Navigating the Storm

Stifel Financial

Annual Report 2008

Company Description

Stifel Financial Corp. is the holding company for Stifel, Nicolaus & Company, Incorporated, a full-service brokerage and investment banking firm established in 1890 and headquartered in St. Louis, Missouri. The Company provides securities brokerage, investment banking, trading, investment advisory, and related financial services through its wholly owned subsidiaries, primarily Stifel Nicolaus, to individual investors, professional money managers, businesses, and municipalities.

Statement of Commitment

To Our Associates — current and future, our commitment is to provide an entrepreneurial environment that encourages unconfined, long-term thinking. We seek to reward hard-working team players that devote their energy and attention to client needs. At work, at home, and in their communities, we seek to be their Firm of Choice.

To Our Clients — individual, institutional, corporate, and municipal, our commitment is to listen and consistently deliver innovative financial solutions. Putting the welfare of clients and community first, we strive to be the Advisor of Choice in the industry. Pursuit of excellence and a desire to exceed clients' expectations are the values that empower our Company to achieve this status.

To Our Shareholders — small and large, our commitment is to create value and maximize your return on investment through all market cycles. By achieving the status of Firm of Choice for our professionals and Advisor of Choice for our clients, we are able to deliver value to our shareholders as their Investment of Choice.

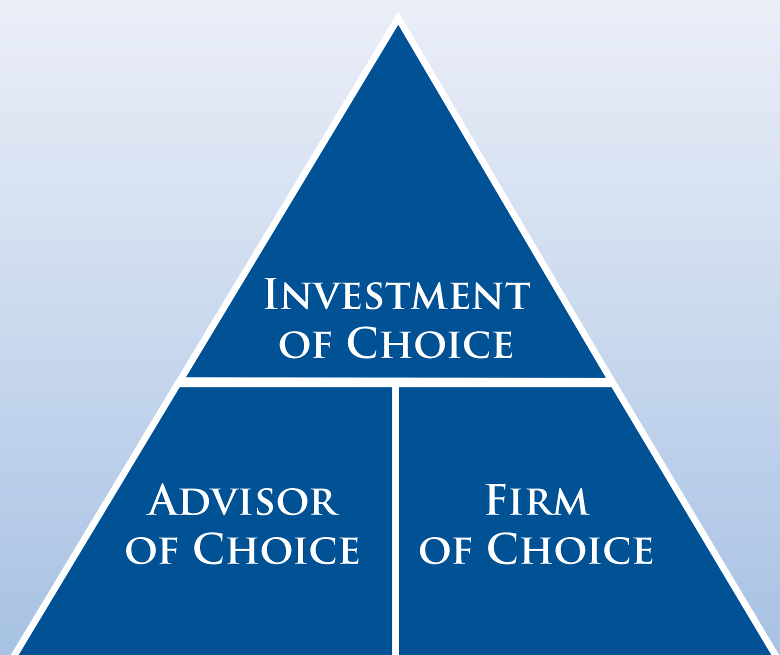


Photo of Ronald J. Kruszewski courtesy of Brian Cassidy, *St. Louis Business Journal*

Financial Highlights

OPERATING RESULTS

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	2004	2005	2006	2007	2008
Total Revenues	$251,189	$270,010	$471,388	$793,090	$888,847
Net Income	$23,148	$19,644	$15,431	$32,170	$55,502
Earnings Per Diluted Share[1]	$1.25	$1.04	$0.74	$1.25	$1.98
Core Earnings[2]	$23,148	$21,616	$39,590	$66,788	$71,380
Core Earnings Per Diluted Share[1,2]	$1.26	$1.15	$1.90	$2.60	$2.54

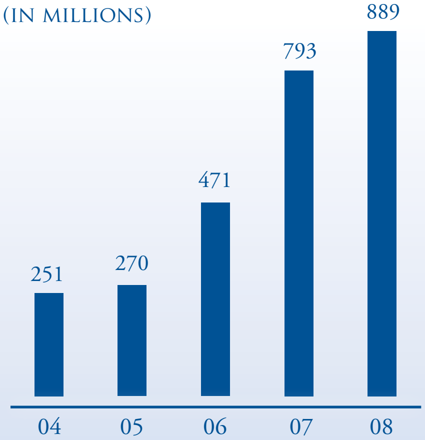
FINANCIAL POSITION

	2004	2005	2006	2007	2008
Total Assets	$382,314	$842,001	$1,084,774	$1,499,440	$1,558,145
Stockholders' Equity	$131,312	$155,093	$220,265	$424,637	$593,185
Book Value Per Share[1]	$9.02	$10.21	$12.36	$18.36	$22.68

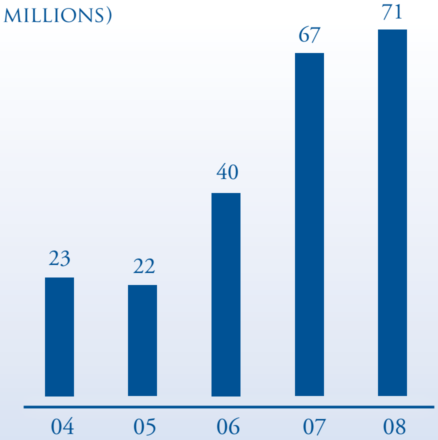
[1] *All stock price amounts reflect the four-for-three stock split distribution in September 2004 and three-for-two stock split in June 2008.*

[2] *Core Earnings and Core Earnings Per Diluted Share, non-GAAP measures, represent GAAP net income and GAAP diluted earnings per share adjusted for acquisition-related charges, principally compensation related to the acquisition of Legg Mason Capital Markets for 2006, 2007, and 2008 and compensation charges related to the acceleration of vesting for the Ryan Beck deferred compensation plans for 2007. See Reconciliation of GAAP Net Income to Core Earnings on the inside back cover.*

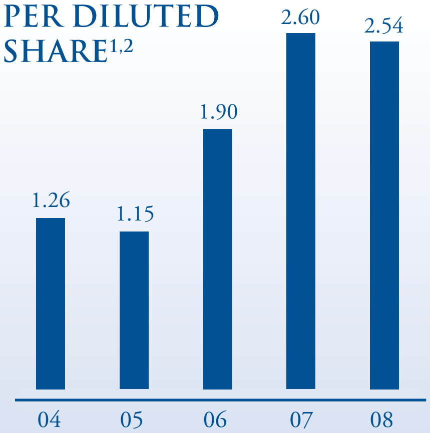
TOTAL REVENUES
(IN MILLIONS)



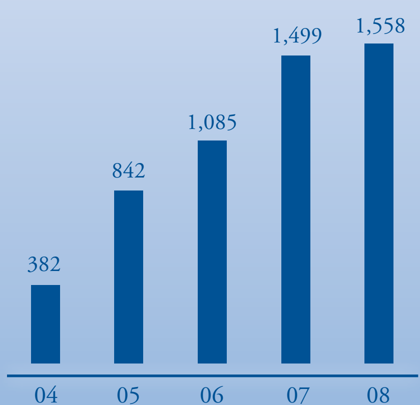
CORE EARNINGS[2]
(IN MILLIONS)



