



Coming Together
is a Beginning,
Staying Together
is Progress, and
Working Together
is **SUCCESS.**

— Henry Ford

2000
Stifel Financial Corp.

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.

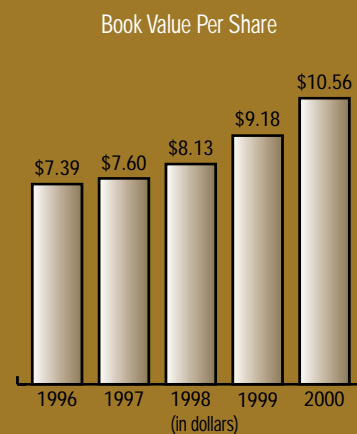
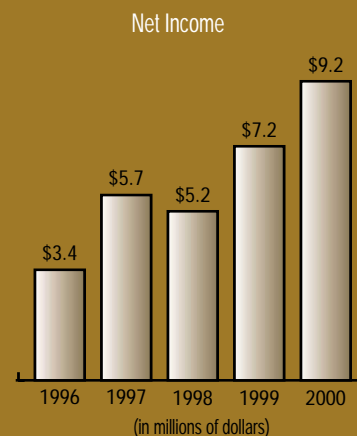
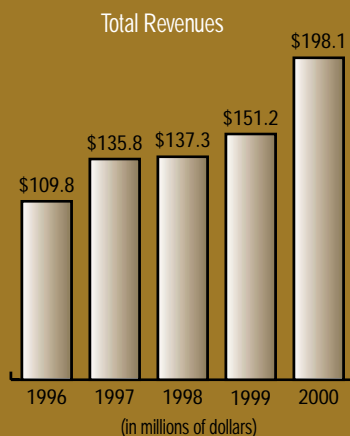
To Our Shareholders — small and large, our commitment is to create value and maximize your return on investment through all market cycles. By achieving the status of *Firm of Choice* for our professionals and *Advisor of Choice* for our clients, we are able to deliver value to our shareholders as their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



Company Description

Stifel Financial Corp. is a full-service regional 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 & Company, Incorporated, to individual investors, professional money managers, businesses, and municipalities.

Financials



(in thousands, except per share amounts)

Operating Results

	1996	1997	1998	1999	2000
Total Revenues	\$109,813	\$135,819	\$137,288	\$151,193	\$198,122
Net Income	\$3,393	\$5,671	\$5,245	\$7,165	\$9,203
Diluted Earnings Per Share	\$0.59	\$0.88	\$0.73	\$1.03	\$1.20

Financial Position

	1996	1997	1998	1999	2000
Total Assets	\$301,344	\$315,484	\$335,005	\$453,110	\$458,312
Stockholders' Equity	\$37,752	\$50,081	\$54,977	\$59,059	\$74,178
Book Value Per Share	\$7.39	\$7.60	\$8.13	\$9.18	\$10.56



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Memorial to Elliot Stein

When **Elliot Stein** passed away on January 16, 2001, Stifel and all of St. Louis lost a man of enormous talent and tremendous character.

Mr. Stein joined Stifel January 2, 1986, as Chairman of the Board. Prior to that, he was Chief Executive Officer and principal owner of Scherck, Stein and Franc, Inc., a St. Louis firm known for its investment banking expertise. Aside from his many contributions to Stifel and his earlier firm, he was a director of many of the largest and most successful companies in this region, including General Dynamics Corporation, Ralston Purina Company, Laclede Gas Company, General American Life Insurance Company, Burlington Northern Inc., and Angelica Corporation. In addition, he was recruited to serve on many leading not-for-profit boards, including Washington University, Jewish Hospital, and the United Way of Greater St. Louis.

All of his friends and associates at Stifel will remember this distinguished and beloved man for his qualities of character above and beyond his business success and community service. He was a man whose judgement and wisdom were sought by hundreds — from national leaders to individuals of modest circumstances. He was known for his positive opinions of a wide array of people and circumstances. It has been said that Mr. Stein never spoke disparagingly of another person. Elliot was a quiet man with a rare sense of humor and quick wit, and he was blessed with an unusually thoughtful and insightful mind.

In Elliot's last words to his good friend, former Senator Thomas Eagleton, only a few days before he died, he spoke of "values." Elliot Stein brought untold value to Stifel. His friends and associates at Stifel will always treasure the memory of this extraordinary man and the values that he embraced.



Elliot Stein
1918 - 2001

Officers and Directors



Front, left to right: Walter F. Imhoff, George H. Walker III, and Ronald J. Kruszewski
Back, left to right: Scott B. McCuaig, Richard F. Ford, Charles A. Dill, James M. Oates,
Stuart I. Greenbaum, John J. Goebel, Robert E. Lefton, and Bruce A. Beda

Bruce A. Beda*

*Chief Executive Officer,
Orion Partners, LLC*

Charles A. Dill*

*General Partner,
Gateway Associates*

Richard F. Ford*

*General Partner,
Gateway Associates*

John J. Goebel*

*Of Counsel,
Bryan Cave*

Stuart I. Greenbaum*

*Dean,
John M. Olin School of Business
Washington University*

Walter F. Imhoff*

Managing Director

Robert E. Lefton*

*President and Chief Executive Officer,
Psychological Associates, Inc.*

James M. Oates*

*Chairman,
IBEX Capital Markets, LLC*

Ronald J. Kruszewski*

President and Chief Executive Officer

George H. Walker III*

Chairman of the Board

Scott B. McCuaig

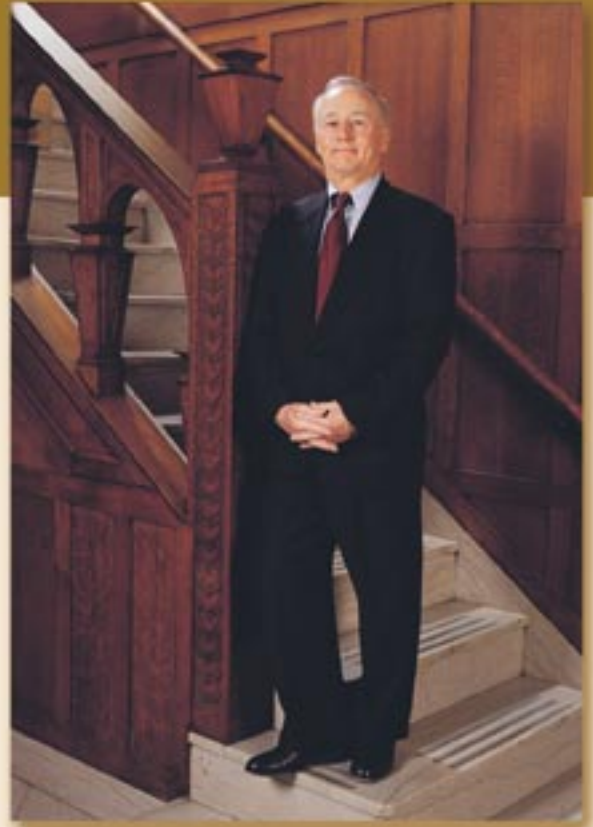
*Senior Vice President
President, Private Client Group*

James M. Zemlyak

*Senior Vice President, Treasurer,
Secretary, and Chief Financial Officer
(not pictured)*

**Director*

Letter from the Chairman



To Our Shareholders, Clients, and Associates:

No one would say that 2000 was an easy year. Although volume on the securities exchanges continued to expand, so did market volatility. After early strength in the major markets, the Dow finished down for the year and the NASDAQ fell sharply. Nevertheless, Stifel reported record results that continued the progress registered in recent years and continued to build a strong base for future expansion.

