statement/prospectus.

As a result of the merger, the financial performance of the combined firm, from the perspective of current KBW stockholders, will be relatively more subject to the risks associated with Stifel's retail brokerage businesses. For a discussion of the businesses of Stifel and KBW and of certain factors to consider in connection with those businesses, see the documents incorporated by reference into this proxy statement/prospectus referred to under Where You Can Find More Information beginning on page 146.

The market price of KBW common stock prior to the merger may also not be reflective of KBW's underlying current operating and financial performance or its longer term prospects because the market price for the KBW shares may be influenced by the share price of Stifel common stock if investors assume that the merger is likely to be completed.

***Stifel and KBW may experience difficulties, unexpected costs and delays in integrating their businesses, business models and cultures and the combined company may not realize synergies, efficiencies or cost savings from the merger.***

Stifel and KBW have operated and, until the merger is completed, will continue to operate, independently. The success of the combined company following the completion of the merger may depend in large part on the ability to integrate the two companies' businesses, business models and cultures. In particular, investment banking businesses such as KBW's and Stifel's depend to a large degree on the efforts and performance of individual employees whose efforts and performance may be affected by any difficulties in the integration of the businesses. In the process of integrating Stifel and KBW, Stifel may experience difficulties, unanticipated costs and delays. The challenges involved in the integration may include:

the necessity of addressing possible differences in corporate cultures and management philosophies;

retaining personnel from different companies and integrating them into a new business culture while maintaining their focus on providing consistent, high-quality client service;

integrating information technology systems and resources;

integrating accounting systems and adjusting internal controls to cover KBW's operations;

unforeseen expenses or delays associated with the transaction;

performance shortfalls at one or both of the companies as a result of the diversion of management's attention to the transaction; and

meeting the expectations of clients with respect to the integration.

The integration of certain operations following the transaction will take time and will require the dedication of significant management resources, which may temporarily distract management's attention from the ongoing businesses of the combined company. Employee uncertainty and lack of focus during the integration process may also disrupt the businesses of the combined company.



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It is possible that the integration process could result in the loss of key employees, diversion of each company's management's attention, the disruption or interruption of, or the loss of momentum in, each company's ongoing business or inconsistencies in standards, controls, procedures and policies, any of which could adversely affect the combined company's ability to maintain relationships with clients and employees or the ability to achieve the anticipated benefits of the transaction, or could reduce the combined company's earnings or otherwise adversely affect the business and financial results of the combined company. In addition, the integration process may strain the combined company's financial and managerial controls and reporting systems and procedures. This may result in the diversion of management and financial resources from the combined company's core business objectives.

Even if Stifel and KBW are able to integrate such businesses and operations successfully, there can be no assurance that this integration will result in any synergies, efficiencies or cost savings or that any of these benefits will be achieved within a specific time frame. Any of these factors could adversely affect the combined company's business and results of operations.

***If Stifel is unable to integrate KBW personnel successfully or retain key KBW or Stifel personnel after the merger is completed, the combined company's business may suffer.***

Stifel's ability to obtain and successfully execute its business depends upon the personal reputation, judgment, business generation capabilities and project execution skills of Stifel's and KBW's senior professionals. Any management disruption or difficulties in integrating Stifel's and KBW's professionals could result in a loss of clients and customers or revenues from clients and customers and could significantly affect the combined company's business and results of operations.

The success of the merger will depend in part on Stifel's ability to retain the talents and dedication of the professionals currently employed by Stifel and KBW. It is possible that these employees might decide not to remain with Stifel or KBW while Stifel and KBW work to complete the merger or with Stifel after the merger is completed. If key employees terminate their employment, or insufficient numbers of employees are retained to maintain effective operations, the combined company's business activities might be adversely affected, management's attention might be diverted from successfully integrating KBW's operations to hiring suitable replacements, and the combined company's business might suffer. In addition, Stifel and KBW might not be able to locate suitable replacements for any key employees that leave either company or offer employment to potential replacements on reasonable terms.

***Integration of KBW's operations with Stifel's operations may impair Stifel's ability to achieve the expected benefits of the merger.***

Following completion of the transaction, Stifel expects to make changes to certain aspects of each of the companies' operations to integrate KBW's operations with those of Stifel. In addition, Stifel expects that the merger could affect each of the companies' existing client relationships or its ability to enter into new client relationships. Any changes that Stifel makes to each of the companies' operations, could disrupt their businesses and client relationships and could materially and adversely affect Stifel's ability to achieve the expected benefits of the transaction and its business and results of operations.

***The merger is subject to conditions to closing that could result in the merger being delayed or not consummated, which could negatively impact Stifel's and KBW's stock price and the combined company's future business and operations. In order to obtain required regulatory approvals, Stifel may become subject to conditions that it does not currently anticipate.***

The merger is subject to conditions to closing as set forth in the merger agreement, including obtaining the requisite KBW stockholder approval. If any of the conditions to the transaction are not satisfied or, where permissible, not waived, the merger will not be consummated. Failure to consummate the transaction could



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negatively impact KBW's stock price, future business and operations, and financial condition. Any delay in the consummation of the merger or any uncertainty about the consummation of the merger may adversely affect the future businesses, growth, revenue and results of operations of Stifel, KBW or the combined company.

The transaction is subject to several U.S., and foreign regulatory or self regulatory organization applications and approvals. Any required regulatory approvals may not be received, or may be received later than anticipated. Regulatory approvals that are received may impose restrictions or conditions that restrict the combined company's activities or otherwise adversely affect the combined company's business and results of operations. See the section entitled "Proposal One: The Merger Agreement Conditions to Complete the Merger" beginning on page 116 for information regarding conditions to closing. See the section entitled "Proposal One: The Merger Regulatory Approvals" beginning on page 99 for information regarding the regulatory approvals necessary in connection with the merger.

*The delay in closing the planned merger could have an adverse effect on KBW's revenues in the near-term.*

To the extent a prolonged delay in completing the planned merger creates uncertainty among KBW's clients, such delay could have an adverse effect on KBW's results of operations, and quarterly revenues could be substantially below market expectations and could cause a reduction in the stock price of KBW common stock.

*The pro forma financial statements and the unaudited prospective financial information are presented for illustrative purposes only and may not be an indication of the combined company's financial condition or results of operations following the merger.*

The pro forma financial statements and the unaudited prospective financial information contained in this proxy statement/prospectus are presented for illustrative purposes only and may not be an indication of the combined company's financial condition or results of operations following the merger for several reasons. For example, the pro forma financial statements have been derived from the historical financial statements of Stifel and KBW and certain adjustments and assumptions have been made regarding the combined company after giving effect to the merger. The information upon which these adjustments and assumptions have been made is preliminary, and these kinds of adjustments and assumptions are difficult to make with complete accuracy. Moreover, the pro forma financial statements do not reflect all costs that are expected to be incurred by the combined company in connection with the transaction. For example, the impact of any incremental costs incurred in integrating the two companies is not reflected in the pro forma financial statements. As a result, the actual financial condition and results of operations of the combined company following the transaction may not be consistent with, or evident from, these pro forma financial statements.

In addition, the assumptions used in preparing the pro forma financial information may not prove to be accurate, and other factors may affect the combined company's financial condition or results of operations following the transaction. Any potential decline in the combined company's financial condition or results of operations may cause significant variations in the stock price of the combined company. See the section entitled "Unaudited Pro Forma Condensed Combined Financial Statements" beginning on page 31.

The unaudited prospective financial information was not prepared with a view toward public disclosure, nor was it prepared with a view toward compliance with GAAP, published guidelines of the SEC or the guidelines established by the American Institute of Certified Public Accountants for preparation and presentation of prospective financial information. In addition, the unaudited prospective financial information requires significant estimates and assumptions that make it inherently less comparable to the similarly titled GAAP measures in KBW's or Stifel's historical GAAP. These projections are inherently based on various estimates and assumptions that are subject to the judgment of those preparing them. These projections are also subject to significant economic, competitive, industry and other uncertainties and contingencies, all of which are difficult or impossible to predict and many of which are beyond the control of KBW and Stifel. Accordingly, there can be no assurance that KBW's or Stifel's financial condition or results of operations will be consistent with those set

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forth in such forecasts. See the sections entitled "Proposal One: The Merger - Certain KBW Unaudited Prospective Financial Information" and "Certain Stifel and Combined Company Unaudited Prospective Financial Information" beginning on pages 86 and 87, respectively.

***Stifel and KBW expect to incur significant costs associated with the merger.***

Stifel estimates that it will incur direct transaction costs of approximately \$1.5 million associated with the merger. In addition, KBW estimates that it will incur direct transaction costs of approximately \$24.6 million which will be recognized as expenses as incurred. Stifel and KBW believe the combined entity may incur charges to operations, which are not currently reasonably estimable, in the quarter in which the merger is completed or the following quarters, to reflect costs associated with integrating the two companies. There can be no assurance that the combined company will not incur additional material charges in subsequent quarters to reflect additional costs associated with the merger and the integration of the two companies. Although Stifel expects that the elimination of duplicative costs, as well as the realization of other efficiencies related to the integration of the businesses, should allow Stifel to offset incremental transaction and merger related costs over time, this net benefit may not be achieved in the near term, or at all.

***The merger may not be accretive and may cause dilution to Stifel's earnings per share, which may negatively affect the market price of Stifel common stock.***

Stifel currently anticipates that the merger will be accretive to earnings per share during the first full calendar year after the merger. This expectation is based on preliminary estimates which may materially change. Stifel could also encounter additional transaction and integration related costs or other factors such as the failure to realize all of the benefits anticipated in the merger. All of these factors could cause dilution to Stifel's earnings per share or decrease or delay the expected accretive effect of the merger and cause a decrease in the price of Stifel common stock.

***The shares of Stifel common stock to be received by KBW stockholders if the merger is approved and consummated will have different rights from the shares of KBW common stock.***

Upon completion of the merger, KBW stockholders will become Stifel stockholders and their rights as stockholders will be governed by Stifel's certificate of incorporation and by-laws. The rights associated with KBW common stock are different from the rights associated with Stifel common stock. Please see "Comparison of Rights of Stifel Financial Corp. Stockholders and KBW, Inc. Stockholders" beginning on page 121 for a discussion of the different rights associated with Stifel common stock.

***The termination fee and restrictions on solicitation contained in the merger agreement may discourage other companies from trying to acquire KBW.***

Until the completion of the merger, with limited exceptions, the merger agreement prohibits KBW from entering into an alternative acquisition transaction with, or soliciting any alternative acquisition proposal from, another party. KBW has agreed under certain circumstances to pay Stifel a termination fee equal to \$17,255,000, including where the KBW board of directors withdraws its support of the merger to enter into a business combination with a third party. These provisions could discourage other companies from trying to acquire KBW even though those other companies might be willing to offer greater value to KBW stockholders than Stifel has offered in the merger.