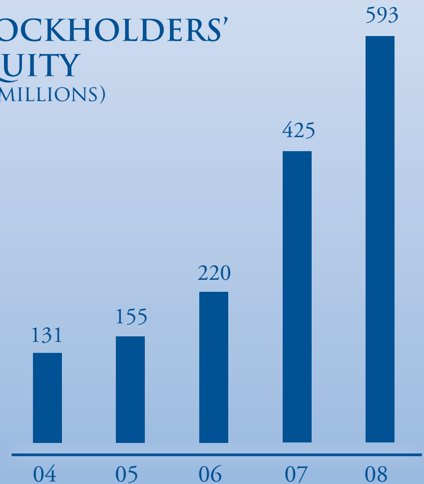
CORE EARNINGS PER DILUTED SHARE[1,2]



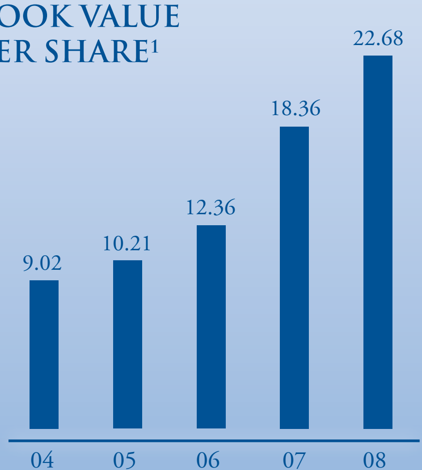
TOTAL ASSETS
(IN MILLIONS)



STOCKHOLDERS' EQUITY
(IN MILLIONS)



BOOK VALUE PER SHARE[1]



Shareholder Letter

Navigating the Storm

Ronald J. Kruszewski
Chairman, President, and Chief Executive Officer

Dear Fellow Shareholders, Clients, and Associates:

Navigating the storm. And what a storm 2008 proved to be. At the beginning of the year, there existed five large independent investment banks. Today, there are two. Bear Stearns was absorbed into J.P. Morgan Chase, Lehman Brothers declared bankruptcy, and Merrill Lynch apparently found it necessary to sell itself to Bank of America. The two remaining large firms, Goldman Sachs and Morgan Stanley, while still independent, converted to bank holding companies. That's not all. The government effectively nationalized AIG and placed Fannie Mae and Freddie Mac into conservatorship. The country's mortgage-banking industry is in disarray. Citigroup is deleveraging and dismantling its universal bank model, underscored by its announced spin-off of Smith Barney. IndyMac and 24 other banks were taken over by the FDIC in 2008. Washington Mutual was acquired by J.P. Morgan Chase, and Wachovia sold itself to Wells Fargo. The market reflected the carnage, as the S&P 500 ended 2008 42% off its high achieved in October 2007.

Our Company's 2008 Performance

Amid the 2008 maelstrom, I am pleased to report that Stifel Financial Corp. navigated the storm in extraordinary fashion. As way of reference, U.S. securities industry net revenue declined 19%, resulting in a collective pre-tax loss of $34 billion. In contrast, Stifel Financial's net revenue increased 14% to a record $870 million, marking our 13th consecutive year of record net revenue. Core net income was a record $71 million, up 7% from the record established in 2007. We remain very well capitalized, as evidenced by the following benchmarks achieved as of December 31, 2008:

- Stockholders' equity of $593 million, or $22.68 per share.
- Tier-one capital ratio of 49%, which is 12 times the required level.
- Net capital ratio of 58%, 18 times the required level.
- Our core return on equity, achieved without employing the excessive leverage of many of our industry brethren, totaled 15%.

For the year, our stock price increased 31% vs. declines of 37% for the S&P 500 and 62% for the Securities Broker-Dealer Index. Over five years, our stock price has achieved a compound annual growth rate of 35% as compared to compound annual declines of 2% for the S&P 500 and 10% for the Securities Broker-Dealer Index.

What explains our Company's extraordinary performance, especially in the difficult market environment of 2008? The answer remains the same as last year. Instead of employing financial leverage, we simply strive to leverage our infrastructure and capabilities through the addition of talented, entrepreneurial people. Since 2000, we have leveraged our capabilities through the addition of approximately 2,400 associates, bringing the total to more than 3,500 today. This growth, in turn, has resulted in a 391% increase in net revenue over this same time frame. In short, the intellectual capital and energy of our people represents the franchise value of our Company.

Importantly, the interests of our associates remain aligned with our shareholders. Our compensation systems are closely aligned with performance; performance as measured in a fashion that does not leave Stifel with unwarranted residual risk. Moreover, our associates own over 45 percent of our stock, on a fully diluted basis.

The following milestones demonstrate our commitment to growth through the addition of new associates from the beginning of 2008 through March 2009.

• We opened 62 new offices and added 231 Financial Advisors to our Company, net of departures. These totals include the acquisition of Butler Wick, which closed on December 31, 2008, and added 75 Financial Advisors and 18 branch offices.

• In March 2009, we entered into an agreement to acquire up to 58 Private Client Group branches from the UBS Wealth Management Americas branch network, in a deal that will further extend our geographic presence and strengthen our brokerage position. Expected to close in the third quarter of 2009, this transaction could bring Stifel up to 340 new Financial Advisors in 24 states, and we expect it to be accretive to our earnings in the first year.

• We expanded the scope and capability of our Public Finance practice through the addition of 25 professionals and the opening of 4 new offices in Chicago, Illinois; Lansing, Michigan; New York, New York; and San Antonio, Texas. In addition, during the first quarter of 2009, we opened two new Public Finance offices in Cleveland and Columbus, Ohio.

• We have added 61 associates to our Equity Capital Markets Group, including 24 in investment banking, 17 in sales and trading, and 13 in research.

• We have added 55 associates in Fixed Income Capital Markets, adding significantly to sales, trading, and Public Finance, including the addition of 12 highly regarded professionals to spearhead a new Aircraft Finance and Credit Solutions practice.

• We have added 87 associates to our client service areas to support our growth.

Other notable accomplishments in 2008 include:

• We continued our award-winning research efforts, ranking #1 out of 246 firms in both stock-picking performance and earnings accuracy. As a result, our institutional cash equity business increased to $160 million, up 33% from 2007.

• Our Private Client Group posted record net revenue of $461 million, up 6% from the previous record set in 2007.