As I approach another milestone, I have the satisfaction of knowing that Stifel has in place an energized and talented team. As I reflect back on my nearly 20 years as Chairman, I have had the great pleasure of watching Stifel grow and prosper, overcoming some challenging obstacles along the way. Nevertheless, from 1976, when I first joined Stifel as part of senior management, our net worth has grown by 20 times and our revenue by over 15 times.

Looking to the future, there is great cause for optimism. Stifel has a significant position in a growth industry. Nearly half of all Americans invest in the securities market today (78.7 million), versus 20% in 1983. In 1980, only 32% of household liquid assets were invested in equities, whereas today 45% are so invested. Today, technology and its tools are a vital part of our industry, enabling us to provide a higher level of information and service to our clients.

Recognizing growth trends in our industry is only part of the story. The best part is the progress and promise of Stifel. Under our current management team, we are very competitive with all of our peer firms in technology. Our Private Client Group, under Scott McCuaig's leadership, is showing impressive growth — both in numbers of Investment Executives and in their productivity.

We are an industry which is dependent on the trust that exists between Investment Executives and their clients. Our 111-year history bears witness to Stifel's success in meeting the high standards required. We will continue to embrace these high standards while building a record in the new century that will bring satisfaction to our loyal shareholders.

One of the marks of good leadership is knowing when a transition in management best serves the momentum of the firm. Therefore, at the close of the shareholders' meeting in April, I have determined that the time is right to turn the Chairman's gavel over to Ron Kruszewski, confident that he has the intelligence, business acumen, and character to take Stifel to new heights. Current management has asked me to continue in my business development activities, and I look forward to contributing to our future growth.

George Herbert Walker III
Chairman of the Board
March 12, 2001



Dear Fellow Shareholders, Clients, and Associates:

I am pleased to report that 2000 was a year of exciting developments for Stifel Financial Corp. Our Company's fourth consecutive year of record revenues, along with record annual net income, can be attributed to both internal growth and the successful integration of our merger with Hanifen, Imhoff in Denver. It is noteworthy that we achieved these record results against a backdrop of a volatile market which dampened business prospects, especially during the last six months of 2000.

In last year's Annual Report, we commented on the exuberance of the market, especially in technology stocks. Between October 1998 and March 2000, the technology-laden NASDAQ composite index more than tripled. Ironically, last year's shareholder letter, dated March 10, 2000, coincided with the NASDAQ's peak of 5,048. Since then the NASDAQ has declined 62%, while the Dow and S&P 500 have declined 13% and 23%, respectively, from their high-water marks. The market over the last year has shown us that traditional historical valuation metrics do indeed apply to "new economy" stocks. However, while last year's market was clearly overvalued, the current market provides excellent investment opportunities.

2000 Financial Results

Our Company's revenues increased 31% to a record \$198 million from \$151 million in 1999. Net income totaled a record \$9.2 million or \$1.20 per diluted share, compared with \$7.2 million or \$1.03 per diluted share for 1999. The prior year net income included a gain of approximately \$745,000 or \$0.10 per diluted share, relating to the sale of Todd Investment Advisors. Excluding this prior year gain, net income increased 43%. The Company's equity at year-end was \$74.2 million, resulting in a book value per share of \$10.56. During the year, we believed that our stock represented an excellent investment; therefore, the Company repurchased 168,606 shares at an average price of \$10.31 per share.

Business Segment Review

In addition to achieving record revenues and profitability, we saw growth along each of our major business segments: Private Client Group, Equity Capital Markets, and Fixed Income Capital Markets. Our "Of Choice" strategy positions Stifel as the *Firm of Choice* for talented and entrepreneurial associates through whose efforts we are selected as *Advisor of Choice* for current and prospective clients. By achieving the status of *Firm* and *Advisor of Choice*, we are able to deliver value to our shareholders as their *Investment of Choice*. Said another way, we build shareholder value by adding value, through talented associates, for our clients.

Private Client Group

Our Private Client Group business continues to be the largest contributor to the Company's revenue, with approximately 82% of total revenue in 2000. Our success in attracting productive Investment Executives, coupled with the efforts of our veteran Investment Executives, resulted in an increase of 27% in revenues for 2000. Led by Scott McCuaig, our Private Client Group continued its expansion by opening 13 new offices and adding 88 new Investment Executives in the year 2000, bringing us to a total of 70 offices and, as of the date of this letter, 400 Investment Executives. New offices were opened in Edwardsville, Illinois; Fremont and Grand Haven, Michigan; Jackson, Mississippi; Kirkwood, Missouri; Minneapolis, Wayzata, and Woodbury, Minnesota; Omaha, Nebraska; Sandusky and Westlake, Ohio; and Stevens Point and Wausau, Wisconsin. In addition, Century Securities also enjoyed a successful year, achieving record revenues and recruiting 30 experienced independent contractors, bringing the total to 159.

Letter to the Shareholders

Looking ahead, we believe that service will be the key differentiating factor in attracting and retaining clients. Of course, our core philosophy is grounded in the belief that we deliver this service through, not around, our Investment Executives. Therefore, we will focus on providing more tools and training, along with access to the “best of breed” products, rather than proprietary products, to help our Investment Executives meet their clients’ needs.

Equity Capital Markets

Our Equity Capital Markets Group, which encompasses corporate finance, institutional equity sales and trading, syndicate, and research, recorded an impressive 2000, with revenues increasing 76%. Stifel was lead or co-manager on ten offerings raising for our clients approximately \$424 million in capital. Our Company’s Financial Institutions Group continued to earn the distinction of *Advisor of Choice* to financial institutions, primarily banks, by underwriting seven trust preferred issues, solidifying our leadership in this arena.

During 2000, our Equity Capital Markets Group laid the foundation for future growth through several important new initiatives. Stifel increased its investment in research, in addition to our traditionally strong financial institutions research, in the following areas: B2B Internet, Energy, Consumer Durables, Information Technology, and Telecommunications. This breadth of research, coupled with increased investment banking, institutional sales, and sales-trading capabilities, provided the platform for three lead or co-managed equity offerings outside our Financial Institutions Group: Comtech (\$46 million secondary offering - Telecommunications), Innovative Solutions & Support (\$38 million IPO - Information Technology), and DevX (\$80 million re-capitalization - Energy).

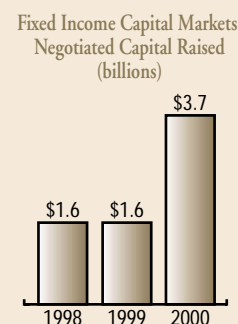
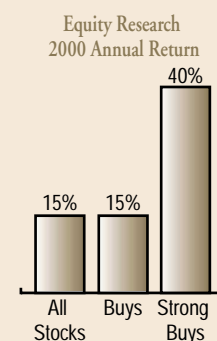
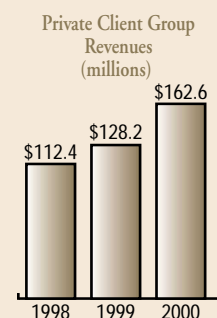
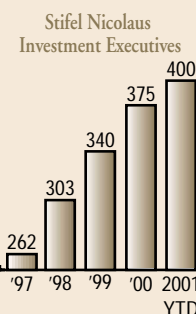
Currently, Stifel’s research coverage encompasses 152 companies, compared with 109 at the end of 1999. For 2000, the Company began tracking the performance of research selections and, despite a difficult year for many sectors in the equity markets, our research picks performed admirably, with an overall gain of 15% for our entire research universe. Furthermore, stocks rated a buy or strong buy gained 15% and 40%, respectively.