***The U.S. federal income tax treatment of the transactions contemplated by the merger agreement will not be known at the time of the special meeting, and any position taken that those transactions qualify as a reorganization might successfully be challenged by the Internal Revenue Service.***

The U.S. federal income tax consequences to KBW stockholders of the transactions contemplated by the merger agreement will depend on whether those transactions qualify as a reorganization under Section 368(a) of

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the Code. If on or before the closing date KBW receives an opinion from its special counsel, Sullivan & Cromwell LLP, and Stifel receives an opinion from its special counsel, Bryan Cave LLP, in each case relating to certain U.S. federal income tax matters, then KBW and Stifel will each report the transactions as a reorganization under Section 368(a) of the Code. If the transactions qualify as a reorganization under Section 368(a) of the Code, U.S. holders generally will recognize gain, but not loss, on the exchange in an amount equal to the lesser of (i) the amount of cash treated as received in exchange for KBW common stock in the merger or (ii) the excess of the amount realized in the transaction (*i.e.*, the fair market value of Stifel common stock at the effective time of the merger plus the amount of cash treated as received in exchange for KBW common stock in the merger) over their tax basis in the surrendered KBW common stock. If either KBW or Stifel does not receive such an opinion, KBW and Stifel will each treat the transactions as a taxable acquisition of the KBW common stock.

Delivery of these opinions is not a condition to the closing of the merger, however, and no assurance can be given that the opinions will be delivered. It will not be known at the time of the special meeting whether the opinions will be delivered and therefore the tax treatment of the transactions will not be known at such time.

Furthermore, even if the opinions are received and the parties treat the transactions as a reorganization under Section 368(a) of the Code, the Internal Revenue Service (the IRS) might successfully assert a contrary position. Qualification as a reorganization under Section 368(a) of the Code depends on the satisfaction of a number of requirements, including the value of the Stifel common stock when the merger occurs, the effects of the exchange ratio adjustment provisions in the merger agreement and upon other matters such as the amount of cash that is paid to dissenting KBW stockholders.

***Even if the transactions contemplated by the merger agreement qualify as a reorganization under Section 368(a) of the Code for U.S. federal income tax purposes, as a result of the cash received in the merger you might recognize all or a significant portion of any gain on the exchange of your KBW common stock.***

As a result of the cash treated as received in exchange for KBW common stock in the merger, a U.S. holder of KBW common stock might recognize a significant portion of gain on the exchange, even if the transactions contemplated by the merger agreement qualify as a reorganization under Section 368(a) of the Code.

### **Risks Related to KBW if the Merger Is Not Completed**

***If the merger is not completed, the price of KBW common stock and future business and operations could be harmed.***

If the merger is not completed, KBW may be subject to the following material risks, among others:

KBW may not be able to find a party willing to pay an equivalent or more attractive merger consideration than the consideration offered by Stifel;

the price of KBW common stock may decline to the extent that the current market price of KBW common stock reflects an assumption that the merger will be completed;

certain of KBW's costs related to the merger, such as legal, accounting and certain financial advisory fees, must be paid even if the merger is not completed;

KBW would not realize the benefits it expects by being part of a combined company with Stifel, as well as the potentially enhanced financial position as a result of being part of the combined company;

the diversion of management attention from KBW's day-to-day business and the unavoidable disruption to its employees and its relationships with clients as a result of efforts and uncertainties relating to KBW's anticipated merger with Stifel may detract from KBW's ability to grow revenues and minimize costs, which, in turn may lead to a loss of market position that KBW could be unable

to regain if the merger does not occur;

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under the merger agreement, KBW is subject to certain restrictions on the conduct of its business prior to completing the merger which may affect its ability to execute certain of its business strategies; and

KBW may not be able to continue its present level of operations, may need to scale back its business and may not be able to take advantage of future opportunities or effectively respond to competitive pressures, any of which could have a material adverse effect on its business and results of operations.

***Stockholders may sell substantial amounts of KBW common stock in the public market, which is likely to depress the price of KBW common stock.***

A significant number of shares of KBW common stock may be sold at any time prior to the merger. If KBW's current stockholders sell KBW common stock in the public market prior to the merger, it is likely that arbitrageurs will acquire such shares. These arbitrageurs would likely sell all such shares in the public market immediately following any announcement, or anticipated announcement, that the merger with Stifel failed, or will likely fail, to close for regulatory or other reasons, which in turn would likely cause the market price of KBW common stock to decline.

In addition to the other negative effects on KBW, all such sales of KBW common stock might make it more difficult for KBW to sell equity or equity-related securities in the future if the merger with Stifel is not completed.

### **Risks Relating to KBW**

KBW is, and will continue to be, subject to the risks described in Part I, Item 1A in KBW's Annual Report on Form 10-K for the year ended December 31, 2011, filed with the SEC on February 28, 2012, incorporated by reference into this proxy statement/prospectus. See "Where You Can Find More Information" beginning on page 146 for the location of information incorporated by reference into this proxy statement/prospectus.

### **Risks Relating to Stifel**

You should carefully consider the risks described below in addition to the other information set forth in this proxy statement/prospectus, as well as in Part I, Item 1A in Stifel's Annual Report on Form 10-K for the year ended December 31, 2011, filed with the SEC on February 28, 2012, incorporated by reference into this proxy statement/prospectus. See "Where You Can Find More Information" beginning on page 146 for the location of information incorporated by reference into this proxy statement/prospectus.

***Stifel's results of operations may be adversely affected by conditions in the global financial markets and economic downturn.***

Stifel is engaged in various financial services businesses. As such, it is generally affected by domestic and international macroeconomic and political conditions, including levels of economic output, interest and inflation rates, employment levels, consumer confidence levels, and fiscal and monetary policy. These conditions may directly and indirectly impact a number of factors in the global financial markets that may be detrimental to Stifel's operating results, including the levels of trading, investing, and origination activity in the securities markets, security valuations, and the absolute and relative level and volatility of interest rates.

During the last five years Stifel has experienced operating cycles during generally weak and uncertain U.S. and global economic conditions, including lower levels of economic output, artificially maintained levels of historically low interest rates, high rates of unemployment, and significant uncertainty with regards to fiscal and monetary policy both domestically and abroad. These conditions have led to several factors in the global financial markets that have negatively impacted Stifel's net revenue and profitability. While select factors indicate signs of improvement, significant uncertainty remains. A period of sustained downturns and/or volatility

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in the securities markets, further reductions to the general level of short term interest rates, a return to increased dislocations in the credit markets, and other negative market factors may significantly impair Stifel's revenues and profitability. Stifel may experience a decline in commission revenue from a lower volume of trades it executes for its clients, a decline in fees from reduced portfolio values of securities managed on behalf of its clients, a reduction in revenue from the number and size of transactions in which it provides underwriting, financial advisory and other services, losses sustained from its customers and market participants failure to fulfill their settlement obligations, reduced net interest earnings, and other losses. These periods of reduced revenue and other losses may be accompanied by periods of reduced profitability because certain of Stifel's expenses, including, but not limited to, its interest expense on debt, rent and facilities and salary expenses, are fixed and, its ability to reduce them over short periods of time is limited.

In August 2011, the credit rating agency Standard & Poor's (S&P) lowered its long term sovereign credit rating on the U.S. from AAA to AA+, while maintaining a negative outlook. The downgrade reflected S&P's view that an August 2011 agreement of U.S. lawmakers regarding the debt ceiling fell short of what would be necessary to stabilize the U.S. government's medium term debt dynamics. The two other major credit rating agencies did not downgrade their previously issued U.S. sovereign credit ratings. The current uncertainty over the U.S. fiscal policy, commonly referred to as the fiscal cliff, and the resulting tax increases and spending cuts in the U.S. in 2013 could lead to future or further downgrades of the U.S. sovereign credit rating by one or more of the major credit rating agencies. Stifel has specific concerns relating to such downgrades, which could have material adverse impacts on financial markets and economic conditions in the U.S. and throughout the world and, in turn, could have a material adverse effect on Stifel's business, financial condition and liquidity. Because of the unprecedented nature of any negative credit rating actions with respect to U.S. government obligations, the ultimate impacts on global markets and Stifel's business, financial condition and liquidity are unpredictable and may not be immediately apparent.

Additionally, the negative impact on economic conditions and global markets from further European Union's (EU) sovereign debt matters could adversely affect Stifel's business, financial condition and liquidity. Concerns about the EU sovereign debt have caused uncertainty and disruption for financial markets globally, and continued uncertainties loom over the outcome of the EU's financial support programs and the possibility that other EU member states may experience similar financial troubles.

Stifel's businesses and earnings are affected by the fiscal and other policies adopted by various regulatory authorities of the U.S., non-U.S. governments and international agencies. The Board of Governors of the Federal Reserve System regulates the supply of money and credit in the U.S. The federal policies determine in large part the cost of funds for lending and investing and the return earned on those loans and investments. The market impact from such policies can also materially decrease the value of certain of Stifel's financial assets, most notably debt securities. Changes in the federal policies are beyond Stifel's control and, consequently, the impact of these changes on Stifel's activities and results of its operations is difficult to predict.

U.S. state and local governments also continue to struggle with budget pressures caused by the recent recession, and concerns regarding municipal issuer credit quality, which may be exacerbated by federal spending cuts that could occur as a result of or in connection with the fiscal cliff. If these trends continue, investor concerns could potentially reduce the number and size of transactions in which Stifel participates and in turn reduce investment banking revenues. The number and size of transactions in which Stifel participates may also be negatively impacted by tax increases as a result of or in connection with the fiscal cliff.

In addition, in certain transactions, Stifel is required to post collateral to secure its obligations to its counterparties. In the event of a bankruptcy or insolvency proceeding involving such counterparties, Stifel may experience delays in recovering its assets posted as collateral or may incur a loss to the extent that a counterparty was holding collateral in excess of Stifel's obligation to such counterparty. There is no assurance that any such losses would not materially and adversely affect Stifel's business, financial condition, and results of operations.

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*Stifel is subject to risks of legal proceedings, which may result in significant losses to it that it cannot recover. Claimants in these proceedings may be customers, employees, or regulatory agencies, among others, seeking damages for mistakes, errors, negligence or acts of fraud by Stifel's employees.*

Many aspects of Stifel's business subject it to substantial risks of potential liability to customers and to regulatory enforcement proceedings by state and federal regulators. Participants in the financial services industry face an increasing amount of litigation and arbitration proceedings. Dissatisfied clients regularly make claims against broker-dealers and their employees for, among others, negligence, fraud, unauthorized trading, suitability, churning, failure to supervise, breach of fiduciary duty, employee errors, intentional misconduct, unauthorized transactions by financial advisors or traders, improper recruiting activity and failures in the processing of securities transactions. These types of claims expose Stifel to the risk of significant loss. Acts of fraud are difficult to detect and deter, and while Stifel believes its supervisory procedures are reasonably designed to detect and prevent violations of applicable laws, rules and regulations, Stifel cannot assure investors that its risk management procedures and controls will prevent losses from fraudulent activity. In Stifel's role as underwriter and selling agent, it may be liable if there are material misstatements or omissions of material information in prospectuses and other communications regarding underwritten offerings of securities. At any point in time, the aggregate amount of existing claims against Stifel could be material.