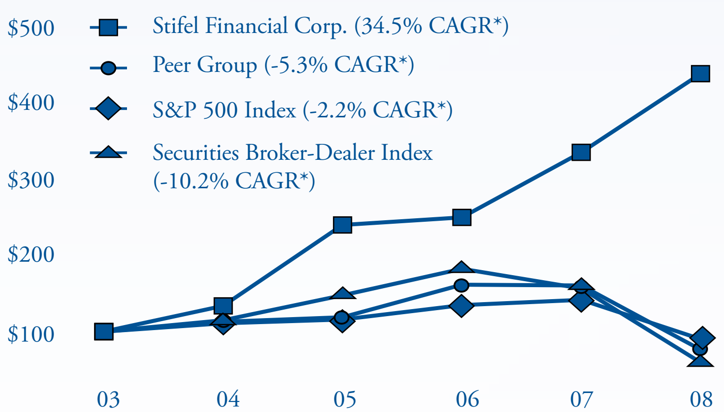
• Our Fixed Income Capital Markets business posted record net revenue of $175 million, up 170% from 2007. Simply stated, this segment produced outstanding results in 2008.

• Our Public Finance Group acted as sole, senior, or co-manager on 535 transactions totaling $12 billion.

• Our Equity Capital Markets segment posted revenue of $216 million, an outstanding result considering the difficult investment banking environment during the year.

• Stifel Bank grew assets 35% to $361 million, while adding 35 new associates.

INVESTMENT OF CHOICE

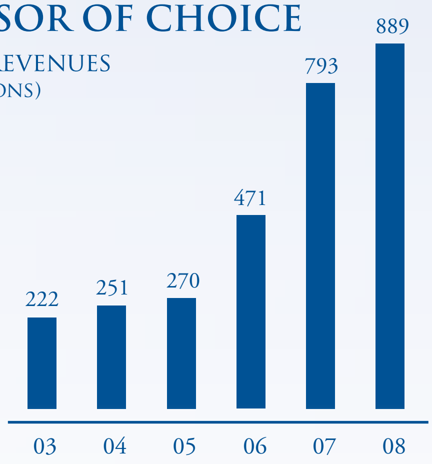


** Compound Annual Growth Rate*

The above graph assumes $100 invested on an indexed basis, with dividends reinvested, in Stifel Financial Corp. common stock, a Peer Group Index (consisting of six companies, including Stifel, that serve the same markets as us and which compete with us in one or more markets), the S&P 500 Index, and the Securities Broker-Dealer Index (consisting of 12 firms in the brokerage sector, excluding Stifel) for the period December 31, 2003 to December 31, 2008.

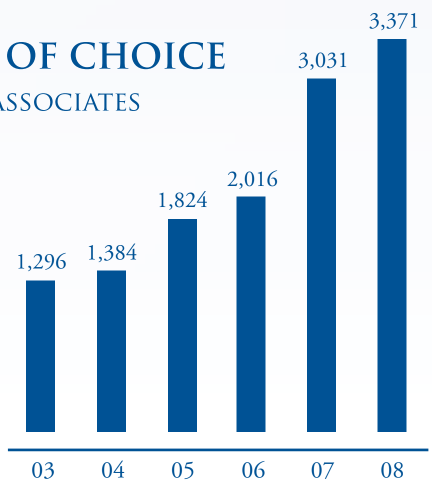
ADVISOR OF CHOICE

Total Revenues
(in millions)



FIRM OF CHOICE

Stifel Associates



Shareholder Letter

What happened to our financial system?

There are no simple answers to complex problems, especially problems that have accumulated over time. In last year's letter, I quoted Warren Buffett, who stated, "It is easy to put on leverage, and not so easy to take leverage off." 2008 proved that adage true.

In my view, the current crisis is the result of speculative investment fueled by excessive leverage. The leverage was enabled through aggressive asset securitization endorsed by overly optimistic credit agencies. The resulting crisis is a classic Irving Fisher debt deflationary recession (certainly as it applies to financial institutions), whereby the reduction of debt leads to distress selling, which leads to a fall in the level of prices. This in turn reduces net worth and profit potential, leading to bankruptcies, all of which results in a loss of confidence. The consequence is a reduction in lending, which feeds the cycle.

There are two fundamental ways out of this situation: a deep, prolonged recession or inflationary credit expansion. The recession is already upon us, but it is politically unacceptable to let the recession run its natural course without government intervention. The second option, inflationary credit expansion, is the apparent policy choice today. In effect, the policy-makers are encouraging debt over savings in order to stimulate the economy. Ironically, it is this policy which got us into this mess in the first place.

Looking forward, a policy of inflationary credit expansion will result in low interest rates for a period of time and materially increased government debt. Sound familiar? If this policy is successful, it will fuel the flow of credit, which will increase economic growth and result in a firming of asset pricing. If not successful, we may merely be kicking a bigger problem to the future.

What do we do now?

As Fed Chairman Ben Bernanke has repeatedly stated, "until we stabilize the financial system, a sustainable economic recovery will remain out of reach." We agree. We also believe the following issues need to be addressed:

Too big to fail — No concept seems more antithetical to capitalism than the phrase, *too big to fail*. Effective capitalism requires failure. The concentration of financial power coupled with the moral hazard which accompanies the implicit government backing of companies deemed too big to fail will cause market distortions and eventually threaten our financial system. This is not an easy issue, as many institutions today are too big to fail. In addition, we have compounded the issue by encouraging these same financial institutions to acquire other failing large institutions (often with government subsidy), making the resulting entity even more difficult to regulate and, again, too big to fail. While not a popular concept among the financial giants today, the only real way to reduce systemic risk and strengthen our financial system is to not allow any institution to become too big to fail. This needs to be a global policy to address the tired arguments that U.S.-based institutions must be big enough to compete globally.

Derivatives — There is no question that derivatives are an essential tool for managing risk. However, many derivative contracts are structured and traded in a manner which makes it difficult to monitor and assess counterparty risk and systemic risk. We need to develop clearing houses, which will reduce the aforementioned risks. This initiative cannot be completed fast enough. In addition, we need to thoughtfully evaluate the question of who has an appropriate "insurable interest" with respect to credit default swaps.

Pro-cyclical regulation — Regulation and accounting policy should not exaggerate the cyclical nature of the financial services industry but rather be more counter-cyclical. For example, during good economic times, banks should be required to increase potential loss reserves, and during difficult times, these reserves may actually fall as assets are written down. The same is true of mark-to-market accounting. Our regulations and accounting policies should recognize that business and the economy are neither as good nor as bad as a current snapshot would suggest.

Short-sale symmetry — A number of questions exist regarding short selling. We believe that short selling is an important element of any market and enhances liquidity. However, the rules for short selling should have symmetry with the rules regarding long purchases, as follows:

- *Require delivery of shares sold short* – The current rules for settling short sales are different than those for long purchases, and as a result, naked short selling can and does occur. This discrepancy should be eliminated.
- *Provide equal disclosure of short positions* – The current disclosure rules regarding long positions should be applied to short positions. Short positions should be reported on a quarterly basis, and any short position in excess of 5% of shares outstanding should be reported on the same basis as 5% long positions. Transparency is key to this issue.