Fixed Income Capital Markets

Our Fixed Income Capital Markets Group, which encompasses public finance, institutional fixed income sales, and competitive underwriting and trading, recorded a 126% increase in revenues for 2000. During the past year, our Company was involved as sole manager, senior manager, or co-manager on 239 bond issues totaling \$6.7 billion. Of this, Stifel was the sole, lead, or co-manager on 102 negotiated municipal bond issues totaling \$3.7 billion, up from 53 negotiated bond issues totaling \$1.6 billion in 1999. Our Company played a leading role in several high-profile transactions, including the \$1.7 billion Colorado Department of Transportation project, the \$265 million St. Louis Convention Center Hotel project, and the Kirkwood Commons project in St. Louis.

During the year, we added significantly to our underwriting capabilities by opening a public and structured finance group in Brookfield, Wisconsin. This team has already become a significant presence in the Wisconsin market. Coupled with our Hanifen, Imhoff merger and our strong St. Louis and Wichita franchises, our Company is well positioned to compete in the municipal and structured finance marketplace.

Looking forward, we see a great opportunity to continue to build our fixed-income platform. The market is both large and fragmented, allowing our firm to excel by providing innovative and creative financial solutions for our clients. In addition, the bonds created to build our country’s infrastructure provide our individual and institutional clients unique and attractive tax-exempt investment opportunities.



Client Service and Technology

We are pleased with the success of our three major business segments in 2000. We could not have achieved our record results without the hard work of Stifel's 1,000-plus associates, many of whom work in the client support areas of the Company. Our associates' dedication and commitment to our philosophy of client service, recognizing that our Investment Executives are clients of the Company, have differentiated Stifel from our competition.

We continue to embrace the power of technology and capitalize on Internet opportunities. *Stifel @ccess*, our online account access platform, now serves close to 15,000 clients. *Stifel OnLine*, our online trading platform, gives Investment Executives a product they can offer clients on an annual fee or commission per trade basis.

During 2000, our client services team tackled significant projects, including: ongoing branch training, creation of an online bill-pay system, redesign of *www.stifel.com*, and development of an FDIC-insured money market account. In the months ahead, we will continue to improve our technology. Future initiatives include redesigning and enhancing our frame relay network, upgrading our software platform to allow voice over IP, updating and leveraging our investment in Internet technologies, and introducing new technology-based products and services to our Investment Executives and clients.

Outlook

We expect that the general business and market conditions will be challenging in 2001. Therefore, we will focus on managing our expenses in line with our revenue outlook. That said, we believe that these same difficult market conditions, which usually result in attrition at other firms, provide opportunities in attracting talented people to our team.

We are mindful of the current trend in the financial services industry which seems to suggest that "bigger is better" and profitability comes only through "economies of scale" in the deployment of assets. This often heard rationale for justifying industry mergers ignores, we believe, our philosophy that *client relationships* are the true assets of our Company and *client relationships* are not enhanced by economies of scale alone.

In this year's Annual Report, we take a look at some very personal and unique relationships. These case studies highlight the necessity and importance of providing expert advice and innovative financial solutions when striving to meet the needs of clients. We continue in our mission to be the *Advisor of Choice* for clients, the *Firm of Choice* for talented professionals, and the *Investment of Choice* for shareholders.

We extend our sincerest thanks to our shareholders and clients for their support. Also, we express our appreciation to our team of associates for continued commitment to excellence and congratulate them on their outstanding achievements.

Finally, I would like to thank Bert Walker for his 20 years of leadership as Chairman. Bert has helped to make my transition to Stifel smooth, both professionally and personally, and for that I am grateful. We look forward to Bert's continued guidance and support, as well as his business development activities, in the years to come.



Ronald J. Kruszewski
President and Chief Executive Officer
March 12, 2001

Unified Strengths, Integrated Skills

Stifel meets the challenges of our clients by integrating the individual expertise and strengths of hundreds of associates. By unifying our skills and committing ourselves to teamwork, we increase our effectiveness in creating and implementing sound, practical, and powerful financial solutions.

Our associates are our greatest assets ... and our greatest resources. Stifel must continue to attract and retain the most creative, motivated, and skilled professionals in the industry — individuals who relish the opportunity to share ideas, develop prudent strategies for their clients, and grow in a successful environment.

We place a premium on our investment professionals, empowering them with the very best support, freedom in structuring their business, and leading technology. Simply, Stifel Investment Executives are the firm's clients.

From the bottom up and the top down, our firm is structured to meet the needs of our Investment Executives. Otherwise, we cannot succeed in helping their clients meet goals. Scott McCuaig, President of the Private Client Group, and Jim Zemlyak, Chief Financial Officer, for example, recruit associates, ensure that they have the tools to succeed, and even offer encouragement and hands-on support.

As Stifel professionals foster relationships with clients, we strive to do the same with our associates. Our goal is that Stifel associates share knowledge and an innovative spirit with their peers — people who are all industry leaders in their fields. That way, associates can quickly and easily expand the breadth of services to their clients. Such unified strength and integrated skills allow Stifel associates to make timely, creative, informed, and concerted efforts that help individuals, corporations, and municipalities reach financial goals.

We value relationships ... those with our associates and their clients.



Front, left to right: Yale Miller and David Sliney
Back, left to right: Jim Zemlyak, Mark Matthes, and Scott McCuaig

A New Beginning

Mark Kocha is 52 years old, and he's shooting for early retirement. Well, sort of. After a successful, 26-year career working for the same company in the paper mill industry, he wants to start his own landscaping business. It's what he's wanted to do for years. To get the business up and running, he'll be working harder than ever before.

Mark hopes his retirement savings can do the same. He wisely made regular contributions to his company's 401(k) plan and several IRAs. His balance has grown significantly. To supplement his income as he breaks ground on his second career, Mark's initial thought was to begin withdrawing funds from his 401(k). He wondered if there was a better, smarter way to ensure his financial future.



John Wetli – Green Bay, Wisconsin



Stifel Investment Executive John Wetli's second job is a reflection of his first. John teaches an investment class at his local technical college in Green Bay. In facilitating the course, he shares his investment knowledge with students. Many times, his students become clients.

John first met Mark Kocha in the investment class. Theirs started as a typical teacher-student relationship. Mark was eager to learn and valued John's expertise. They soon developed a friendship. When Mark gave serious thought to starting his own business, he sought John's advice.

Building the Right Team



John took the time to listen. When he fully understood Mark's situation, he explained that they could rely on Stifel's team of experts.

First, John and Mark talked with Mary Claire Voss, Manager of Stifel's *Qualified Plans Department*. Mark learned that he could move his 401(k) into an IRA and utilize Rule 72(t) to withdraw equal amounts based on his life expectancy without penalty. Withdrawal calculations were provided to Mark, and he was happy to learn that his supplemental income requirements could be met without impacting the principal amassed in his retirement savings.

Mark had also taken a \$20,000 loan on his 401(k) and planned to deduct the amount from the balance. Mark learned from Mary Claire that he would be required to pay a 10% premature distribution penalty and taxes on the \$20,000 and instead accepted John's advice and assumed a tax-deductible home equity loan to pay off the 401(k) loan.

Looking at Mark's long-term future, John asked Pamela Glaser, Manager of the *Financial Planning Department* to offer her support. The first step was for John to complete a Stifel PACT™ Program questionnaire, assessing his current financial status, future earnings, his short- and long-term goals, and his investment risk tolerance. The *Financial Planning Department* used the information to develop Mark's individualized asset allocation analysis report, enabling Mark to see how long his assets would last using conservative and moderate investment strategies.

With further assistance from Stifel's *Mutual Funds Department*, John was able to provide specific and informed investment recommendations. A hypothetical portfolio of funds was created to correspond to Mark's proposed asset allocation. John then selected an equity mutual fund and bond portfolio for Mark's consideration.

Mark was impressed. He transferred two IRAs, an annuity, and the 401(k) to Stifel, trusting that John and the company's competent team of professionals had the ability, creativity, and experience to secure his financial freedom.