Stifel was named in a civil lawsuit filed in Wisconsin state court in September 2008 against it, Stifel Nicolaus, Royal Bank of Canada Europe Ltd. ( RBC ) and certain other RBC entities. The action, and the SEC action described below, arises out of Stifel's role in investments made by five Southeastern Wisconsin school districts (the school districts ) in transactions involving collateralized debt obligations ( CDOs ). The school districts each formed trusts that made an aggregate of \$200 million of investments in CDOs designed to address their other post-employment benefit ( OPEB ) liabilities, and we refer to these trusts as the OPEB trusts . The RBC entities structured and served as arranger for the CDOs, and Stifel served as the placement agent/broker in connection with the transactions. As Stifel previously disclosed, it entered into a settlement of this lawsuit in March 2012. The settlement provides the potential for the plaintiffs to obtain significant additional damages from the RBC entities. The school districts are continuing their lawsuit against RBC, and Stifel is pursuing claims against the RBC entities to recover payments it has made to the school districts and for amounts owed to the OPEB trusts. Subsequent to the settlement, RBC asserted claims against the school districts, and Stifel for fraud, negligent misrepresentation, strict liability misrepresentation and information negligently provided for the guidance of others based upon Stifel's role in connection with the school districts' purchase of the CDOs. RBC has also asserted claims against Stifel for civil conspiracy and conspiracy to injure in business based upon Stifel's settlement with the school districts and pursuit of claims against the RBC entities.

In addition, the SEC filed a civil lawsuit against Stifel in Wisconsin federal district court in August 2011 relating to its role in the above transactions. The SEC has asserted claims under both the Securities Act and the Exchange Act, including Rule 10b-5 of the Exchange Act, alleging both misrepresentations and omissions in connection with the sale of the CDOs to the school districts, as well as the allegedly unsuitable nature of the CDOs. On October 31, 2011, Stifel filed a motion to dismiss the action for failure to state a claim. The federal district court granted in part and denied in part such motion to dismiss. As to those portions of the motion that were granted, the SEC was granted leave to replead, which it has since done by filing an amended complaint.

Although Stifel believes it has meritorious defenses to claims asserted in the SEC's lawsuit and to the cross-claim filed against it by RBC, and that Stifel has established adequate reserves for losses in these matters, Stifel may be unsuccessful in those defenses (and it may be unsuccessful in its cross-claim against RBC) and the claims could result in losses in excess of Stifel's reserves that may be material.

On April 28, 2010, FINRA commenced an administrative proceeding against Thomas Weisel Partners LLC ( TWP ), which company Stifel acquired effective July 1, 2010, involving a transaction allegedly undertaken by a former employee in which approximately \$15.7 million of ARS were sold from a TWP account to the accounts of three customers. FINRA alleged that TWP violated various NASD and FINRA rules, as well as Section 10(b)

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of the Exchange Act and Rule 10b-5 promulgated thereunder. TWP's answer denied the substantive allegations and asserted various affirmative defenses. TWP repurchased the ARS at issue from the customers at par. FINRA sought fines and other relief against TWP and the former employee.

On November 8, 2011, a FINRA hearing panel fined TWP \$0.2 million for not having adequate supervisory procedures governing principal transactions in violation of NASD rules and ordered TWP to pay certain administrative fees and costs. The FINRA hearing panel dismissed all other charges against TWP and the former employee. On July 25, 2012, the National Adjudicatory Council considered FINRA's appeal of the FINRA hearing panel's decision, which has not yet been determined.

On January 16, 2012, Stifel and Stifel Nicolaus were named as defendants in a suit filed in Wisconsin state court with respect to Stifel Nicolaus role as initial purchaser in a \$50.0 million bond offering under Rule 144A in January 2008. The bonds were issued by the Lake of the Torches Economic Development Corporation (EDC) in connection with certain new financing for the construction of a proposed new casino, as well as refinancing of indebtedness involving Lac Du Flambeau Band of Lake Superior Chippewa Indians (the Tribe), who are also defendants in the action, together with Godfrey & Kahn, S.C. (G&K), who served as both issuer's counsel and bond counsel in the transaction. In an action in federal court in Wisconsin related to the transaction, EDC was successful in asserting before the district court that the underlying bond indenture was void as an unapproved management contract under National Indian Gaming Commission regulations, and that accordingly the Tribe's waiver of sovereign immunity contained in the indenture was void. The United States Court of Appeals for the Seventh Circuit subsequently affirmed that the indenture was void and remanded the case back to the district court for further proceedings. Thereafter, a new federal action was commenced regarding, among other things, the validity of the bond documents other than the bond indenture. Stifel and Stifel Nicolaus are defendants in this new federal action.

Saybrook Tax Exempt Investors LLC, a qualified institutional buyer and the sole bondholder through its special purpose vehicle LDF Acquisition LLC (collectively, Saybrook), and Wells Fargo Bank, NA, indenture trustee for the bonds (collectively, plaintiffs), brought the above-referenced Wisconsin state court suit against EDC, Stifel and G&K, based on alleged misrepresentations about the enforceability of the indenture and the bonds and the waiver of sovereign immunity. The parties have agreed to stay the state court action until the federal court rules on whether it has jurisdiction over the new federal action. Saybrook is the plaintiff in the new federal action and in the state court action. The plaintiffs allege that G&K represented in various legal opinions issued in the transaction, as well as in other documents associated with the transaction, that (i) the bonds and indenture were legally enforceable obligations of EDC and (ii) EDC's waivers of sovereign immunity were valid. The claims asserted against Stifel are for alleged breaches of implied warranties of validity and title, securities fraud and statutory misrepresentation under Wisconsin state law, intentional and negligent misrepresentations relating to the validity of the bond documents and the Tribe's waiver of its sovereign immunity. To the extent EDC does not fully perform its obligations to Saybrook pursuant to the bonds, the plaintiffs seek a judgment for rescission, restitutionary damages, including the amounts paid by the plaintiffs for the bonds, and costs; alternatively, the plaintiffs seek to recover damages, costs and attorneys' fees from Stifel. On May 2, 2012, Stifel filed a motion to dismiss all of the claims alleged against it and Stifel Nicolaus in the new federal court action. The case is currently stayed while the federal court considers whether it has jurisdiction over the lawsuit. If the federal court determines it does not have jurisdiction, claims will continue to be litigated in the Wisconsin state court action. While there can be no assurance that Stifel will be successful, it believes it has meritorious legal and factual defenses to the matter, and Stifel intends to vigorously defend the claims but there can be no assurance that it will be successful.

On December 13, 2012, Stifel Nicolaus was named as a defendant in a suit filed in Lac Courte Oreilles Tribal Court in Wisconsin by the Lac Courte Oreilles Band of Lake Superior Chippewa Indians of Wisconsin (the Oreilles Band). The lawsuit relates to the alleged actions of Stifel Nicolaus, including by and through a former employee, in public finance transactions in 2003 and 2006. The lawsuit accuses Stifel of breaching alleged fiduciary duties by failing to disclose or concealing certain facts relating to the purchase by Stifel



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Nicolaus of approximately \$31.3 million of bonds issued by the Oreilles Band which were used to, among other things, refund and repurchase various bonds issued by the Oreilles Band in 2003. Stifel is in the early stages of analyzing the underlying facts and the legal claims asserted in the lawsuit. Stifel believes meritorious legal and factual defenses exist and intend to defend the claims vigorously.

While Stifel does not expect the outcome of any existing claims against it to have a material adverse impact on its business, financial condition or results of operations, it cannot assure you that these types of proceedings will not materially and adversely affect it. Stifel does not carry insurance that would cover payments regarding these liabilities, except for insurance against certain fraudulent acts of Stifel's employees. In addition, Stifel's bylaws provide for the indemnification of Stifel's officers, directors and employees to the maximum extent permitted under Delaware law. In the future, Stifel may be the subject of indemnification assertions under these documents by its officers, directors or employees who have or may become defendants in litigation. These claims for indemnification may subject Stifel to substantial risks of potential liability.

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### **THE SPECIAL MEETING**

#### **Date, Time and Place; Attending the Special Meeting**

The Special Meeting will take place on February 12, 2013, at 1271 Avenue of the Americas (Time Life Building), Luce Room, New York, New York, commencing at 10:00 a.m., Eastern time. Check in will begin at 9:30 a.m., Eastern time, and you should allow ample time for check-in procedures.

You are entitled to attend the Special Meeting only if you were a KBW stockholder as of the close of business on December 24, 2012 or hold a valid proxy for the Special Meeting. You should be prepared to present photo identification (a driver's license or passport is preferred) for admittance. In addition, if you are a stockholder of record, your name is subject to verification against the list of stockholders of record on the record date prior to being admitted to the meeting. If you are not a stockholder of record but hold shares through a broker or nominee (*i.e.*, in street name), you should be prepared to provide proof of beneficial ownership on the record date, such as your most recent account statement or similar evidence of ownership. If you do not provide photo identification or comply with the other procedures outlined above upon request, you will not be admitted to the Special Meeting.

#### **Matters to be Considered**

At the Special Meeting, KBW stockholders will be asked to vote on the following proposals:

1. To adopt the merger agreement and thereby to approve the transactions contemplated by the merger agreement, including the merger;
2. To approve, by non-binding advisory vote, certain compensation arrangements for KBW's named executive officers in connection with the merger; and
3. To approve the adjournment of the Special Meeting, if necessary, for any purpose, including to solicit additional proxies if there are not sufficient votes to adopt the merger agreement and thereby to approve the transactions contemplated by the merger agreement, including the merger, at the time of the Special Meeting.

A copy of the merger agreement is attached to this proxy statement/prospectus as **Annex A**. You are encouraged to read the merger agreement and the other information contained in this proxy statement/prospectus (including the documents incorporated by reference into this proxy statement/prospectus) carefully before deciding how to vote.

#### **Record Date; Stock Entitled to Vote**

Holders of record are entitled to vote only if you were a KBW stockholder as of the close of business on December 24, 2012, the record date, provided that such shares remain outstanding on the date of the meeting.

Each share of KBW common stock is entitled to one vote for each matter to be voted on.

On December 24, 2012, there were 34,557,980 shares of KBW common stock outstanding and entitled to vote at the Special Meeting held by approximately 83 stockholders of record.

#### **Quorum**

The holders of shares entitled to cast a majority of the total votes of the outstanding shares of KBW common stock on December 24, 2012, the record date, present in person or represented by proxy at the Special Meeting and entitled to vote, will constitute a quorum for the transaction of business at the Special Meeting. Abstentions and broker non-votes are counted for purposes of determining the presence or absence of a quorum.