Our outlook

There is no question these are difficult and tumultuous times. However, during times of market upheaval, significant opportunities exist for the companies that are both well positioned and well capitalized. Stifel Financial is one of these companies. The environment to attract and retain entrepreneurial and capable people, which will result in increased market share, has never held greater promise. We intend to continue to seize this opportunity.

As always, we offer our sincere thanks to our shareholders and to our clients for their support and to our associates for their continued commitment to excellence.

Ronald J. Kruszewski
Chairman, President, and Chief Executive Officer
April 13, 2009

Private Client Group

The Private Client Group consists of 1,142 Financial Advisors in 196 offices located in 35 states and the District of Columbia, along with 173 independent contractors affiliated with Century Securities Associates. Led by President and Co-Chief Operating Officer Scott McCuaig and Chief Financial Officer Jim Zemlyak, the Private Client Group has been, and continues to be, the largest contributor to the Company's net revenues and profits and again produced record results.

Financial highlights for the Private Client Group in 2008 include:

- Net revenue of $461.4 million, an increase of 6% from 2007.
- Record operating contribution of $98 million, a 2% increase from 2007.

The firm's selective recruiting efforts continue to pay off, as more and more financial professionals make Stifel Nicolaus their Firm of Choice. The firm opened 34 Private Client Group offices in 2008, added 194 Financial Advisors, and finished the year ranked as the 10th-largest brokerage firm in the country in terms of registered representatives.

Eastern Region

Eastern Region Director Allen Brautigam expanded the firm's footprint into New Hampshire, South Carolina, and Vermont. Through organic growth, the firm added a total of 17 new Private Client Group offices.

In December, the firm closed on the acquisition of Youngstown, Ohio-based Butler Wick & Company, Inc., a regional firm with a culture and approach similar to Stifel's. This transaction enabled Stifel to gain a stronger presence in the Ohio Valley Region, bolstering the Eastern Region by giving the firm an additional 18 offices and 75 Financial Advisors in Ohio, Pennsylvania, and Western New York. This acquisition also allowed the firm to further build upon and capitalize on the experience gained through the successful acquisitions and integrations of the Legg Mason Capital Markets Group in 2005 and Ryan Beck in 2007.

Western Region

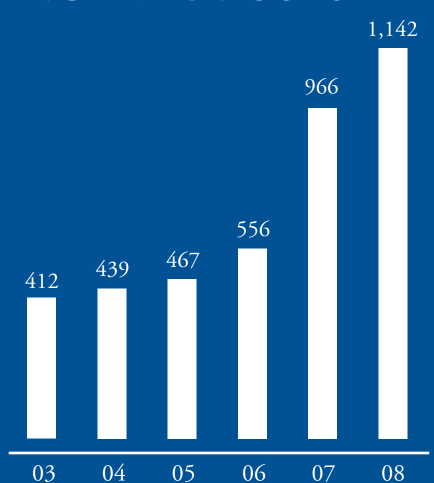
In August 2007, Stifel began its ambitious expansion efforts on the West Coast with the hiring of John Lee, Western Region Director. By the end of 2007, Lee had quickly established a foothold for the firm in California, opening four offices. In 2008, the firm continued its rapid pace of expansion in California with the addition of 11 more offices. 2008 also saw the opening of Stifel's first new offices in Arizona, Hawaii, Oregon, and Washington, for a total of 16 new offices.

Rocky Mountain Region

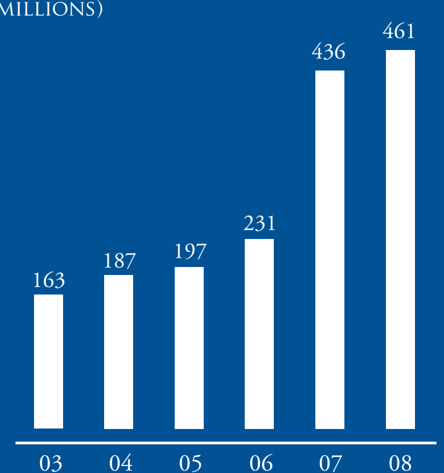
Always mindful of seizing opportunities as they become available, Stifel hired Paul Coffee as Managing Director for its Rocky Mountain Region.

Coffee comes to Stifel after 34 years at A.G. Edwards/Wachovia Securities, where he was Western Regional Director responsible for overseeing 70 offices. At Stifel, he will be spearheading the firm's expansion efforts in Colorado, Arizona, and Utah – states that have been identified as key areas for strategic growth in 2009.

FINANCIAL ADVISORS



NET REVENUES
(IN MILLIONS)

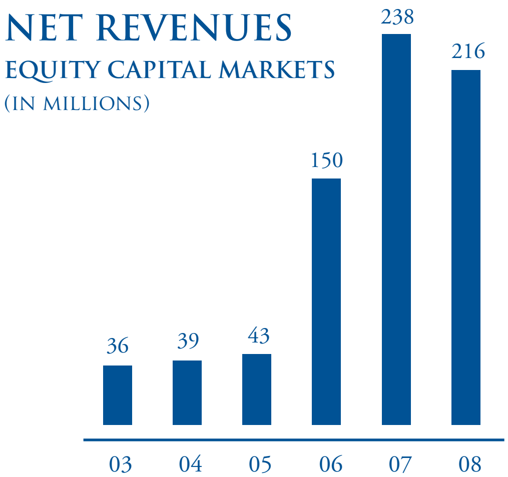


Equity Capital Markets

Investment Banking

The challenges of 2008 have produced major headwinds in the capital markets that continue into 2009. Stifel's Investment Banking Group, however, has withstood those challenges and taken advantage of unique opportunities to emerge stronger and better positioned to serve its clients' needs.

The Investment Banking Group consists of 12 industry-focused divisions: Aerospace, Defense & Government Services; Business Services; Consumer and Retail; Diversified Industrials; Education; Energy and Natural Resources; Financial Institutions; Healthcare; Real Estate; Technology; Telecommunications & Media; and Transportation, as well as Private Finance and Financial Sponsors Groups.



In 2008, the firm:

- Lead or co-managed 49 public offerings with aggregate proceeds exceeding $10.2 billion.
- Acted as financial advisor in 51 mergers and acquisitions with total consideration exceeding $3.2 billion.
- Served as placement agent in 3 transactions, raising $50 million.

The Group added a number of senior bankers during 2008 and early 2009 and now totals more than 120 investment banking professionals in 10 offices across the country. This influx of talent has effectively enhanced the firm's capabilities and positioned Stifel for future growth.