Extended Family

For **Bob and Carol Libs**, family matters. They share the hopes and dreams of their three children and five grandchildren. They're also committed to their extended family — the employees of their family-owned concrete and construction business, AML, Inc.

At AML, for example, employees are encouraged to participate in a 401(k) plan to save for retirement. A few years ago, the Libs became unhappy with their original plan. For starters, Bob was charged with controlling the assets. Already running the daily operations of his business, he was forced to commit extensive time and effort meeting the fiduciary responsibilities of the 401(k) plan. What's more, the plan did not allow his employees to choose their own investment strategies, whether conservative, moderate, or aggressive.



Mary Lou Hammond – New Albany, Indiana



Stifel Investment Executive Mary Lou Hammond has worked closely with individuals and businesses seeking financial solutions since 1982. And many of her client relationships continue to grow stronger after almost 20 years. “It’s not that I’m old — just experienced,” she said.

Mary Lou also works hard to support her community. She serves on various boards for the local Chamber of Commerce, the Medical Center of Southern Indiana, the Lincoln Heritage Council Boy Scouts of America, and Noah’s Ark, a home for foster children. She and her husband, Rick — also a Stifel associate — have three children and four grandchildren.

A Team of Professionals

The Libs turned to Mary Lou, who has worked with their family for many years. The Libs consider her part of their extended family. It was a relationship that began when a close personal friend of the Libs referred Mary Lou, who still relishes that wonderful compliment. Quickly, they constructed a relationship from the ground up, eventually engineering financial strategies for the Libs, their family members, and the employees of AML. Mary Lou and the Libs today enjoy a relationship that has stood the test of time — solid as concrete, so to speak.

Mary Lou works with dozens of associates at the firm's headquarters. Stifel's team of professionals allows Mary Lou to offer insightful advice, clear direction, and timely response to help the Libs, their family, and their employees begin planning for tomorrow today.

For example, Mary Lou contacts the firm's in-house *Research Department* when the Libs require information on equities in their personal account. And when they wanted to set up Uniform Gifts to Minors Act accounts, Mary Lou relied on the expert resources of Stifel's *Trust Services Department*.

When the Libs set up a profit sharing plan for AML's hard-working employees, Mary Lou recruited the aid of Stifel's *Retirement Plans Department* to make sure the best plan for the company was put into place. It's a benefit the employees appreciate, and one that has been successful for AML.

Which brings us back to the 401(k) plan. It was put in place by a major banking institution because of an existing business relationship the Libs had with the bank. When the bank was involved in several mergers, the Libs seized the opportunity to have Mary Lou and Stifel redesign the 401(k) plan.

"The home office, especially with the hard work of Mary Claire Voss, Manager of Qualified Plans, was a tremendous asset in identifying the right plan and the right company to service the plan," Mary Lou said. "The Libs were able to choose from several outstanding proposals. The one they chose met all their needs at an affordable cost."

The new 401(k) plan is a turnkey plan with a third-party administrator. Bob finds that reporting is more timely and efficient. He is happy that the participating employees can choose their own investment strategies inside the plan. Bob no longer wrestles with the fiduciary responsibilities of the plan, leaving more time for family ... and extended family.



Re-engineering the Future

Herb and Nancy Seidel were typical investors. They had some stocks, some bonds, and other investments. What they didn't have was an appropriate strategy. Their investments were scattered across the market. Some demanded a high tolerance for risk, while others struggled to keep pace with inflation.

With Herb closing in on retirement, it was important that he formulate a plan. After all, soon he would have more time to travel with Nancy. They've already been to China, Japan, and other places abroad. But there's so much more to see. Thinking about the possibilities of tomorrow — and the fluctuating returns on his current investments — Herb called Dave.




Dave Simons – Chesterfield, Missouri



Stifel Investment Executive Dave Simons hosts his own investment talk show, “Dollars and Sense,” on radio station KTRS (550 AM) in St. Louis. Phone lines are lit for the entire two hours of the popular show each week.

It's a good fit. Dave was a broadcast journalism major and worked for a station right out of college. Dave covered the markets for a station in Wichita, Kansas during the turmoil of 1987. “I remember walking into a couple of brokerage firms,” he said. “Brokers were either avoiding calls or taking clients out of the market. I was no expert at the time, but it didn't seem right to ignore clients or give into their fears. Today I remind clients — and callers — to look at the long term.”

Unified Strength



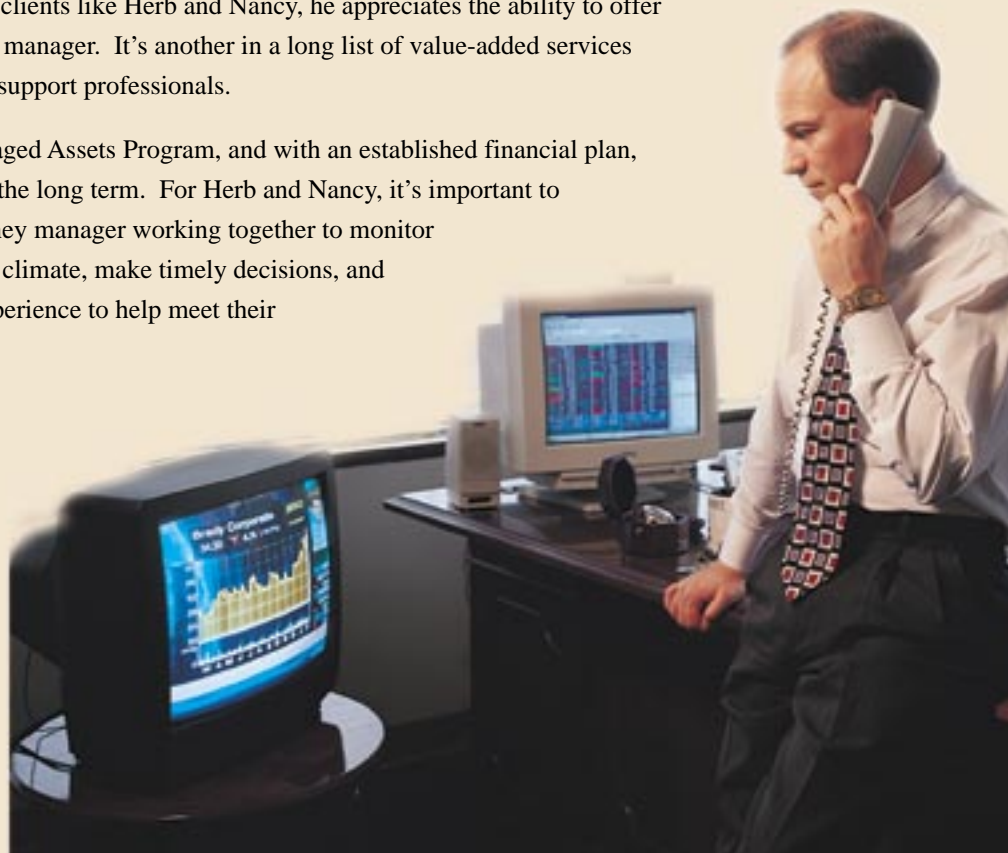
Dave came to understand the Seidels' unique situation. Herb and Nancy are at a stage where they cannot tolerate market volatility of 30 or 40 percent. So they're not tech stock chasers. What would best serve them at this point in their lives was a solid, moderately conservative investment portfolio. So, Dave tapped the expertise of Stifel's *Consulting Services Department*. Together, they located one of the nation's top money managers who could manage a portfolio to realize a reasonable rate of return while stemming the tides of market volatility.