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### **Vote Required**

The following are the vote requirements for the various proposals:

*Adoption of the Merger Agreement and Thereby the Approval of the Transactions Contemplated by the Merger Agreement, Including the Merger:* You may vote FOR, AGAINST or ABSTAIN with respect to the adoption of the merger agreement and thereby the approval of the transactions contemplated by the merger agreement, including the merger. To adopt the merger agreement and thereby to approve the transactions contemplated by the merger agreement, including the merger, the holders of a majority of the outstanding shares of KBW common stock must vote FOR the adoption of the merger agreement thereby the approval of the transactions contemplated by the merger agreement, including the merger. **Because approval is based on the affirmative vote of a majority of the shares outstanding, your failure to vote, a broker non-vote or an abstention will have the same effect as a vote AGAINST the adoption of the merger agreement and thereby AGAINST the approval of the transactions contemplated by the merger agreement, including the merger.**

*Approval, by a Non-Binding Advisory Vote, of Certain Compensation Arrangements.* You may vote FOR, AGAINST or ABSTAIN with respect to the compensation proposal at the Special Meeting. The affirmative vote of a majority of the shares of KBW common stock represented (in person or by proxy) at the Special Meeting and entitled to vote on the proposal is required for such proposal to pass. For the proposal to approve, by non-binding advisory vote, certain compensation arrangements for KBW's named executive officers in connection with the merger, any share of KBW common stock represented in person or by proxy at the Special Meeting but abstaining from voting will have the same effect as a vote cast AGAINST this proposal. Shares of KBW common stock not represented in person or by proxy at the Special Meeting and broker non-votes will have no effect on the vote count for the KBW proposal to approve, by non-binding advisory vote, certain compensation arrangements for KBW's named executive officers in connection with the merger.

*Approval of the Adjournment of the Special Meeting.* You may vote FOR, AGAINST or ABSTAIN with respect to the adjournment proposal at the Special Meeting. The affirmative vote of a majority of the shares of KBW common stock represented (in person or by proxy) at the Special Meeting and entitled to vote on the proposal is required for such proposal to pass. For the proposal to adjourn the Special Meeting, any share of KBW common stock represented in person or by proxy at the Special Meeting but abstaining from voting will have the same effect as a vote cast AGAINST this proposal. Shares of KBW common stock not represented in person or by proxy at the Special Meeting and broker non-votes will have no effect on the proposal to adjourn the Special Meeting.

### **Abstentions**

Abstentions are counted as present and entitled to vote for purposes of determining a quorum. For each of the proposals to be considered at the Special Meeting, including the proposal to adopt the merger agreement and thereby to approve the transactions contemplated by the merger agreement, the proposal to approve, by non-binding advisory vote, certain compensation arrangements for KBW's named executive officers in connection with the merger and the adjournment proposal, abstentions have the same effect as a vote AGAINST such proposals.

### **Voting of Proxies by Holders of Record**

If your shares are registered directly in your name with KBW's transfer agent, you are considered the stockholder of record with respect to those shares and this proxy statement/prospectus is being sent directly to you by KBW. As a stockholder of record, you have the right to grant your proxy directly to KBW or to vote in person at the Special Meeting. KBW has enclosed a proxy card for your use. As a stockholder of record, you may submit a proxy for your shares by using the toll free number or the Internet website by following the instructions

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on your proxy card for using these quick, cost effective and easy methods for submitting proxies. You also may submit a proxy in writing by simply filling out, signing and dating your proxy card and mailing it in the prepaid envelope included with this proxy statement/prospectus. If you submit a proxy by telephone or the Internet website, please do not return your proxy card by mail. You will need to follow the instructions when you submit a proxy using any of these methods to make sure your shares will be voted at the meeting.

If you hold shares through a broker or other nominee, you may instruct your broker or other nominee to vote your shares by following the instructions that the broker or nominee provides to you with these materials. See **Shares Held in Street Name** below.

You also may vote by submitting a ballot in person if you attend the Special Meeting. However, we encourage you to submit a proxy by mail by completing your proxy card, by telephone or via the Internet even if you plan to attend the Special Meeting. You will also need to present photo identification and comply with the other procedures described above in **The Special Meeting Date, Time and Place; Attending the Special Meeting** on page 57. Giving a proxy will not affect your right to vote your KBW shares if you attend the Special Meeting and want to vote in person.

**Your vote is important. Accordingly, please submit your proxy by telephone, through the Internet or by mail, whether or not you plan to attend the Special Meeting in person. Proxies must be received by 11:59 p.m., Eastern time, on February 11, 2013.**

### **Shares Held in Street Name**

If your shares are held in a brokerage account, bank account or by another nominee, you are considered the beneficial owner of shares held in street name, and this proxy statement/prospectus is being forwarded to you by your broker, bank or nominee together with a voting instruction card. As the beneficial owner, you have the right to direct your broker, bank or other nominee how to vote and are also invited to attend the Special Meeting. However, since you are not the stockholder of record, you may not vote your shares in person at the Special Meeting unless you obtain a legal proxy from the broker, bank or nominee that holds your shares, giving you the right to vote the shares instead of the broker, bank or nominee holding your shares. Your broker, bank or nominee has enclosed voting instructions for your use in directing your broker, bank or nominee how to vote your shares.

If you do not provide voting instructions to your broker, your shares will not be voted on any proposal on which your broker does not have discretionary authority to vote. This is called a broker non vote. In these cases, the broker can register your shares as being present at the meeting for purposes of determining the presence of a quorum but will not be able to vote on those matters for which specific authorization is required. Under the current rules of the NYSE, we believe that brokers do not have discretionary authority to vote on the proposal to adopt the merger agreement and thereby to approve the transactions contemplated by the merger agreement, including the merger, or to vote on the proposal to approve, by non-binding advisory vote, certain compensation arrangements for KBW's named executive officers in connection with the merger or the adjournment of the Special Meeting. Accordingly, a broker non vote will have the same effect as a vote AGAINST adoption of the merger agreement and thereby the approval of the transactions contemplated by the merger agreement, including the merger. Broker non-votes will have no effect on the proposal to approve, by non-binding advisory vote, certain compensation arrangements or the proposal to adjourn the Special Meeting.

### **Revocability of Proxies**

**A proxy submitted through the Internet or by telephone may be revoked by (i) executing a later-dated proxy card that is received prior to 11:59 p.m., Eastern time, on February 11, 2013, (ii) subsequently submitting a new proxy through the Internet or by telephone prior to 11:59 p.m., Eastern time, on February 11, 2013 (iii) attending the Special Meeting and voting in person, or (iv) giving written notice to**

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**our General Counsel and Corporate Secretary at 787 Seventh Avenue, New York, New York 10019. A proxy submitted by proxy card may be revoked before the vote is cast by the designated proxy by (i) giving written notice to our General Counsel and Corporate Secretary at 787 Seventh Avenue, New York, New York 10019, (ii) subsequently submitting another proxy bearing a later date or (iii) attending the Special Meeting and voting in person. Attending the Special Meeting without voting will not revoke your previously submitted proxy.**

KBW stockholders whose shares are held in the name of a broker or nominee may change their votes by submitting new voting instructions to their brokers or nominees. Those KBW stockholders may not vote their shares in person at the Special Meeting unless they obtain a signed proxy from the stockholder of record giving them the right to vote their shares.

### **Independent Election Inspector**

KBW has retained Broadridge Financial Solutions, Inc. to receive and tabulate the votes in connection with the Special Meeting. KBW has also retained through Broadridge Financial Solutions, Inc. an election inspector that will certify the results and perform any other acts required by the Delaware General Corporation Law.

### **Solicitation of Proxies**

This proxy statement/prospectus is furnished in connection with the solicitation of proxies by the KBW board of directors to be voted at the Special Meeting.

KBW is paying for costs associated with the preparation of the proxy statement/prospectus and related materials and solicitation of proxies from KBW's stockholders for the Special Meeting. Although there are no formal agreements to do so, KBW will reimburse banks, brokerage firms and other custodians, nominees and fiduciaries for their reasonable expenses incurred in sending proxy materials to KBW's stockholders and beneficial owners of KBW common stock in accordance with applicable rules. KBW has engaged D.F. King & Co., Inc. to assist in the solicitation of proxies for the meeting and KBW estimates it will pay D.F. King a fee of approximately \$19,500. KBW has also agreed to reimburse D.F. King for reasonable out of pocket expenses and disbursements incurred in connection with the proxy solicitation and to indemnify D.F. King against certain losses, costs and expenses. In addition to solicitation by mail, KBW's directors, officers and employees may solicit proxies in person, by telephone, by fax or by electronic or other means of communication, but they will not receive special compensation for such activities.

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**PROPOSAL ONE: THE MERGER**

*The following is a discussion of the proposed merger and the merger agreement. This is a summary only and may not contain all of the information that is important to you. A copy of the merger agreement is attached to this proxy statement/prospectus as **Annex A** and is incorporated by reference herein. You are urged to read this entire proxy statement/prospectus, including the merger agreement and the documents incorporated by reference into this proxy statement/prospectus, for a more complete understanding of the merger.*

**Structure of the Merger**

*Transaction Structure*

Subject to the terms and conditions of the merger agreement and in accordance with Delaware law, Merger Sub will be merged with and into KBW, with KBW surviving the merger and becoming a wholly-owned subsidiary of Stifel. Following the merger, KBW shall be merged with and into the Successor Sub, whereupon the Successor Sub will be the surviving limited liability company as a direct wholly owned subsidiary of Stifel.

*Merger Consideration*

In the merger, each issued and outstanding share of KBW common stock (other than shares owned by KBW as treasury stock, shares of KBW common stock owned by Stifel, shares for which appraisal rights have been properly exercised and perfected under the General Corporation Law of the State of Delaware and certain shares of KBW common stock subject to continuing restricted share awards, continuing RSU awards and other equity awards) will be automatically converted into the right to receive a combination of (i) cash consideration of \$8.00 (\$10.00 less the per share extraordinary dividend amount of \$2.00) and (ii) stock consideration of a fraction of a share of Stifel common stock equal to the exchange ratio, as described below.

The merger agreement defines a per share extraordinary dividend amount, which reduces the cash consideration by an equal amount up to \$2.00, to be equal to (i) the aggregate amount of all dividends paid by KBW after the date of the merger agreement and before the closing date of the merger (other than quarterly dividends consistent with past practice that are paid on or prior to December 31, 2012) (ii) divided by the number of issued and outstanding KBW shares immediately prior to the closing date of the merger. The merger agreement provides that extraordinary dividends will not exceed \$2.00. On November 29, 2012, the KBW board of directors declared an extraordinary dividend of \$2.00 per share of KBW's common stock, payable to stockholders of record on December 10, 2012, which was paid on December 17, 2012.