- The Aerospace, Defense & Government Services Group welcomed the addition of Tom Murphy, who is primarily focused on aerospace, defense, and security companies.
- The Energy and Natural Resources Group expanded through the addition of Patrick Keeley, Chris Shebby, Kerry McKeon, Julien Smythe, James Lee, and six other energy bankers. The group is co-headed by Sandy Stewart and Chris Shebby. Patrick Keeley serves as Co-Head of Investment Banking and works with other industry groups in business development, with a particular focus on Rule 144A equity transactions. Kerry McKeon focuses on the mining and metals sectors, with an emphasis on the coal industry, while Julien Smythe is focusing on growing the firm's presence in the Houston market.
- The Financial Institutions Group, led by Co-Head of Investment Banking Rick Maples, added Kent Carstater, Peter Kapp, and Scott Brewer. Peter Kapp and Kent Carstater serve as senior relationship officers with a primary focus on the banking sector, while Scott Brewer serves as a senior relationship officer covering the insurance industry.
- The Healthcare Group expanded its resources with the addition of Adam Kohn, who is primarily focused on the medical devices sector.
- The Technology Group added Doug Brockway, who offers extensive experience and strong relationships in the technology sector.
- The Financial Sponsors Practice welcomed Group Head Joe Purcell and Robert Kent, who lead the firm's commitment to building long-term relationships in the financial sponsor community.

Stifel Transactions Win "Deal of the Year" Awards

Three prominent Stifel transactions which closed in 2008 received recognition from leading trade publications.

$190,000,000

DOREL

Has Acquired

cannondale

Advisor to Buyer

February 2008

Stifel won both the Consumer Products and Retail M&A Turnaround Deal of the Year ($150 million and above) awards from the *M&A Advisor* and the Turnaround Deal of the Year award from *Buyouts* for its role as exclusive financial advisor to Dorel Industries, Inc. in its $200 million acquisition of the Cannondale Bicycle Corporation from an affiliate of Pegasus Capital Advisors. The Cannondale acquisition instantly made Dorel a leading global player in the premium end of the bicycle market and provided Dorel substantial critical mass and growth in the U.S. and Europe. Mitch Schaffer, Managing Director – Consumer Investment Banking, led Stifel's M&A team, supported by Director Jeffrey Sherry.

SPECIALTY COATING SYSTEMS

a portfolio company of

BUNKER HILL CAPITAL

Has Been Acquired by

BERWIND

Advisor to Seller

June 2008

The firm was recognized with Deal of the Year honors from *The Deal* magazine in the private equity sector and Small Market Deal of the Year from *Buyouts* magazine for serving as M&A advisor in the sale of Specialty Coating Systems Inc., a portfolio company of Bunker Hill Capital, to Berwind Corp. The approximately $200 million transaction closed in just 22 days after signing the letter of intent. The Stifel Nicolaus team was led by Managing Director Jon Tebol, supported by Vice President Bharat Ramprasad.

$158,548,200

apei AMERICAN PUBLIC EDUCATION, INC.

Common Stock

Follow-on Offering

December 2008

ABS Capital's realization of its investment in American Public Education, Inc. (APEI) won in two categories of the *Buyouts* Deal of the Year awards: Deal of the Year and Middle Market Deal of the Year. The Capital Markets Division of Legg Mason Wood Walker, Inc., which was acquired by Stifel in 2005, advised APEI in the initial private placement by ABS Capital in 2002. Stifel co-managed all three of the APEI public offerings in which ABS monetized its investment in APEI, two in 2008 and one in 2007. Jim Rowan, Managing Director – Education Group, led the Stifel team, supported by Meredith Ruble, Director.

Equity Capital Markets

Research

Stifel continued its investment in Equity Research in 2008, growing the Equity Research Group to 147 professionals providing coverage of more than 800 equities in 12 industries. Amid layoffs and consolidation on Wall Street, as of March 2009, Stifel ranked as the third-largest provider of equity research and the largest provider of small cap research in the U.S.

OVERALL COVERAGE

Company	*Stocks*
J.P. Morgan	1,095
Barclays Capital	898
Stifel Nicolaus	**827**
Bank of America/Merrill Lynch	806
UBS	786
Citigroup	763
Goldman Sachs	746
Credit Suisse	716
Raymond James	702
Oppenheimer & Co.	656

SMALL CAP COVERAGE

Company	*Stocks*
Stifel Nicolaus	**463**
J.P. Morgan	415
Raymond James	400
Sidoti & Company LLC	395
Oppenheimer & Co.	369
RBC Capital Markets	327
Jefferies & Co.	304
Barclays Capital	276
Piper Jaffray	272
Bank of America/Merrill Lynch	263

Source: StarMine (4/2/09 report), with small cap representing less than $1 billion.

The Group had another banner year in 2008, earning recognition from the national financial media. Stifel's Equity Research Group finished #1 in Stock Picking and #1 in Earnings Estimate Accuracy out of 246 firms in StarMine's 2008 domestic rankings. Building upon the momentum from its #1 ranking in earnings estimate accuracy in 2007, Stifel enhanced its record for high-quality research by earning both #1 rankings in 2008. In compiling these rankings, StarMine employs the same methodology used in its annual Best Brokerage Analysts Survey, released in conjunction with the *Financial Times.*

In May, Stifel research analysts won a total of 14 awards in the seventh annual FT/StarMine Best Brokerage Analysts Survey, ranking the firm eighth among more than 235 firms.

Stifel analysts recognized for their stock-picking skill in this year's survey were:

- Barry Bannister, #1 in the Machinery Industry
- Mark Swartzberg, #1 in the Beverages Industry
- Barry Bannister, #2 in the Construction & Engineering Industry
- Jerry Doctrow, #2 in the Real Estate Investment Trusts (REITs) Industry
- Anthony Davis, #3 in the Thrifts & Mortgage Finance Industry
- Scott Devitt, #3 in the Internet & Catalog Retail Industry
- Kit Spring, #3 in the Media Industry
- Oliver Wood, #3 in the Food Products Industry

In the earnings estimate accuracy category, Jerry Herman and Robert Craig were recognized as the #10 Overall Estimators out of more than 1,900 analysts. Other earnings estimate accuracy award winners were:

- Selman Akyol, #1 in the Gas Utilities Industry
- Jerry Herman & Robert Craig, #1 in the Diversified Consumer Services Industry
- Thomas Carroll, #2 in the Health Care Providers & Services Industry
- Mark Swartzberg, #2 in the Beverages Industry
- Todd Weller, #2 in the Software Industry

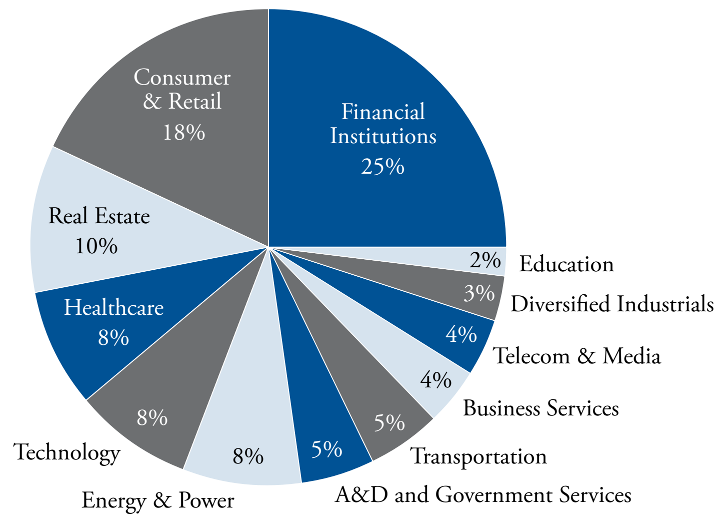
That outstanding performance was followed by more good news for Stifel from *The Wall Street Journal's* Best on the Street 2008 Analysts Survey in which Stifel ranked fifth out of the 72 firms that qualified for the survey, up from sixth place in the 2007 survey.