At Stifel, clients have access to the very best private money managers. These same managers work with clients whose portfolios are in excess of \$1 million, but offer the same professional services to Stifel clients with portfolio values of \$100,000 or more. With Dave's experience and knowledge, he was able to recognize how a private money manager could help the Seidels enjoy their pending retirement, without the stress of making investment choices all on their own.

"It's a coup for clients like Herb and Nancy to be able to rely on these top professionals," Simons said. "Their money is too important to gamble by just playing the stock market, so they agreed upon a thoughtful, structured investment plan and portfolio managed by a proven professional."

During his radio call-in show, Dave discusses all aspects of investing. For hundreds of clients, he successfully evaluates changing market conditions and formulates innovative strategies. And in meeting the needs of clients like Herb and Nancy, he appreciates the ability to offer the value of a private money manager. It's another in a long list of value-added services provided by Stifel's team of support professionals.

Today, through Stifel's Managed Assets Program, and with an established financial plan, the Seidels are investing for the long term. For Herb and Nancy, it's important to have Dave and a private money manager working together to monitor today's changing investment climate, make timely decisions, and provide the expertise and experience to help meet their long-term goals.



Innovative Solutions



Ed Russell, Selman Akyol, Rich Kendrick, and Chris Pauli

When it comes to structuring and completing an effective \$38 million initial public offering (IPO), companies like Innovative Solutions & Support, Inc. (IS&S) require financial services true to their namesake. That's just what Stifel's investment banking, research, syndicate, sales, and trading professionals delivered — innovative solutions and committed support — in completing one of the top 50 IPOs of 2000 according to *Investor's Business Daily*.

A research report on another company helped the project take wings. Stifel research analyst Selman Akyol prepared an in-depth report on Engineered Support Systems, which was circulated to a number of contacts by Chris Pauli, Director of Stifel's commercial, industrial, and technology investment banking group. Eventually, the report hit the desk of Geoffrey Hedrick, Chief Executive Officer of IS&S. "He was impressed with the report and believed that Stifel would be a valued and knowledgeable resource in helping him take the company public," Pauli said.

"I am pleased and grateful for Stifel's proactive support throughout the entire IPO process. We went public during a difficult period and were over-subscribed three and one-half times. Their support and counsel in the preparation, road show, and after-market has proven invaluable."

— Geoffrey Hedrick
Chairman and Chief Executive Officer
Innovative Solutions & Support, Inc.

Pauli's experience as a licensed pilot with instrument and multi-engine ratings helped, too. "The company was excited to learn that I understood their products," Pauli said. "They were pleased with the innovative solutions and comprehensive support Stifel offered. After performing the necessary due diligence, we worked with the company in making very technical information easy to understand. Despite the very difficult IPO market in August 2000, we found a significant number of institutional and private client investors to support this exciting company transaction."

Already strong in the bank and thrift industries, Stifel is aggressively expanding its investment banking division into new areas. Stifel's investment banking professionals realize the importance of giving clients and Investment Executives alike access to promising new issues. This IPO allowed Stifel to diversify its new product offerings to include a rapidly growing company with significant upside potential.

Innovative Solutions & Support, Inc.



IS&S, of Malvern, Pennsylvania, is a leading designer and manufacturer of aircraft flight information computers, electronic displays, and advanced monitoring systems that measure and display critical flight information in the cockpit, including the industry's largest flat panel display, at 15 inches.

Facilitating Growth



Pat Koster,
Rick Maples,
Joe Stieven,
and Shelley Swan

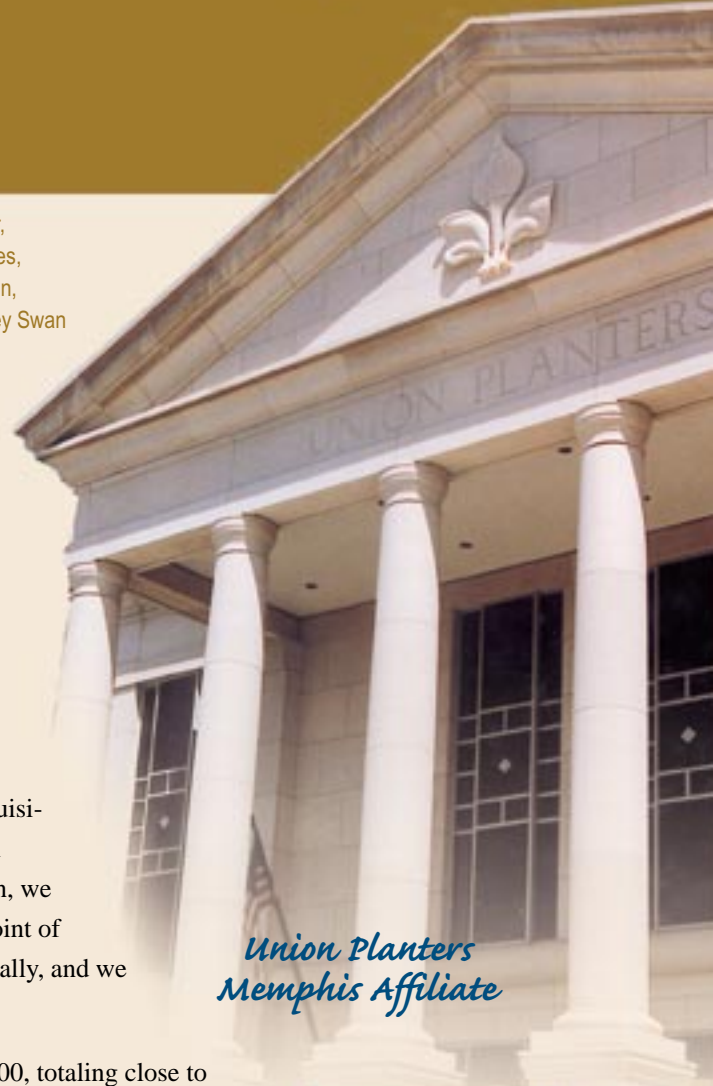
Stifel has maintained a decade-long relationship with Union Planters Corp. of Memphis, during which the company expanded into a dozen states and grew to approximately \$35 billion in assets. Stifel's investment banking team has worked with the company in many acquisitions, including Union Planters' recent \$146 million acquisition of St. Louis-based Jefferson Savings Bancorp.

"We've helped them raise capital, and we've assisted in several acquisitions over the years," said Rick Maples, Director of Stifel's financial institutions investment banking group. "In this particular acquisition, we provided analysis of the transaction from a financial and strategic point of view. We also worked with them to create a structure that fit financially, and we utilized our skills to help negotiate the transaction."

It was one of six merger and acquisition transactions for Stifel in 2000, totaling close to \$1 billion. And it continued an important, long-term relationship with Union Planters that has helped both parties succeed and grow over the last 10 years. The two companies share an impressive history. Following are some key transactions:

- 1999 Advisor, \$412 million acquisition of Republic Banking Corporation of Florida.
- 1998 Advisor, \$2.3 billion acquisition of Magna Group, Inc.
- 1996 Advisor, \$530 million acquisition of Leader Financial.
- 1994 Advisor, \$290 million acquisition of Grenada Sunburst.
- 1992 Co-Manager, \$55 million convertible preferred stock offering.
- 1992 Lead Manager, \$40 million subordinate debt offering by Union Planters.

Stifel has the resources to service the needs of our corporate clients. "We build our expertise on research, and we have provided in-depth investment research on Union Planters for over 15 years. We also have an excellent retail and institutional distribution network in place," said Joe Stieven, Director of Stifel's financial institutions research group. "You can also add to that the firm's industry-leading traders and market makers. Simply, we have the tools needed to help companies like Union Planters efficiently and effectively execute transactions."



*Union Planters
Memphis Affiliate*



"Once again, Stifel came through for us. The first-rate service they have provided to our organization throughout the years confirms the true value of our relationship."