The exchange ratio is subject to a collar and may fluctuate depending on the average of the volume weighted average trading prices of Stifel common stock for each of the ten consecutive trading days ending on the trading day immediately prior to the closing date of the merger. If the average of the daily volume weighted average trading prices of Stifel common stock during this valuation period is between \$29.00 and \$35.00, then KBW stockholders will receive a number of shares of Stifel common stock equal to a fraction, the numerator of which equals \$7.50 and the denominator of which is the average of the daily volume weighted average trading prices of Stifel common stock during this valuation period, rounding the result to the nearest 1/10,000, as the stock consideration for each share of KBW common stock.

Within the price range prescribed by the collar, the exchange ratio floats so as to ensure that the value of Stifel common stock (calculated with reference to the volume weighted average trading prices of Stifel during the valuation period described above) to be received as the stock consideration for each share of KBW common stock will be \$7.50 resulting in total consideration of \$15.50 (taking into account the per share extraordinary dividend amount of \$2.00). However, if the average of the volume weighted average trading prices of Stifel common stock on each day during the valuation period is less than or equal to \$29.00, the exchange ratio will be fixed at 0.2586 shares of Stifel common stock for each share of KBW common stock. If the average of the daily

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volume weighted average trading prices of Stifel common stock during the valuation period is greater than or equal to \$35.00, the exchange ratio will be fixed at 0.2143 shares of Stifel common stock for each share of KBW common stock. Accordingly, if the average of the daily volume weighted average trading prices of Stifel common stock used to calculate the exchange ratio is less than the low end of the collar, then the value of the stock portion of the consideration (calculated with reference to the volume weighted average trading prices of Stifel during the valuation period described above) to be paid per share of KBW common stock may be less than \$7.50, which would result in total consideration of less than \$15.50 (taking into account the per share extraordinary dividend amount of \$2.00). Conversely, if the average of the daily volume weighted average trading prices of Stifel common stock used to calculate the exchange ratio is greater than the high end of the collar, then such value of the stock portion of the consideration may be greater than \$7.50, which would result in total consideration of more than \$15.50 (taking into account the per share extraordinary dividend amount of \$2.00).

The following examples illustrate how the exchange ratio works under different pricing scenarios during the valuation period described above:

Average VWAP (\$)	Exchange Ratio	Equity Consideration (\$)	Cash Consideration (\$) <sup>(1)</sup>	Total Consideration (\$)
<b>(i) Average of the volume weighted average price of less than or equal to \$29.00:</b>				
27.05	0.2586	7.00 <sup>(3)</sup>	8.00	15.00 <sup>(4)</sup>
<b>(ii) Average of the volume weighted average price of between \$29.00 and \$35.00:</b>				
32.36 <sup>(2)</sup>	0.2318	7.50 <sup>(3)</sup>	8.00	15.50
<b>(iii) Average of the volume weighted average price of greater than or equal to \$35.00:</b>				
37.35	0.2143	8.00 <sup>(3)</sup>	8.00	16.00 <sup>(4)</sup>

(1) The cash consideration is calculated as \$10.00 less the \$2.00 extraordinary dividend declared on November 29, 2012 and paid on December 17, 2012.

(2) The average of the daily volume weighted average trading price per share of Stifel common stock on the last ten trading days before November 2, 2012 (the announcement of the merger agreement).

(3) Calculated with reference to the volume weighted average trading prices of Stifel during the valuation period described above.

(4) Based on illustrative Stifel share prices and average VWAP. The total consideration will vary, and the exchange ratio will remain fixed, if the average of the volume weighted average trading prices of Stifel common stock during the valuation period is greater than or equal to \$35.00 or less than or equal to \$29.00.

Holders of KBW common stock will receive cash in lieu of any fractional shares of Stifel common stock they otherwise would have received in the merger. Each KBW stockholder who would otherwise have been entitled to receive a fraction of a share of Stifel common stock will receive an amount in cash (without interest and subject to withholding taxes) equal to the product obtained by multiplying (1) the fractional share interest to which such holder (after taking into account all fractional share interests then held by such holder) would otherwise be entitled (rounded to the nearest one-hundredth of a share) by (2) the average of the daily volume weighted average trading prices of Stifel common stock on each of the ten trading days prior to the closing date of the merger.

The merger agreement provides that the exchange ratio will be appropriately adjusted to reflect the effect of any stock split, reverse stock split, stock dividend, reclassification or other similar change with respect to Stifel common stock or KBW common stock, or securities convertible or exchangeable into or exercisable into Stifel common stock or KBW common stock, with a record date occurring on or after the date of the merger agreement and prior to the effective time of the merger.

The exchange ratio will be determined shortly before completion of the merger. On December 31, 2012, the latest practicable date before the date of this proxy statement/prospectus, Stifel common stock closed on the NYSE, at \$31.97. The average of the daily volume weighted average trading price per share of Stifel common stock on the



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last ten trading days before December 31, 2012, was \$31.6984. If this were the volume weighted average trading price per share of Stifel common stock used to calculate the exchange ratio, the exchange ratio would be 0.2366, which would result in total consideration of \$15.56. The actual exchange ratio and, accordingly, the actual number of shares of Stifel common stock issued in respect of each share of KBW common stock in the merger, may differ from this example and will not be known at the Special Meeting because the valuation period will not be complete until after the Special Meeting.

## **Background of the Merger**

The Stifel board of directors, together with its senior management, continually reviews, considers and evaluates the securities industry and considers acquisitions on a strategic and opportunistic basis. Historically, Stifel has grown its business both organically and through acquisitions. Over the past several years, Stifel has completed and successfully integrated a number of acquisitions, including its acquisitions of the capital markets business of Legg Mason from Citigroup in December 2005; Ryan Beck, a full-service brokerage and investment banking firm, in February 2007; First Service Financial Company, now Stifel Bank & Trust, a St. Louis-based bank, in April 2007; Butler Wick, a privately-held broker-dealer, in December 2008; specified branches from the UBS Wealth Management Americas branch network from UBS Financial Services in the third and fourth quarters of 2009; Thomas Weisel Partners Group, Inc., a full-service brokerage and investment banking firm, in July 2010; and Stone & Youngberg LLC, a full-service brokerage and investment banking firm, in October 2011. The focus of these acquisitions has been to expand Stifel's client base, the range of financial services and products available to its clients and its geographic reach, all to develop and enhance Stifel's position as a premier middle-market focused investment bank.

KBW's management and board of directors have periodically reviewed strategic opportunities as part of KBW's goal to deliver stockholder value. These reviews have included both consideration of possible acquisitions and other expansion opportunities and possible combinations with a larger institution.

KBW has been adversely affected by the general economic downturn and the specific decline in the volume of capital raising opportunities, strategic transactions and trading volume in the securities of financial services companies. These developments have had a particularly significant effect on its core businesses of investment banking (including mergers and acquisitions and other strategic advisory services and equity and fixed income securities offerings) and equity and fixed income sales and trading.

Following reporting record revenue results for 2010, the global economic slowdown and the challenging environment for KBW's core businesses led to a sharp decline in the firm's revenues. Revenues in 2010 were \$425.9 million and subsequently declined to \$264.5 million in 2011 and \$230.1 million for the twelve month period ending on September 30, 2012.

In order to address the revenue pressures in KBW's core businesses, commencing in the third quarter of 2011, KBW's board of directors and senior management undertook significant steps to reduce KBW's workforce and other costs to better align its resources to the business environment in which it operated. Specifically, KBW reduced its headcount to better match the declining revenue opportunities, worked to reduce its non-compensation expenses which constituted a growing percentage of the firm's revenues as revenues declined and exited growth initiatives, some of which were still in the development phase. These steps resulted in a reduction in headcount from 596 on June 30, 2011 to 448 as of September 30, 2012, the firm's exit from the asset management business, elimination of the firm's efforts in real estate investment banking and the exit of its operations in Asia.

In light of continuing market pressure in 2012, KBW senior management began to consider potential additional cost saving programs to further align KBW's resources as a stand-alone entity to then-existing market conditions. As a result of this analysis, KBW's senior management and board of directors concluded that, absent a significant improvement in economic conditions, continuing down a stand-alone path would require substantial

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changes in its current business operations in a manner that could limit KBW's ability to effectively and quickly respond to an improvement in market conditions, which could also be damaging to the value of the KBW franchise. Without these substantial changes, the KBW board and senior management considered the value of the KBW franchise as largely intact despite continuing market pressures. In addition, the KBW board and senior management began to see structural disadvantages of KBW's cash equities business compared to some of its larger competitors and thought that the value of its business could be maximized in a combination with another firm. Accordingly, in the first half of 2012, KBW's board of directors and senior management began to consider whether there would be more value to stockholders in a strategic transaction.

Between March and June of 2012, Andrew M. Senchak, the Chairman of the board of directors of KBW, in consultation with Thomas B. Michaud, President, Chief Executive Officer and Vice Chairman of KBW and with KBW's board of directors, had exploratory conversations with representatives of several different potential counterparties regarding the possibility of a strategic transaction. In several cases, these conversations were initiated by investment bankers on behalf of financial services clients. These conversations were preliminary and no specific transaction or deal terms were discussed. None of the potential counterparties expressed serious interest in pursuing or continuing to explore a potential transaction with KBW. During the same period, Messrs. Senchak and Michaud also explored potential acquisitions of other companies as a possible strategy to leverage KBW's existing expense base, but such efforts did not result in any potential transactions sufficiently attractive for KBW to merit serious discussions.

In June 2012, Messrs. Senchak and Michaud approached the board of directors to seek authority to initiate exploratory discussions with three specific parties which they had both identified as the most likely counterparties for a possible strategic transaction. This judgment was based on their knowledge of the financial services industry generally and the businesses and financial positions of these three specific entities as well as informal discussions with potential financial advisors. In identifying these parties, Messrs. Senchak and Michaud and the rest of the KBW board took into account strategic fit, nature of the parties' businesses and execution and regulatory risk of a transaction, among other things. The board of directors authorized Messrs. Senchak and Michaud to approach these potential counterparties about a strategic transaction.

Messrs. Senchak and Michaud had some preliminary discussions regarding a strategic transaction with Ronald J. Kruszewski, Chairman of the board of directors, President, and Chief Executive Officer of Stifel. On July 19, 2012, Messrs. Senchak and Michaud met with Mr. Kruszewski for more extensive exploratory discussions. During this meeting, Mr. Kruszewski expressed interest in exploring a strategic transaction and on July 26, 2012, KBW and Stifel entered into a confidentiality agreement in order to provide to each other non-public information about the respective businesses of each company. Stifel began preliminary due diligence on KBW based on the initial materials provided and on publicly available information, and the parties continued their discussions to determine whether a combination might be feasible and how that combination might be structured. On August 10, 2012, KBW and Stifel entered into an amendment to their confidentiality agreement providing for a clause restricting the solicitation of each other's employees in order to proceed with more detailed discussions and due diligence.

In August 2012, Messrs. Senchak and Michaud had a meeting with senior management of the second of the three potential counterparties, referred to as Party A. Later that month, Mr. Michaud met again with senior management of Party A. While generally interested in a combination with KBW, Party A did not wish to proceed at that time. Accordingly, the discussions with Party A did not involve any proposal or discussion of any specific deal terms and terminated after these two meetings.