Individual analysts recognized for their stock-picking skill in this year's survey were:

- Paul Forward, #1 in Mining & Metals
- Barry Bannister, #2 in Heavy Machinery & Materials
- Oliver Wood, #2 in Food & Tobacco
- Robert Craig and Jerry Herman, #2 in Specialty Retailers & Services
- Tony Davis, #3 in Thrifts
- William Loomis, #3 in Internet & Computer Services
- John Baugh, #4 in Home Construction & Furnishings
- Mark Swartzberg, #5 in Beverages

"We are once again very pleased with the performance of our research department in 2008," commented Hugh Warns, Director of Research at Stifel Nicolaus. "Stifel has ranked among the top 20 out of more than 200 firms in the FT/StarMine survey in each of the last five years, with three top 10 finishes in that span. Our top five ranking in *The Wall Street Journal's* survey continues a trend of superior performance as well. According to our calculations, Stifel Nicolaus is the only firm which has ranked in the top 12 in each of the last five annual surveys (including Legg Mason research acquired by Stifel on December 1, 2005). We are extremely proud that we have consistently identified money-making ideas in a variety of market conditions for our clients."

STIFEL RESEARCH UNIVERSE



Institutional Equity Sales & Trading

Led by Tom Mulroy, the Institutional Equity Sales & Trading Group has developed a sustainable business model focused on providing high-quality, differentiated research and offering institutional investors research-driven equity products with a dedication to value and service. Consisting of over 160 talented and experienced individuals, the Group's team of salespeople and traders works closely with Stifel's research analysts to provide timely dissemination of information to clients worldwide from eight offices in North America and Europe.

Amid the market turmoil that has caused many of the industry's large institutional firms to fall by the wayside, Stifel has built its institutional equities business into a growing force. Stifel's steady, conservative business model has proven to be an asset, as institutional investors seek a stable, reliable counterparty.

Stifel has also been afforded the opportunity, through its consistent revenue and earnings growth, to continue to invest in the quality of its associates. The current environment has enabled Stifel to attract individuals who can make significant contributions to the Company's success, across all areas of the firm, including in Institutional Equity Sales & Trading.

Fixed Income Capital Markets

Public Finance

In 2008, the Public Finance Group served as sole, senior, or co-manager on 85 deals worth a total of $3.2 billion.

Under the leadership of Steve Bell and Peter Czajkowski, Stifel Nicolaus expanded its Public Finance practice, adding over 20 professionals and broadening the scope of analytical services available to its clients. During 2008 and early 2009, the Group renewed its commitment to municipal finance by adding a team of eight new professionals to its St. Louis-based public finance team as well as six new public finance offices located in Chicago, Illinois; Cleveland, Ohio; Columbus, Ohio; Lansing, Michigan; New York, New York; and San Antonio, Texas. The firm now has a total of 60 Public Finance professionals in 14 offices nationwide.

Denver Public Finance Earns Top Rankings

Stifel's accomplishments have not gone unnoticed within the public finance industry. According to ratings service Thomson Financial, Stifel's Denver Public Finance office earned #1 rankings for its involvement in two prominent deals:

Colorado Higher Education Long-Term Municipal New Issues
(equal credit to each co-manager)
Par amount – $115.4 million
Market Share – 21.9

Colorado $10 Million and Under Long-Term Municipal New Issues
(full credit to book manager, equal if joint)
Par amount – $74.5 million
Market Share – 20.0

Case Study: City of St. Louis

$21,850,000, St. Louis Municipal Finance Corporation
Leasehold Revenue Bonds, Series 2008
(Convention Center Capital Improvement Projects)

Stifel Nicolaus was hired by the City of St. Louis to senior manage the financing of its convention center in September 2008, winning the assignment over eleven competing firms. The final team assembled by the City of St. Louis consisted of Stifel and five co-managers.

The first series of bonds was sold with a municipal bond insurance policy from Assured Guaranty. In between pricing and closing, Assured Guaranty was downgraded by Moody's Investors Service to Aa2, causing one of the co-managers on the issue to renege on its liability of over $3.8 million of bonds sold to one of its institutional accounts. An institutional account that purchased the bonds informed the co-manager that it would not honor the agreed-upon trade because of the downgrade. Without another buyer on board, the co-manager had to renege on its liability, because it did not have the necessary capital to purchase its liability of bonds from the issuer.

After careful consideration, Stifel decided to commit its capital to purchase the bonds from the issuer, assuming the co-manager's liability. With this commitment from Stifel Nicolaus, the City was able to close the transaction as scheduled.

Institutional Fixed Income Sales, Trading & Strategies

Stifel's Institutional Fixed Income Sales, Trading & Strategies Group offers institutional clients a comprehensive combination of fixed income products and services, including expertise in trading, research, and banking.

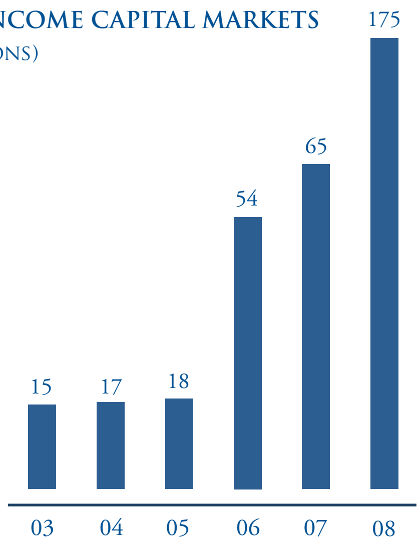
In 2008, the Group opened 3 new offices (bringing the total number of offices to 29 in 21 states) and added 17 new institutional salespeople, for a total fixed income distribution force of 99 seasoned professionals. The expansive trading and strategies platform is comprised of 42 experienced traders, strategists, and analysts, providing a key foundation for the more than 200 professionals in the Fixed Income Capital Markets Group.