— Jack Moore
Chairman and Chief Executive Officer
Union Planters Corp.

Building St. Louis



Peter Czajkowski
and Joe Schlafly
St. Louis Public Finance

Headquartered in St. Louis for more than 110 years, Stifel is committed to the success of our founding city. Recently, the company helped position St. Louis for the new millennium by completing financing for an important — and long sought after — \$265 million downtown convention center hotel complex.

Stifel took an important leadership role in the complex project that required the teamwork of federal and state government officials, city officials, developers, contractors, and other constituent agencies.

The sophisticated financing included:

- the sale of \$98 million in empowerment zone bonds;
- the sale of \$40 million in revenue bonds;
- private sector equity contributions in the purchase of state and federal tax credits; and
- \$50 million via a HUD 108 loan as a portion of the city's contributions.

“This was a project that demanded a variety of resources and services,” said Joe Schlafly, Stifel’s Director of Fixed Income Capital Markets. “Our public finance professionals created an effective financing strategy, and Stifel’s capital markets professionals led the underwriting of the convention center revenue bonds and helped structure the empowerment zone bonds. Our team of Investment Executives distributed the bonds to investors, and now they help make secondary market transactions. The hotel will be a great benefit to the entire St. Louis region. It will help revitalize downtown, and will serve as a cornerstone project for redevelopment.”



St. Louis Convention Center Hotel

“Stifel’s hard work and creativity was crucial to the successful completion of the City’s Convention Center Hotel Project.”

— Darlene Green
Comptroller
City of St. Louis



Building Colorado



Nate Eckloff, Walt Imhoff, and Steve Bell
Denver Public Finance

When Stifel completed its merger with Hanifen, Imhoff in January of last year, the benefits were immediate. During the first quarter of 2000, Hanifen, Imhoff, a division of Stifel, was selected as co-manager in a \$1.7 billion underwriting for the Colorado Department of Transportation. Indeed, the merger has proven to be a comfortable fit, benefiting Hanifen's professionals, Stifel's associates, and several public finance clients.

"Our association with Stifel helped us bridge the gap," said Steve Bell, Managing Director of Public Finance. "We were able to couple Stifel's presence with our own institutional sales abilities. Stifel provided a vast distribution sales network on a retail basis. CDOT officials were very complimentary. They were impressed that our retail and distribution sales far exceeded their expectations."

"The expertise that Stifel provided in working through the process has been extremely valuable, not only for the execution of the initial bond offering, but also for the subsequent bonding program."

— Tom Norton
Executive Director
Colorado Department of Transportation

Prior to the merger, Hanifen had no retail offices. Now Stifel operates four retail offices in Colorado. Stifel's network of 400 Investment Executives provides value to Hanifen's public financing efforts. It was evident in the CDOT deal, which allows the state to make needed road improvements along the I-25 corridor. And it's evident today, Bell said: "Now, with every deal we underwrite, our client knows that we've effectively expanded our regional distribution throughout the entire Midwest. That really complements our institutional sales force."

Colorado Department of Transportation — I-25 Corridor



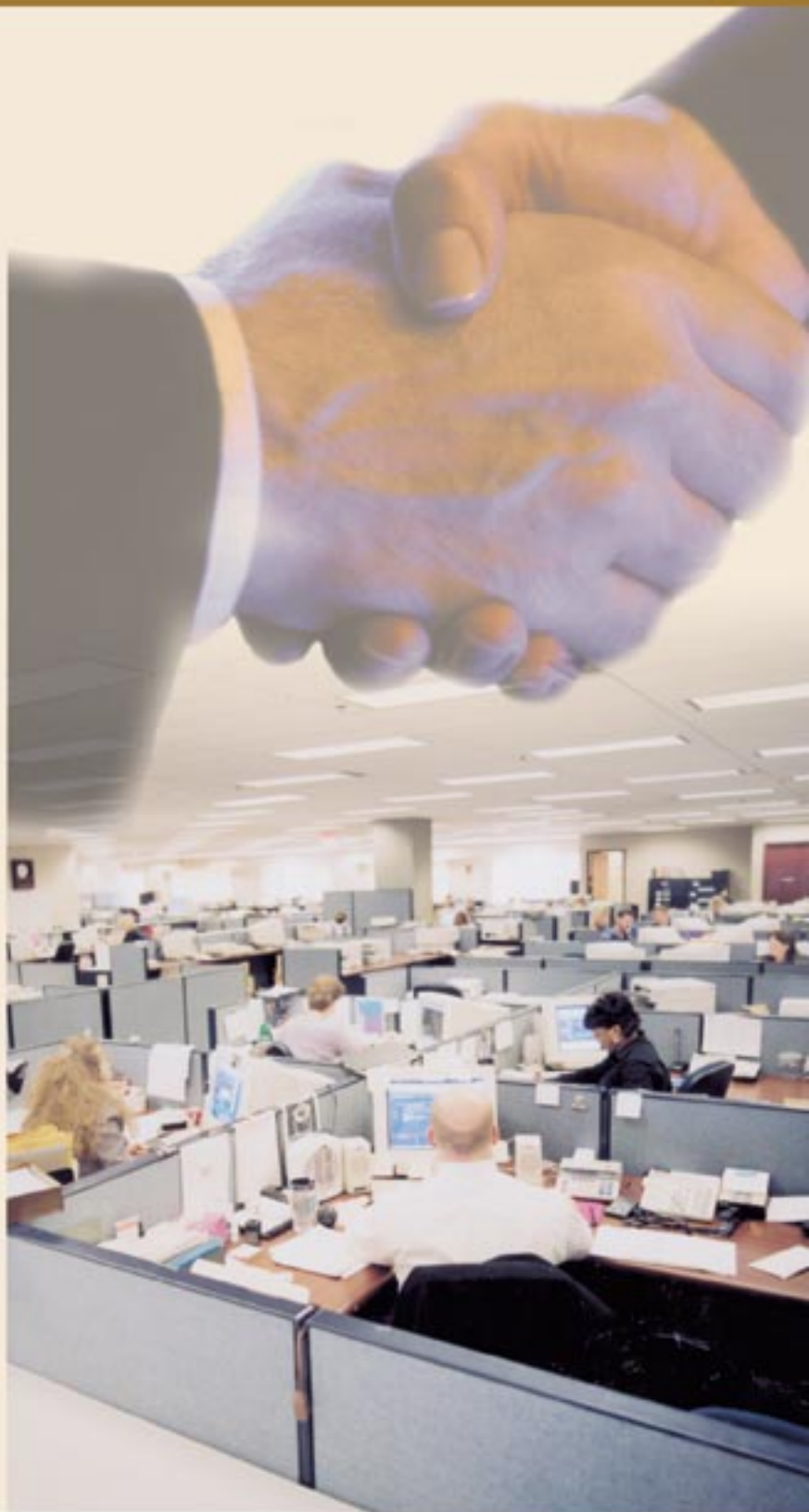
The Strength of Many



At Stifel, it's easy to see that each associate — and every client — benefits from the combined strengths of our professionals. It is a unified strength — one that is shared, and one that empowers the individual. It is the freedom to rely on a network of talented men and women working together to keep abreast of current information, to educate, and to lend a helping hand. Behind each associate is the strength of many — all easily accessible to offer individualized attention.

Together, our associates work to create financial solutions for clients — whether it's structuring an IPO or formulating an individual investment strategy. In doing so, they comprise a successful company that stands as the *Firm of Choice* for entrepreneurial professionals, as the *Advisor of Choice* for individuals, institutions, corporations, and municipalities, and as the *Investment of Choice* for our shareholders.