In late August and early September 2012, Messrs. Senchak and Michaud met with the third potential counterparty, which we refer to as Party B. In a follow-up conversation with Mr. Michaud, Party B focused on the compatibility of some aspects of KBW's core businesses with Party B's current strategy and expressed the view that a combination of their respective businesses was not compatible with the strategy Party B was then pursuing. Accordingly, the discussions with Party B did not involve any proposal or discussion of any specific deal terms, either, and terminated after these two conversations.

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During late August and the month of September 2012, KBW and Stifel intensified their discussions and KBW's senior management began to work through structural and organizational matters. During that time, Mr. Michaud and Robert S. Giambrone, Chief Financial and Administrative Officer and Executive Vice President of KBW, had several telephone conversations with Mr. Kruszewski about their respective assumptions regarding KBW's businesses and the proposed transaction which assumptions would form part of the basis of each party's expectations with respect to the merger consideration to KBW stockholders in a proposed transaction. On September 26, 2012, Mr. Michaud updated the KBW board regarding his and Mr. Giambrone's discussions with Mr. Kruszewski. At such meeting, the KBW board determined that in order for conversations with Stifel to continue, there should be an expectation on both sides that, subject to Stifel's due diligence review of KBW, the consideration per KBW share in a proposed transaction would be around \$10.00 in cash and a fraction of a share of Stifel common stock equal to an exchange ratio between 0.287 and 0.3 with a separate retention pool of \$40 to \$50 million for KBW to retain its key employees after announcement of a transaction. The proposed retention pool was intended to retain a significant group of KBW's significant revenue generating employees after the announcement of a transaction. Later on September 26, 2012, Mr. Michaud communicated to Mr. Kruszewski KBW's expectation with respect to the merger consideration and retention pool and, subject to Stifel's due diligence review of KBW, Mr. Kruszewski agreed to proceed on the basis of that expectation. No allocation of the proposed retention pool among key KBW employees was discussed at this time. During the first week of October 2012, KBW engaged Merrill Lynch, Pierce, Fenner & Smith Incorporated, which we refer to as BofA Merrill Lynch, as financial advisor and Sullivan & Cromwell LLP as legal advisor to assist in a potential transaction. On October 5, Stifel engaged Bryan Cave LLP as legal advisor to assist in a potential transaction.

On October 8, 2012, Stifel's internal legal department and Bryan Cave delivered an initial draft of the merger agreement and initial legal due diligence request list to KBW and Sullivan & Cromwell. During the week of October 8, 2012, representatives of KBW, Stifel, Sullivan & Cromwell, BofA Merrill Lynch and Bryan Cave engaged in discussions regarding the structure of the proposed transaction and certain related documentation. On October 11, 2012, KBW and Stifel further amended their existing confidentiality agreement and KBW granted Stifel access to more in-depth due diligence information.

During the week of October 15, 2012, while Stifel's due diligence review continued, KBW, with the assistance of its advisors, began conducting reverse due diligence on Stifel. Representatives of Sullivan & Cromwell, BofA Merrill Lynch and Bryan Cave continued their discussions regarding the structure of the proposed transaction. Also during the week of October 15, 2012, Mr. Kruszewski indicated to Mr. Michaud that, as an important factor to Stifel's willingness to engage in the proposed transaction, Messrs. Senchak and Michaud, along with John G. Duffy, Vice Chairman of KBW, Mr. Giambrone and Mitchell B. Kleinman, General Counsel, Executive Vice President and Secretary of KBW, should reduce and modify the contractual entitlements due to them upon a change of control of KBW. Mr. Michaud was receptive to such a reduction and modification of contractual entitlements and told Mr. Kruszewski that he would make a proposal with respect thereto after discussing with Messrs. Senchak, Duffy, Giambrone and Kleinman.

On October 16, 2012, the KBW board of directors met, together with senior management, Sullivan & Cromwell and BofA Merrill Lynch, to discuss the latest status of discussions with Stifel. Also on October 16, 2012, Sullivan & Cromwell provided written revisions to the draft merger agreement to Stifel and Bryan Cave.

On October 19, 2012, Mr. Kruszewski informed the independent members of the Stifel board of directors, Bruce A. Beda, Michael W. Brown, Charles A. Dill, John P. Dubinsky, Robert E. Grady, Frederick O. Hanser, Alton F. Irby III, Robert E. Lefton, James M. Oates and Kelvin R. Westbrook, that he wanted to call a special meeting to discuss the possible transaction with KBW. On October 19, 2012, Mr. Kruszewski scheduled special meetings of the independent members of the Stifel board for October 20, 2012 to discuss the potential transaction. On October 20, 2012, the Stifel board met telephonically with senior management to discuss the status of discussions with KBW and Mr. Kruszewski gave a preliminary overview of KBW. During the course of Mr. Kruszewski's presentation, members of the board asked questions of Mr. Kruszewski and the other members of the management team, and Mr. Kruszewski and the other members of the management team responded to and

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addressed those questions. Also on October 20, 2012, Mr. Michaud proposed to Mr. Kruszewski the group of KBW employees that would participate in the retention pool. Early discussions between Messrs. Michaud and Kruszewski about such group centered around approximately 75 KBW employees.

On October 22 and 24, 2012, Messrs. Senchak, Michaud, Duffy and Giambrone along with Peter J. Wirth, Executive Vice President and Global Head of Investment Banking and Scott R. Anderson and Joseph S. Berry, each a Managing Director and Co-Head of Depositories Investment Banking of KBW, met with Mr. Kruszewski, Victor J. Nesi, Senior Vice President of Stifel and Thomas P. Mulroy, Senior Vice President, Co-Head Institutional Group and Director of Stifel in New York to enable Stifel to obtain a deeper understanding of the various businesses of KBW as part of Stifel's business due diligence review of KBW.

Also on October 22, 2012, following an internal meeting among Messrs. Senchak, Michaud, Duffy, Giambrone and Kleinman and representatives of BofA Merrill Lynch, KBW submitted a proposal to Mr. Kruszewski for reductions in contractual rights that the executives would have upon a change of control of KBW. Mr. Kruszewski was generally receptive to the proposal subject to negotiation of final terms.

On October 23, 2012, the KBW board met, together with senior management, Sullivan & Cromwell and BofA Merrill Lynch, to discuss the latest status of discussions with Stifel. BofA Merrill Lynch discussed with the KBW board financial aspects of a potential transaction with Stifel. Sullivan & Cromwell discussed with the KBW board the fiduciary duties of the directors with respect to the proposed transaction. In order to facilitate a disinterested and independent review of the proposed transaction and to direct KBW's dealings with Stifel, including any negotiations with Stifel in light of the contractual rights of Messrs. Senchak, Michaud and Duffy, upon a change of control of KBW and Stifel's demand, as an important factor to Stifel's willingness to enter into a merger agreement, that these KBW executive officers, among others, give up significant portions of such contractual rights as part of the proposed transaction, the board decided to have separate meetings of its independent directors with respect to the proposed transaction, at such times and with such advisors as the independent directors considered appropriate, including Sullivan & Cromwell and BofA Merrill Lynch. The KBW board also resolved that KBW would not engage in the proposed transaction with Stifel or any alternative transaction without the prior affirmative recommendation of the independent directors that it do so. The independent directors of KBW, Daniel M. Healy, Christopher M. Condrion, James K. Schmidt and Michael J. Zimmerman, met with Sullivan & Cromwell immediately after the meeting of KBW's full board of directors to discuss the proposed transaction and the potential compensation to be received by the inside directors in connection with the proposed transaction according to the terms of their existing agreements.

On October 25, 2012, Stifel indicated to KBW (via email from Mr. Nesi) that taking into account the results of Stifel's due diligence investigation, it had revised some of its assumptions with respect to the expected synergies from the proposed transaction and some of KBW's businesses and was now prepared to offer a mix of cash and stock at an aggregate consideration per share of KBW common stock equal to \$17.29 (based on Stifel's closing stock price on that day) with a separate retention pool of \$40 million for KBW to retain its key employees after announcement of a transaction. Over the weekend of October 26 through October 28, 2012, Messrs. Senchak, Michaud and Duffy had several telephone calls with Mr. Kruszewski regarding Stifel's proposed consideration. Messrs. Senchak, Michaud and Duffy indicated that the proposed terms were unacceptable and at one point terminated conversations. Mr. Kruszewski eventually reinitiated discussions by increasing Stifel's proposal and after further negotiations among them the parties agreed to continue their discussions at a revised consideration per share equal to \$10 in cash and \$7.50 in Stifel common stock, based on a floating exchange ratio determined at the closing and subject to a collar if the share price of Stifel common stock decreased below \$29 or increased above \$35, with a separate retention pool of \$57 million. Such retention pool would include a \$750,000 retention award to Mr. Michaud from each of KBW and Stifel, but exclude any other payments to be made to Mr. Michaud or Messrs. Senchak or Duffy. KBW's senior management considered such retention pool necessary to retain a group of more than 90 of KBW's most important employees after the announcement of a transaction, which was a larger group than had been discussed previously, particularly because any key employee accepting a retention award had to agree to waive some of his contractual rights upon

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consummation of a transaction and retaining such larger group of key employees was viewed as critical to ensuring that any transaction that was announced would be able to be successfully closed.

On October 24 and during the week of October 29, 2012, Mr. Michaud and Mr. Kruszewski discussed by phone the terms of Mr. Michaud's employment with Stifel after the closing of the proposed transaction and tentatively agreed to terms. Messrs. Senchak and Duffy discussed the terms of their post-closing Stifel employment arrangements with Mr. Kruszewski shortly thereafter and also tentatively agreed to terms.

On October 30, 2012, Mr. Kruszewski informed the members of the Stifel board of directors that he wanted to call a special meeting to discuss and update the board regarding the possible transaction with KBW. On October 30, 2012, Mr. Kruszewski scheduled a special meeting of the Stifel board for October 31, 2012 to discuss the potential transaction. On October 31, 2012, the full Stifel board convened to discuss the potential transaction. Mr. Kruszewski formally informed the members of the board of a potential transaction with KBW. Mr. Kruszewski provided a summary of the current status of the proposed transaction. In particular, Mr. Kruszewski discussed the process to date, the proposed structure of the transaction, the standalone business of KBW, the organization and structure of the combined businesses, and the potential benefits and risks associated with the deal. During the course of Mr. Kruszewski's presentation, members of the board asked questions of Mr. Kruszewski and the other members of the management team, and Mr. Kruszewski and the other members of the management team responded to and addressed those questions.

On November 1, Mr. Kruszewski scheduled an informational meeting of the Stifel board for November 2, 2012 to update the board regarding the possible transaction with KBW and the proposed terms of the transaction. Also on November 1, 2012, Bryan Cave provided a revised draft merger agreement to KBW and Sullivan & Cromwell.