In 2008, the Group:

- Transacted over $120 billion in client fixed income trade flow, including mortgages (residential and commercial), governments and agencies, alternative spread product, asset-backed securities, corporates, municipals, and preferreds.
- Established over 450 new client product relationships.
- Serviced over 1,400 active institutional clients nationwide, including money managers, financial institutions, insurance companies, trust companies, pension funds, municipalities, hedge funds, and corporations in 8,300 different institutional accounts.
- Continued to grow its trading platform, adding new or additional capabilities in alternative structured products, residential mortgages, credit securities, and liability products, including structured repo, CD issuance, and whole loan trading.
- Expanded the breadth of its Research and Strategies Group to provide clients with targeted total return approaches as well as alternative funding strategies for financial institutions.

NET REVENUES

FIXED INCOME CAPITAL MARKETS
(IN MILLIONS)



In 2008, Stifel expanded its Fixed Income Alternative Spread Products Group with the addition of 12 highly regarded professionals who specialize in aircraft finance. This group of talented individuals forms Stifel's new Aircraft Finance and Credit Solutions practice and broadens the Company's ability to provide creative debt capital markets solutions to clients.

Market Strategists

Stifel clients have access to two investment advisory groups led by some of the most prominent investment managers in the industry: Washington Crossing Advisors, led by Joe Battipaglia, and EquityCompass Strategies, led by Richard Cripps.

Washington Crossing Advisors

Washington Crossing Advisors offers fee-based investment advisory services via the Stifel Core Portfolios Program (S|CORE). The Washington Crossing Advisors group is led by Chief Investment Officer Joseph V. Battipaglia and Portfolio Managers Kevin R. Caron and Chad A. Morganlander. Collectively, the group has over 50 years of combined investment experience as research analysts, strategists, and portfolio managers, and the team has worked together successfully to help investors build wealth for over 15 years.

Washington Crossing Advisors believes in viewing markets from the "top down" for tactical asset allocation portfolios as well as using "bottom-up" approaches for equity investing. By combining both approaches in their daily practice, they strive to gain a broader perspective on what is driving financial markets.

Washington Crossing Advisors uses disciplined, time-tested approaches to wealth management through two strategy platforms: the CONQUEST Global Tactical Asset Allocation Strategy and the VICTORY All-Capitalization Value Equity Strategy.

Mr. Battipaglia is Market Strategist for the Stifel Nicolaus Private Client Group and Chief Investment Officer of Washington Crossing Advisors. He is the former chairman of investment policy at Ryan Beck & Co., where he conducted strategic market and economic analysis in support of the firm's retail network and institutional presence. Prior to joining Ryan Beck & Co. in 2002, Mr. Battipaglia served over an 18-year period in a number of executive positions at Gruntal & Co. Before joining Gruntal in 1984, he was a financial analyst for the Exxon Corporation and worked as a securities analyst at Elkins & Co.

Mr. Battipaglia is featured frequently in the national media, including CNBC, FOX News, and PBS' *Nightly Business Report*. Additionally, he speaks regularly with reporters from *The New York Times*, *The Wall Street Journal*, and other publications where his market views are often quoted. Mr. Battipaglia is a former trustee of the Securities Industry Institute, which is the Securities Industry and Financial Markets Association's premier leadership and management education program.

Mr. Battipaglia graduated Phi Beta Kappa with a degree in economics from Boston College and earned his M.B.A. at the Wharton Graduate School of Business, University of Pennsylvania.

Joe Battipaglia
Chief Investment Officer – Washington Crossing Advisors

EquityCompass Strategies

EquityCompass Strategies is a research and investment advisory unit of Choice Financial Partners, a wholly owned subsidiary and affiliated SEC Registered Investment Advisor of Stifel Financial Corp., and provides fee-based investment advisory services to Stifel's Private Client Group and institutional investors through the S|CORE Program. Led by Chief Investment Officer Richard Cripps, EquityCompass has worked closely with the financial advisor community for close to a decade, providing investment advice, financial market commentary, and stock opinions – summarized in its monthly publication, *Update & Review* – as well as tools for stock selection and portfolio management. The group currently has over 8,000 U.S. and international stocks under coverage and publishes seven style-specific model portfolios and six stock selection lists based in alternative strategies.

The EquityCompass investment philosophy is based on the belief that the key to achieving consistent superior investment performance that withstands volatile market conditions is an investment process which relies on tested analysis, sound investment principles, and disciplined decision-making. The investment process employs a series of proprietary, but fully transparent, quantitative models that incorporate insights on relative valuation, level and direction of expectations, investor over-/underreaction, and shareholder value creation for stock selection and portfolio management.

Richard Cripps is the Chief Investment Officer of EquityCompass and its parent, Choice Financial Partners, Inc. Prior to his current role, Mr. Cripps directed the Portfolio Strategy Group of Stifel Nicolaus Equity Research, where he also served as a senior member of the investment committee with responsibilities for equity market analysis and portfolio strategy.

Prior to joining Stifel Nicolaus, Mr. Cripps spent his professional career with Legg Mason Wood Walker, Inc. in various roles. In 1997, he became Chief Market Strategist and Co-Chairman of the investment committee and worked closely with the firm's equity analysts in developing and monitoring investment opinions, as well as providing market commentary, strategy, and portfolio advisory to individual and institutional clients.

Mr. Cripps developed the EquityCompass, a series of equity models that quantify investment characteristics for stock selection and portfolio management. Insights and portfolio discipline from the EquityCompass were utilized in a variety of programs at Legg Mason and are currently being offered by Stifel's Private Client Group.

Mr. Cripps' market commentary has frequently appeared in leading financial news media. He has also been a participant in economic forums organized by the White House to monitor the market impact of various economic policies on financial markets.

Richard E. Cripps, CFA
Chief Investment Officer – EquityCompass Strategies Group

Mr. Cripps has a B.S. in finance from James Madison University and serves on the university's School of Business Executive Advisory Committee. He is a CFA charterholder and member of the Baltimore Security Analysts Society.

Stifel Bank & Trust

Stifel Bank & Trust offers banking services to private and corporate clients. This broader range of services gives a unique competitive edge to Stifel Nicolaus' Financial Advisors in today's marketplace, enabling them to meet additional financial needs of their clients.

The benefit of Stifel Bank is two-fold. Stifel Bank assists the firm by providing highly competitive lending products to Stifel Nicolaus clients and enables the firm to better utilize private client cash balances. Stifel Bank's strength in lending includes mortgage and collateralized securities lending.

Responding to the credit crisis, Stifel Bank implemented a conservative approach to loan growth in step with this new economy.

Mortgage Lending

Mortgage originations for Stifel Bank 2008 were up nearly ten-fold over 2007, fueled by the addition of fourteen lenders and their support teams. Stifel Bank recruited top mortgage bankers in the Midwest to service the needs of Stifel Nicolaus clients across the country, as well as their own client base. The banking operations team was hand-chosen to provide the technology and resources to quickly implement this growth strategy.