Stifel's Client Support



Financial Statements and Other Information

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Management's Discussion and Analysis

Forward-Looking Statements

The Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements within the meaning of federal securities laws. Actual results are subject to risks and uncertainties, including both those specific to the Company and those specific to the industry, which could cause results to differ materially from those contemplated. The risks and uncertainties include, but are not limited to, general economic conditions, actions of competitors, regulatory actions, changes in legislation, and technology changes. Undue reliance should not be placed on the forward-looking statements, which speak only as of the date of this Annual Report. The Company does not undertake any obligation to publicly update any forward-looking statements.

Business Environment

Stifel Financial Corp. (the "Parent"), through its wholly owned subsidiaries, principally Stifel, Nicolaus & Company, Incorporated ("Stifel Nicolaus"), collectively referred to as (the "Company"), is principally engaged in retail brokerage, securities trading, investment banking, investment advisory, and related financial services throughout the United States. Although the Company has offices throughout the United States, its major geographic area of concentration is in the Midwest. The Company's principal customers are individual investors, with the remaining client base composed of corporations, municipalities, and institutions.

Many factors affect the Company's results of operations, including changes in economic conditions, inflation, volatility of securities prices and interest rates, trading volume of securities, demand for investment banking services, political events, and competition from other financial institutions. As these factors are outside the control of the Company and a significant portion of the Company's expenses are relatively fixed, results of operations can vary significantly from period to period.

The Company faces increasing competition from other financial institutions, such as commercial banks, online service providers, and other companies offering financial services. The Financial Modernization Act, signed into law in late 1999, lifted restrictions on banks and insurance companies to provide financial services once dominated by securities firms. In addition, recent consolidation in the financial services industry may lead to increased competition from larger, more diversified organizations. At present, the Company is unable to predict the extent of these changes and their impact on the Company's results of operations.

The securities industry started the year on an ebullient note. Investor confidence in the stock market was at an all-time high. The three major market indices, the NASDAQ composite, the Dow Jones Industrial Average ("DJIA"), and the Standard & Poor's 500 ("S&P 500"), had closed 1999 up 86%, 25%, and 20%, respectively, over 1998 closings. Investor euphoria continued to drive the market as indicated by the NASDAQ composite index, which closed 24% above the 1999 historical close during March 2000. Failures of start-up technology firms, lower than expected reported earnings and lack of confidence in future earnings and growth by established technology and communication firms, fears of inflation, and increased interest rates precipitated the downward slide of investor confidence in the market. By year-end, the NASDAQ composite, the DJIA, and the S&P 500 had fallen 39%, 6%, and 10% from 1999's historical closings. Despite the downfall of the indices, trading volumes on the New York Stock Exchange and the NASDAQ had increased 29% and 62% respectively. In addition, cash flow into stock mutual funds increased by 65% over 1999's inflow of cash. American investors now have a larger portion of their liquid financial assets in securities than at any other time in U.S. history. In 1980, 53% of liquid assets were held in bank deposits and 34% in equities and mutual funds. In 2000, equities and mutual funds accounted for 63% of liquid assets, while bank deposits declined to 20%.

The year 2000 was not unlike 1999 in terms of expansion for the Company. The merger of Hanifen, Imhoff Inc. ("HII"), a Denver-based investment banking firm, was completed in early January. That merger brought 54 investment bankers, research analysts, institutional sales associates, and traders to the Fixed Income and Equity Capital Markets segments. In addition, the Company opened a municipal investment banking office in Brookfield, Wisconsin, which added nine investment bankers and financial analysts to the Fixed Income Capital Markets segment as well. During the year, the Company's Private Client Group opened 13 new offices, for a total of 70, and recruited 118 investment executives and independent contractors, for a total of 534.

The Company also continued its dedication to upgrading communication and technology equipment and software during 2000 and introduced online trading for its Private Client Group. In addition, the Company expanded the Information Technology department's capabilities and increased its staffing.

Management's Discussion and Analysis

The following summarizes the changes in the major categories of revenues and expenses for the respective periods.

Increase (Decrease)	Year Ended		Year Ended	
	December 31, 2000	December 31, 1999	December 31, 1999	December 31, 1998
	Amount	Percentage	Amount	Percentage
Revenues:				
Commissions	\$16,720	24 %	\$ 11,934	21 %
Principal transactions	3,392	14	(1,811)	(7)
Investment banking	10,193	89	(4,256)	(27)
Interest	14,954	73	1,636	9
Other revenues	1,670	7	6,402	33
	\$46,929	31 %	\$ 13,905	10 %
Expenses:				
Compensation and benefits	\$24,410	26 %	\$ 5,852	7 %
Communication and office supplies	1,968	22	522	6
Occupancy and equipment rental	3,301	28	2,270	24
Interest	10,497	104	299	3
Commissions and floor brokerage	495	17	34	1
Other operating expenses	2,542	19	2,544	23
	\$43,213	30 %	\$ 11,521	9 %

2000 As Compared to 1999

The Company leveraged its continued expansion activities with increased market volume to produce record revenues for the fourth consecutive year. Total revenues for 2000 increased to \$198.1 million from the previous record high of \$151.2 million. Net income increased to a record \$9.2 million or \$1.20 per diluted share from \$7.2 million or \$1.03 per diluted share.

Revenues from commissions increased \$16.7 million due to the increased customer trading activity in conjunction with an increased number of investment executives and independent contractors. The increase in commissions resulted from increased activity in over-the-counter stocks, mutual funds, and insurance products, which increased 30%, 23%, and 25%, respectively.

Principal transactions are primarily derived from over-the-counter equity and fixed income inventory activities. Inventories of these securities are maintained to meet client needs. Commissions and realized and unrealized gains and losses that result from holding and trading these securities are included in principal transactions revenues. Revenues from principal transactions increased \$3.4 million due principally to the increased trading activity resulting from the addition of HII and increased sales of corporate unit trusts.

Management's Discussion and Analysis

2000 As Compared to 1999 (continued)

Investment banking revenues are derived from underwriting of corporate and municipal securities and providing advisory services to clients. These revenues increased \$10.2 million, resulting from the addition of the HII municipal and corporate investment banking groups, the newly opened municipal investment banking office in Wisconsin, and in conjunction with a full year of operations in the Cleveland and St. Louis corporate investment banking offices which opened in late 1999. During the year, the Company participated in 239 fixed income deals (102 negotiated and 137 competitive) totaling approximately \$6.7 billion, compared to 79 deals in 1999. In addition, the Company managed or co-managed ten underwritings raising more than \$424 million, compared to six deals in 1999 for \$176 million.

Interest income increased \$15.0 million due principally to an increase in the number of margin accounts resulting from the growth of the Private Client Group and an overall 48% increase in average customer borrowings to finance increased market activity.

Other revenues increased \$1.7 million due to an increase in managed account fees of \$4.1 million, which increased due to a 45% growth in the number of managed accounts and increased market valuations. These fees were offset by a decrease in realized gains of \$1.7 million due principally to the sale of Todd in the second quarter of 1999 and the resultant decrease of \$693,000 in investment advisory fees.

Total expenses increased \$43.2 million, resulting from the Company's continued expansion, increased productivity, the merger of HII, and increased customer activity.

Employee compensation and benefits, which comprises 64% of total expenses, increased \$24.4 million. The fixed component of compensation, primarily salaries, increased \$6.1 million (24%) due to normal year-to-year increases, the merger of HII, and the Company's expansion activities. The variable component of compensation increased \$18.3 million (27%) commensurate with increased productivity and profitability.

Communication and office supplies increased \$2.0 million, resulting from the Company's expansion activities as well as the merger of HII.

Occupancy and equipment rental increased \$3.3 million due to the opening of new offices and increases for work station technology and Private Client Group expansion.