In the morning of November 2, 2012, the KBW board, following on its previous determination to have separate meetings of its independent directors and not to approve the proposed transaction without the prior affirmative recommendation of the independent directors, formally constituted the independent directors as a committee to consider the proposed transaction. The committee of independent directors engaged Richards Layton & Finger, P.A., which we refer to as Richards Layton, as its counsel in connection with the proposed transaction. Mr. Zimmerman was appointed chairman of the committee of independent directors. The committee had broad authority to direct negotiations of the proposed transaction.

Later in the morning of November 2, 2012, the committee of independent directors of KBW met with Richards Layton and Sullivan & Cromwell to discuss the committee's role in the process toward a proposed transaction, legal considerations, and the status of negotiations with Stifel. The committee also reviewed financial terms of the proposed transaction with members of KBW's senior management and BofA Merrill Lynch and further discussed such financial terms without such members of KBW's senior management and BofA Merrill Lynch present.

In the afternoon of November 2, 2012, the committee of independent directors of KBW met, together with Richards Layton, Sullivan & Cromwell and BofA Merrill Lynch. BofA Merrill Lynch reviewed with the committee financial matters relating to the proposed transaction with Stifel. Richards Layton and Sullivan & Cromwell discussed the latest proposed terms of the transaction and status of discussions with Stifel. From that date and until the merger agreement was signed in the morning of November 5, 2012, Messrs. Senchak and Michaud and representatives of Sullivan & Cromwell, each at the direction of the committee of independent directors of KBW, negotiated the merger agreement and related documents with Mr. Kruszewski and representatives of Bryan Cave. At the instruction of the committee of independent directors, significant issues negotiated included (i) the ability of KBW to consider higher offers after entering into the merger agreement, (ii) the right of KBW's board to change its recommendations to stockholders in favor of the merger as well as the right to terminate the merger agreement for a higher offer, (iii) the size of the termination fee payable in such circumstances, (iv) the absence of commitments from KBW directors to vote in favor of the merger and against alternative transactions and (v) the conditions to closing of the merger. Messrs. Giambrone and Kleinman negotiated the changes to their contractual change of control rights separately with Mr. Kruszewski.

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On November 3, 2012, the committee of independent directors of KBW held an informational meeting with Messrs. Senchak, Michaud and Duffy to hear their perspectives on the proposed terms of the transaction and the independent directors further discussed the proposed transaction among themselves and concluded to continue discussions with Stifel on the proposed terms.

Also on November 3, 2012, Mr. Kruszewski scheduled and held a special meeting with the independent members of the Stifel board to further update them on and discuss the proposed terms of the transaction.

On November 4, 2012, the KBW board met, together with senior management, Richards Layton, Sullivan & Cromwell, BofA Merrill Lynch and Keefe, Bruyette & Woods, which had also been engaged to act as a financial advisor to KBW, to discuss the latest status of negotiations with Stifel and to potentially act on a proposal to approve the proposed merger. Sullivan & Cromwell provided a summary of the negotiations of the proposed merger agreement, the terms and conditions of the proposed merger and the interests of officers and certain directors in the proposed transaction. Sullivan & Cromwell and Richards Layton also reviewed the directors' fiduciary duties with respect thereto. BofA Merrill Lynch and Keefe, Bruyette & Woods reviewed with the KBW board their respective financial analyses of the merger consideration and each delivered to the KBW board an oral opinion, confirmed by delivery of a written opinion dated November 4, 2012, to the effect that, as of such date and based on and subject to various assumptions and limitations described in its respective opinion, the merger consideration to be received pursuant to the merger agreement by holders of KBW common stock was fair, from a financial point of view, to such holders. The board then temporarily adjourned so that the committee of independent directors of KBW could meet alone with Richards Layton and Sullivan & Cromwell to discuss the terms of the proposed transaction and their recommendation. After discussion of the proposed transaction and the process leading up to it, the committee concluded that the proposed transaction was in the best interests of KBW and its stockholders, and that the transaction should be recommended to the full KBW board, and unanimously adopted a resolution to that effect. The KBW board meeting then reconvened, and the independent directors presented their recommendation to the full board. After discussion, the KBW board adopted a resolution concluding that the proposed transaction was in the best interests of KBW and its stockholders, authorizing the execution and delivery of the merger agreement and the completion of the proposed transaction and recommending that KBW stockholders vote to adopt the merger agreement.

On November 4, 2012, the Stifel board reconvened telephonically to formally consider the transaction, at which meeting members of Stifel's senior management and its legal and financial advisors reviewed various matters with the Stifel board relating to, and the Stifel board discussed, the potential merger. Representatives from Bryan Cave reviewed the board's fiduciary duties in connection with the consideration of the proposed transaction and presented summaries of the terms of the merger agreement and other agreements proposed to be entered into in connection with the transaction. Following a discussion, Stifel's board of directors approved the merger agreement and the transactions contemplated by the merger agreement in substantially the form presented to the board on November 4, 2012.

Mr. Kruszewski traveled to New York in the evening of November 4, 2012 to execute the merger agreement and for the purpose of preparing to announce the transaction the following morning from New York.

On November 5, 2012, before the commencement of trading in the shares of Stifel and of KBW, the parties executed the merger agreement and both firms issued a joint press release announcing the execution of the merger agreement and the transaction.

### **KBW's Reasons for the Merger**

The KBW board of directors, at the meeting described above on November 4, 2012 and upon the unanimous recommendation by its committee of independent directors, has unanimously (i) determined that the merger agreement and the transactions contemplated thereby, including the merger, are fair to and in the best interests of KBW and its stockholders, (ii) approved the merger agreement and the transactions contemplated thereby, including the merger, and declared it advisable that KBW enter into the merger agreement and (iii) resolved to recommend that the KBW stockholders adopt the merger agreement and thereby approve the transactions

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contemplated therein, including the merger, and directed that such matter be submitted for consideration of the KBW stockholders at a special meeting.

In evaluating the merger agreement, the merger, and the other transactions contemplated by the merger agreement, the KBW board of directors consulted with KBW's senior management team, as well as KBW's internal and outside legal and financial advisors and, in reaching its decision to approve and declare advisable the merger agreement, the merger, and the other transactions contemplated by the merger agreement and to recommend that the KBW stockholders adopt the merger agreement and approve the transactions contemplated thereby, the KBW board considered the recommendation of its committee of independent directors and a number of other factors. The material factors considered by the KBW board were the same factors considered by the committee of independent directors in arriving at its decision to recommend the merger to the KBW board and included the following:

KBW's and Stifel's financial performance and condition, results of operations, management, business quality, prospects, competitive position and businesses as separate entities and on a combined basis;

current financial market conditions and historical market prices, volatility and trading information with respect to KBW common stock and Stifel common stock;

the intrinsic value and historical market prices of KBW common stock and the fact that the implied value of the merger consideration as of November 2, 2012 of \$17.50 for each share of KBW common stock (with the aggregate merger consideration calculated on a fully-diluted basis) represented a multiple of approximately 1.5x of KBW's stated tangible book value as of September 30, 2012 and, if such implied value and KBW's tangible book value as of September 30, 2012 are adjusted for KBW's excess capital at the closing of the merger as estimated by the parties, a multiple of approximately 2.5x of KBW's tangible book value as so adjusted and of such date;

the financial and other terms of the merger agreement, including the exchange ratio and collar, cash consideration, deal protection and termination fee provisions;

the fact that a portion of the merger consideration is in Stifel common stock, which would allow KBW stockholders to participate in the future performance of the combined company;

the fact that the exchange ratio for Stifel common stock to be received in the merger provides a substantial measure of price protection by floating within a range of 0.2143 and 0.2586, which allows the value of the Stifel shares to be received in the merger (based on Stifel's volume weighted average trading prices on each of the ten trading days prior to the effective time of the merger) to be fixed at \$7.50 as long as Stifel's volume weighted average trading prices for the ten days prior to the effective time of the merger is between \$29.00 and \$35.00;

the KBW board's conclusion that Stifel's earnings and prospects make it more likely that the combined company will have superior future earnings and prospects compared to KBW's earnings and prospects on an independent basis, which, absent a significant improvement in economic conditions, the KBW board did not expect to materially improve in the near future;

the complementary nature of the business strategies, customers and geographic markets of the two companies, which KBW management believes should provide the opportunity to mitigate integration risks and increase potential returns;

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the KBW board's knowledge of the current and prospective environment in which KBW operates, including national, local and international economic conditions, the competitive environment, the trend toward consolidation in the financial services industry and the likely effect of these factors on KBW's potential growth, development, productivity, profitability and strategic options;

the adverse effect on KBW caused by the general economic downturn and the specific decline in volume of capital raising and strategic transactions in the financial services industry;

the extensive review undertaken by the KBW board and management with respect to the strategic alternatives available to KBW;



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the inquiries that had been made both by and to KBW regarding a possible strategic transaction, which resulted in no competing proposals, including by parties that had expressed interest in a transaction with KBW, and the absence of any ongoing discussions that could lead to any such competing proposal;

the ability of other parties to make a proposal to acquire KBW following announcement of a merger with Stifel, and the limited nature and scope of any provisions of the merger agreement limiting any such proposals or KBW's flexibility in responding to any potentially superior proposal so received;

the separate opinions, each dated November 4, 2012, of BofA Merrill Lynch and Keefe, Bruyette & Woods to the KBW board of directors as to the fairness, from a financial point of view and as of such date, of the merger consideration to be received pursuant to the merger agreement by holders of KBW common stock, which opinions were based on and subject to the assumptions made, procedures followed, factors considered and limitations on the review undertaken as more fully described in the section entitled Opinions of KBW's Financial Advisors beginning on page 71;

the results of due diligence investigations by management with the assistance of KBW's legal and other advisors;

the nature and amount of payments and other benefits to be received by KBW management in connection with the merger pursuant to the merger agreement, existing KBW plans and compensation arrangements and arrangements entered into in connection with the merger agreement;

the fact that retention arrangements were offered to, and accepted or expected to be accepted by most of, a group of more than 90 key employees, which should reduce the execution and integration risks regarding the merger, and that senior management members had entered into, or were expected to execute, agreements to reduce and/or appropriately modify the benefits they otherwise would have been entitled to under existing arrangements;

the limited regulatory approvals that would be required for the consummation of a merger with Stifel;

the absence of any right of KBW to terminate the merger agreement if the value of Stifel common stock falls below \$29 (which could cause a reduction in the aggregate merger consideration payable to stockholders as a result of the collar around the exchange ratio);

the risk that, despite the efforts of KBW and Stifel, key KBW personnel might not remain employed by KBW or, following the closing, the combined company;

the potential for diversion of management and employee attention during the period prior to the completion of the merger and the potential effect on KBW's business and relations with customers, service providers and other stakeholders, whether or not the merger is completed;

the risk that potential benefits sought in the transaction may not be achieved in the expected timeframe or at all;

the possibility that the merger might not receive timely regulatory clearances from the appropriate government agencies or self-regulatory organizations;

the requirement that KBW conduct its business in the ordinary course and the other restrictions on the conduct of KBW's business prior to completion of the merger, which may delay or prevent KBW from undertaking business opportunities that may arise pending completion of the merger;

that the consummation of the merger will preclude KBW stockholders from participating directly in any future growth of KBW were it to remain an independent public company; and

the risks described in the section entitled "Risk Factors" beginning on page 45.