The mortgage program is focused on quality, originating loans primarily to be sold on the secondary market. "Some low risk loans and home equity lines of credit with high level qualifying criteria are selected to be retained in the bank's loan portfolio," according to Chris Reichert, President of Stifel Bank.

The year began and ended strong, with high volume in mortgage originations. The summer "purchase season" was relatively slow, mirroring the decline in purchase transactions and short-lived rise in mortgage rates. The current historical low interest rate environment will continue to fuel strong growth in mortgage lending throughout the coming year.

Pledged-Asset Lending

Stifel Bank originated Stifel Pledged Asset (SPA) Account loans and lines of credit of $67 million in 2008. The SPA Account represents a very convenient source of liquidity for a client, enabling the client's investment portfolio strategy to remain in tact when cash flow needs arise for large purchases, business growth, or other needs. SPA Accounts utilize a client's eligible non-margined securities held at Stifel Nicolaus as collateral. The SPAs have a very low risk profile, and the rates correlate with the bank's primary funding source of floating rate insured deposits from the firm's clients.

Commercial Lending

In 2008, Stifel Bank focused on maintaining a high level of quality and customer service in commercial lending. The addition of technology, staffing, and expertise allowed the commercial lending team to selectively add new commercial loans, implement a more hands-on approach to the loan renewal process, and carefully monitor its $120 million commercial loan portfolio.

Banking

Stifel Bank has taken on a more visible role for core deposit opportunities. The FDIC's deposit coverage increase and Stifel Bank's introduction of CDARS, offering coverage up to $100 million, allow Stifel Bank to provide extensive FDIC coverage to high net worth clients.

Working with the Financial Advisors at Stifel Nicolaus has provided an opportunity to the bank staff to provide additional niche services to assist the Financial Advisors in meeting the changing needs of their client base. The Stifel Bank operation is scalable and poised to grow with the firm.

Technology & Operations

2008 was an exciting year for the Stifel platform. While the markets were certainly challenging, the Technology & Operations team focused on strengthening Stifel's capabilities, service, and expertise. As the Company added talented associates to the Private Client Group, the Equity and Fixed Income Capital Markets Groups, and Stifel Bank & Trust, most of the key support areas, including Operations, Information Technology, Compliance, and Risk Management, also added to their respective teams. During the year, these areas completed numerous projects and prepared to continue to meet the challenge in the year ahead. The platform is stronger than ever, updated with leading-edge technology and staffed and led by exceptional individuals.

In 2008, the Information Technology Group continued to build out Stifel's network infrastructure and upgraded numerous data center capabilities. These investments added reliability and redundancy to applications, ranging from simple file storage, data backup, and e-mail processing to sophisticated equity and fixed income trading and order routing systems. Over the year, the team upgraded several key business software applications to ensure that Stifel has the latest technology in place. The Company's electronic trading systems can now access more marketplaces than ever, ensuring best execution and product access. And finally, because Stifel embraces a high-touch support philosophy for associates, the Information Technology Group added significant depth to the team of professionals who confidently assist fellow Stifel team members to ensure the Company continues to leverage its technology.

On the Operations front, almost every discipline also added to their respective teams to stay ahead of the growth of the Company. And, in addition to adding new skilled operations associates during 2008, Stifel also implemented enhanced procedures and systems to streamline processing and improve communication between the front and back office. Efforts are still underway to continue improving automation and to reduce paperwork and processes to enhance and expedite the service experience. Fortunately, the team of professions leading Stifel's efforts to improve the operational platform has tremendous industry knowledge and the energy and vision it will take to revamp how the Company approaches business operations.

Looking forward, the Technology & Operations team has a great deal planned for the coming year. Many of the Company's client-facing systems are undergoing upgrades. New account features that will further bridge the bank's capabilities to investment accounts are in the final stage of deployment. Stifel is embracing virtualization capabilities across the Information Technology organization. Compliance and Risk Management are evaluating the latest surveillance tools. Exciting plans are in place for improved remote access to all of Stifel's systems. And, at the time of this publication, the Technology & Operations team had already completed a significant conversion to add the Butler Wick accounts, branches, and associates to the Company. Likewise, plans are well underway to effect another significant conversion later in the year to add UBS branches.

While challenging, it is these very growth opportunities that have brought together the platform areas of Stifel in the past. The Technology & Operations team is confidently looking forward to the challenge and continuing to make Stifel's support areas among the best in the industry.

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Switzerland
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*Private Client Group Office
•Capital Markets Group Office

Shareholder Information

Annual Meeting

The 2009 annual meeting of stockholders will be held at Stifel's headquarters, One Financial Plaza, 501 North Broadway, 2nd Floor, St. Louis, Missouri, on Wednesday, June 3, 2009, at 11:00 a.m.

Stock Listings

The common stock of Stifel Financial Corp. is traded on the New York Stock Exchange and Chicago Stock Exchange under the symbol "SF." The high/low sales prices for Stifel Financial Corp. common stock for each full quarterly period for the calendar years are as follows:

	Sales Price			
	2008		*2007*	
	High	*Low*	*High*	*Low*
First Quarter	$ 52.53	$ 37.00	$ 34.81	$ 24.77
Second Quarter	59.45	34.31	41.27	28.29
Third Quarter	60.61	31.56	41.36	32.51
Fourth Quarter	50.00	30.42	42.32	29.37

Transfer Agent

The transfer agent and registrar for Stifel Financial Corp. is Computershare Trust Company, n.a., Kansas City, Missouri.

Reconciliation of GAAP Net Income to Core Earnings

A reconciliation of GAAP Net Income to Core Earnings and GAAP Net Income Per Diluted Share, the most directly comparable measure under GAAP, to Core Earnings Per Diluted Share is included in the table below.

(in thousands, except per share amounts)	2005	2006	2007	2008
GAAP Net Income	$ 19,644	$ 15,431	$ 32,170	$ 55,502
Acquisition-related revenues, net of tax	- -	90	185	3
Acquisition-related charges, net of tax				
Private placement compensation	- -	5,692	- -	- -
Acquisition-related compensation	1,370	17,516	29,947	15,538
Other non-compensation charges	602	861	4,486	337
Core Earnings	$ 21,616	$ 39,590	$ 66,788	$ 71,380
Earnings Per Share:				
GAAP Earnings Per Diluted Share	$ 1.04	$ 0.74	$ 1.25	$ 1.98
Acquisition-related charges	0.11	1.16	1.35	0.56
Core Earnings Per Diluted Share	$ 1.15	$ 1.90	$ 2.60	$ 2.54

All stock price amounts presented above reflect the three-for-two stock split distributed in June 2008.

Please see inside for Stifel Nicolaus branch locations.

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