The foregoing discussion of the factors considered by the KBW board of directors and its committee of independent directors is not intended to be exhaustive, but rather includes the material factors considered by the

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KBW board and its committee of independent directors. In reaching its decision to approve and declare advisable the merger agreement, the merger and the other transactions contemplated by the merger agreement and to unanimously recommend that the KBW stockholders adopt the merger agreement and approve the transactions contemplated thereby, including the merger, the KBW board of directors, and in its recommendation of such decision, the committee of independent directors, did not view any single factor as determinative, and did not find it necessary or practicable to assign any relative or specific weights to the various factors considered. Furthermore, individual directors may have given differing weights to the various factors.

### **Recommendation of the KBW Board of Directors**

Acting upon the unanimous recommendation of its committee of independent directors, the KBW board of directors believes that the merger and the merger agreement are advisable, and are fair to, and in the best interests of, KBW and its stockholders and recommends that KBW stockholders vote FOR the proposal to adopt the merger agreement and thereby to approve the transactions contemplated by the merger agreement, including the merger.

### **Opinions of KBW's Financial Advisors**

#### Merrill Lynch, Pierce, Fenner & Smith Incorporated

KBW has retained BofA Merrill Lynch to act as its financial advisor in connection with the transaction. On November 4, 2012, at a meeting of KBW's board of directors held to evaluate the transaction, BofA Merrill Lynch rendered to KBW's board of directors an oral opinion, confirmed by delivery of a written opinion dated November 4, 2012, to the effect that, as of such date and based on and subject to various assumptions and limitations described in its opinion, the merger consideration to be received pursuant to the merger agreement by holders of KBW common stock was fair, from a financial point of view, to such holders. For purposes of BofA Merrill Lynch's opinion and the description of such opinion in this proxy statement/prospectus, the cash portion of the merger consideration was inclusive of the extraordinary dividend amount permitted to be paid as of the date of such opinion, which dividend amount subsequently was paid on December 17, 2012.

The full text of BofA Merrill Lynch's written opinion, dated November 4, 2012, to KBW's board of directors, which describes, among other things, the assumptions made, procedures followed, factors considered and limitations on the review undertaken, is attached as **Annex B** to this proxy statement/prospectus and is incorporated by reference herein in its entirety. The following summary of BofA Merrill Lynch's opinion is qualified in its entirety by reference to the full text of the opinion. **BofA Merrill Lynch delivered its opinion to KBW's board of directors for the benefit and use of KBW's board of directors (in its capacity as such) in connection with and for purposes of its evaluation of the merger consideration from a financial point of view. BofA Merrill Lynch's opinion did not address any other aspect of the transaction and no opinion or view was expressed as to the relative merits of the transaction in comparison to other strategies or transactions that might be available to KBW or in which KBW might engage or as to the underlying business decision of KBW to proceed with or effect the transaction. BofA Merrill Lynch also expressed no opinion or recommendation as to how any stockholder should vote or act in connection with the transaction or any related matter.**

In connection with its opinion, BofA Merrill Lynch, among other things:

reviewed certain publicly available business and financial information relating to KBW and Stifel;

reviewed certain internal financial and operating information with respect to the business, operations and prospects of KBW furnished to or discussed with BofA Merrill Lynch by KBW's management, including certain financial forecasts relating to KBW prepared by KBW's management, referred to as the KBW forecasts;

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reviewed certain internal financial and operating information with respect to the business, operations and prospects of Stifel furnished to or discussed with BofA Merrill Lynch by Stifel's management, including certain financial forecasts relating to Stifel prepared by Stifel's management, referred to as the Stifel forecasts;

reviewed certain estimates as to the amount and timing of cost savings, referred to as the cost savings, anticipated by the managements of KBW and Stifel to result from the transaction;

discussed the past and current business, operations, financial condition and prospects of KBW and Stifel with members of senior managements of KBW and Stifel;

discussed with the managements of KBW and Stifel their assessments as to (a) certain regulatory and legislative developments affecting financial institutions and the potential impact thereof on KBW and Stifel and (b) KBW's and Stifel's existing and future relationships, agreements and arrangements with, and Stifel's ability to retain, key customers and employees of KBW and Stifel and ability to integrate the businesses of KBW and Stifel;

reviewed the potential pro forma financial impact of the transaction on the future financial performance of Stifel after taking into account potential cost savings, including the potential effect on Stifel's estimated earnings per share, based on certain publicly available financial forecasts relating to Stifel provided to BofA Merrill Lynch by Stifel's management, referred to as the Stifel public forecasts, and the KBW forecasts as adjusted by Stifel's management, referred to as the Stifel-KBW forecasts;

reviewed the trading histories for KBW common stock and Stifel common stock and a comparison of such trading histories with each other and with the trading histories of other companies BofA Merrill Lynch deemed relevant;

compared certain financial and stock market information of KBW and Stifel with similar information of other companies BofA Merrill Lynch deemed relevant;

compared certain financial terms of the transaction to financial terms, to the extent publicly available, of other transactions BofA Merrill Lynch deemed relevant;

reviewed a draft, dated November 3, 2012, of the merger agreement; and

performed such other analyses and studies and considered such other information and factors as BofA Merrill Lynch deemed appropriate.

In arriving at its opinion, BofA Merrill Lynch assumed and relied upon, without independent verification, the accuracy and completeness of the financial and other information and data publicly available or provided to or otherwise reviewed by or discussed with it and relied upon the assurances of the managements of KBW and Stifel that they were not aware of any facts or circumstances that would make such information or data inaccurate or misleading in any material respect. With respect to the KBW forecasts, BofA Merrill Lynch was advised by KBW, and assumed, that they were reasonably prepared on bases reflecting the best currently available estimates and good faith judgments of KBW's management as to the future financial performance of KBW. With respect to the cost savings, BofA Merrill Lynch was advised by KBW and Stifel, and assumed, with KBW's consent, that they were reasonably prepared on bases reflecting the best currently available estimates and good faith judgments of the managements of KBW and Stifel as to such cost savings. With respect to the Stifel forecasts, the Stifel public forecasts and the Stifel-KBW forecasts, BofA Merrill Lynch was advised by Stifel, and assumed, with KBW's consent, that the Stifel forecasts were reasonably prepared on bases reflecting the best currently available estimates and good faith judgments of Stifel's management as to the future financial performance of Stifel and that the Stifel public forecasts and the Stifel-KBW forecasts were a reasonable basis upon which to evaluate the potential pro forma financial impact of the transaction on Stifel. In addition, BofA Merrill Lynch relied, at KBW's direction, upon the

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assessments of the managements of KBW and Stifel as to (i) certain regulatory and legislative developments affecting financial institutions and the potential impact thereof on KBW and Stifel and (ii) KBW's and Stifel's existing and future relationships, agreements and arrangements with, and Stifel's ability to retain, key customers and employees of KBW and Stifel and ability to integrate the businesses of KBW and

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Stifel. BofA Merrill Lynch assumed, with KBW's consent, that there would be no developments with respect to any such matters that would be meaningful to its analyses or opinion. For purposes of its opinion, BofA Merrill Lynch also assumed, at KBW's direction, that the cash consideration to be received by holders of KBW common stock at the closing of the merger would equal \$10.00 per share whether payable as part of the merger consideration or as extraordinary dividends prior to closing.

BofA Merrill Lynch is not an expert in the evaluation of loan portfolios or allowances for losses with respect thereto and it was not requested to, and it did not, conduct a review of individual credit files or make an analysis of, nor did BofA Merrill Lynch express any opinion or view as to, the adequacy or sufficiency of Stifel's or any other entity's allowances for losses or any other related matters. BofA Merrill Lynch was advised and therefore assumed that such allowances for losses were, and on a pro forma basis would be, in the aggregate appropriate to cover such losses. BofA Merrill Lynch did not make and was not provided with any independent evaluation or appraisal of the assets or liabilities (contingent or otherwise) of KBW, Stifel or any other entity, nor did BofA Merrill Lynch make any physical inspection of the properties or assets of KBW, Stifel or any other entity and BofA Merrill Lynch assumed, with KBW's consent, that there were no material undisclosed liabilities of or relating to KBW, Stifel or any other entity for which appropriate reserves or other provisions had not been made. BofA Merrill Lynch did not evaluate the solvency or fair value of KBW, Stifel or any other entity under any state, federal or other laws relating to bankruptcy, insolvency or similar matters. BofA Merrill Lynch assumed, at KBW's direction, that the transaction would be consummated in accordance with its terms without waiver, modification or amendment of any material term, condition or agreement and that, in the course of obtaining the necessary governmental, regulatory and other approvals, consents, releases and waivers for the transaction, no delay, limitation, restriction or condition, including any divestiture requirements or amendments or modifications, would be imposed that would have an adverse effect on KBW, Stifel or any other entity or the transaction (including the contemplated benefits of the transaction) in any respect meaningful to BofA Merrill Lynch's analyses or opinion. BofA Merrill Lynch also assumed, at KBW's direction, that the transaction would constitute an integrated plan that would qualify for federal income tax purposes as a reorganization under the provisions of Section 368(a) of the Code or, if the transaction did not qualify as a reorganization, that the merger and the second-step merger would be treated as separate transactions for federal income tax purposes. BofA Merrill Lynch further assumed, at KBW's direction, that the final executed merger agreement would not differ in any material respect from the draft version of the merger agreement reviewed by BofA Merrill Lynch.

BofA Merrill Lynch expressed no view or opinion as to any terms or other aspects or implications of the transaction (other than the merger consideration to the extent expressly specified in its opinion), including, without limitation, the form or structure of the merger consideration or the transaction or any terms, aspects or implications of any other agreement, arrangement or understanding entered into in connection with or related to the transaction or otherwise. BofA Merrill Lynch's opinion was limited to the fairness, from a financial point of view, of the merger consideration to be received by holders of KBW common stock and no opinion or view was expressed with respect to any consideration received in connection with the transaction by the holders of any class of securities, creditors or other constituencies of any party. In addition, no opinion or view was expressed with respect to the fairness (financial or otherwise) of the amount, nature or any other aspect of any compensation to any officers, directors or employees of any party to the transaction, or class of such persons, relative to the merger consideration or otherwise. BofA Merrill Lynch was not requested to, and it did not, solicit indications of interest or proposals from third parties regarding a possible acquisition of all or any part of KBW or any alternative transaction; however, KBW's management informed BofA Merrill L