Interest expense increased \$10.5 million due to increased borrowings and increased stock loan activity by the Company to finance customer borrowings on margin accounts. Average borrowings increased \$88.0 million and \$39.1 million, primarily for customer collateralized bank borrowings and stock loan activity, respectively, with a 17% increase in average interest rates charged on those borrowings for the year.

Other operating expenses increased \$2.5 million due principally to the Company's general expansion activities and the HII merger.

Management's Discussion and Analysis

1999 As Compared to 1998

The Company experienced its third successive year of record revenues, as 1999 total revenues of \$151.2 million outdistanced 1998 total revenues of \$137.3 million. The growth in total revenues can be attributed principally to increased Private Client Group production, while investment banking revenues declined for the second successive year. Net income increased to \$7.2 million or \$1.03 per diluted share in 1999 from \$5.2 million or \$0.73 per diluted share in 1998.

Revenues from commissions increased \$11.9 million, resulting principally from the strong equity markets mentioned above and the increased number of investment executives and independent contractors. The increase in commission revenues is attributed to increased activity in over-the-counter stocks, mutual funds, and insurance products, which increased 42%, 19%, and 45%, respectively.

Revenues from principal transactions decreased \$1.8 million due to decreased sales of unit investment trusts and decreased sales of equity products from market-making activities, principally financial institutions.

Investment banking revenues declined \$4.3 million in 1999, as new issue underwritings for small- and mid-cap offerings continued their downward trend from 1998 in conjunction with a 62% decrease in corporate underwriting participation revenue. Managed and co-managed corporate offerings and the dollar volume of these transactions decreased from eight new issues for \$442 million in 1998 to six new issues for \$176 million in 1999.

Interest revenues increased \$1.6 million, principally from an increase in interest earned on zero coupon U.S. Government securities held in an irrevocable trust for repayment of long-term debt (see Note K), a slight increase in interest earned on customer borrowings on margin accounts, and an increase in interest earned on stock borrowing activity, which increased \$922,000, \$302,000, and \$287,000, respectively.

Other revenues increased \$6.4 million, principally from growth in money market account fees, an increase in managed account fees, settlement of claims against former employees, and the gain on the sale of Todd.

Total expenses increased \$11.5 million to \$140.2 million due principally to increased employee compensation and benefits, occupancy and equipment rental, and increased litigation expense.

Employee compensation and benefits, which comprises 66% of total expenses, increased \$5.9 million. The fixed component of compensation, primarily salaries, increased \$1.8 million as a result of normal year-to-year salary increases and the addition of non-sales associates. The majority of these personnel increases resulted from the expansion of the Equity Capital Market Group, Private Client Group, and related product support departments. The increase of \$4.1 million in the variable component of compensation grew in conjunction with the increases in revenues and profitability.

Management's Discussion and Analysis

1999 As Compared to 1998 (continued)

Communication and office supplies increased \$522,000, resulting from the Private Client Group and investment banking office additions.

Occupancy and equipment rental increased \$2.3 million due to the office additions referred to above, increased depreciation expense related to capitalized equipment to upgrade communication and desktop work station technology and Private Client Group expansion, and increased lease expense associated with the relocated Company headquarters.

Interest expense increased \$299,000 as a result of increased borrowings by the Company to finance customer margin accounts and increased notes payable.

Other operating expense increased \$2.5 million due principally to expenses related to the Private Client Group expansion.

The effective tax rate for the year decreased from the previous year due to the tax effect of the gain on the disposition of Todd and reduced state taxes.

Liquidity and Capital Resources

The Company's assets are principally highly liquid, consisting mainly of cash or assets readily convertible into cash. These assets are financed primarily by the Company's equity capital, customer credit balances, short-term bank loans, proceeds from securities lending, long-term notes payable, and other payables. Changes in securities market volumes, related customer borrowing demands, underwriting activity, and levels of securities inventory affect the amount of the Company's financing requirements.

On July 30, 1999, the Company issued an additional \$5,000,000 long-term note payable to Western and Southern Life Insurance Company, a significant shareholder, due June 30, 2004, with interest payable monthly at the rate of 8% per annum.

On January 12, 2000, the Company completed the merger with HII, a Denver-based investment banking firm. The merger was accounted for as a purchase and provided for a tax-free exchange of approximately 517,000 shares of the Company for all of the outstanding shares of HII. The shares were issued out of treasury.

The Company's Board of Directors authorized the repurchase of up to 250,000 additional common shares on July 28, 1999, and an additional 600,000 common shares on December 10, 1999. These purchases may be made on the open market or in privately negotiated transactions, depending on market conditions and other factors. Repurchased shares may be used to meet obligations under the Company's employee benefit plans and for general purposes. During 2000, the Company repurchased 168,606 shares at an average cost of \$10.31 per share.

Management believes that funds from operations, available informal short-term credit arrangements, and long-term borrowings will provide sufficient resources to meet its present and anticipated financing needs and fund the Company's continued expansion.

Stifel, Nicolaus & Company, Incorporated, the Company's principal broker-dealer subsidiary, is subject to certain requirements of the Securities and Exchange Commission with regard to liquidity and capital requirements. At December 31, 2000, Stifel Nicolaus had net capital of approximately \$37.1 million, which exceeded the minimum net capital requirements by approximately \$29.9 million.

Management's Discussion and Analysis

Inflation

The Company's assets are primarily monetary, consisting of cash, securities inventory, and receivables. These monetary assets are generally liquid and turn over rapidly and, consequently, are not significantly affected by inflation. However, the rate of inflation affects various expenses of the Company, such as employee compensation and benefits, communications, and occupancy and equipment, which may not be readily recoverable in the price of its services.

Market Risk

Market risk refers to the risk that a change in the level of one or more market prices, interest rates, indices, volatilities, correlations, or other market factors, such as liquidity, will result in losses for a certain financial instrument or group of financial instruments. The Company actively monitors its market risk through a variety of control procedures involving senior management and selected risk management committees. The Company's existing and proposed underwritings, credit extended to customers and counterparties, and inventory trading activities are reviewed by business unit managers and senior management. Underwritings are subject to due diligence reviews by senior management. Credit risk is managed through the use of credit exposure information, the monitoring of collateral values, and the establishment of credit limits. Inventory positions are continually monitored by management and subject to trading and position limits.

During 2000, the Company's securities trading inventory consisted of fixed income debt and over-the-counter equity positions. The fair value of these securities at December 31, 2000, was \$21.4 million and \$3.4 million, respectively, in long positions and \$1.3 million and \$3.1 million, respectively, in short positions. Analysis was performed on these instruments that assessed the related risk and materiality as required by the Securities and Exchange Commission. Based on this analysis, in the opinion of management, the market risk associated with the Company's financial instruments at December 31, 2000, will not have a material adverse effect on the Company's consolidated financial position or results of operations.

Recent Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities," which, after being amended by SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities — Deferral of the Effective Date of FASB Statement No. 133," is effective for fiscal years beginning after June 15, 2000. This statement establishes accounting and reporting standards for derivative instruments and hedging activities. The Statements are effective for the Company's consolidated financial statements on January 1, 2001. As the Company does not hold any derivatives or embedded derivatives as defined by the Statements, the adoption of the Statements on January 1, 2001, did not result in a transition adjustment.

In September 2000, the FASB issued SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." This Statement replaces SFAS No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities," and rescinds SFAS No. 127, "Deferral of Effective Date of Certain Provisions of FASB Statement No. 125." It revises the standards for accounting for securitizations and other transfers of financial assets and extinguishments of liabilities. Those standards are based on consistent application of a financial-components approach that focuses on control. This Statement is effective for transfers and servicing of financial assets and extinguishments of liabilities occurring after March 31, 2001. The Company has presented the required provisions under the Standard regarding collateral, including its sources and uses, but has yet to determine what impact, if any, the remaining provisions to be adopted after March 31, 2001, will have on the Company's consolidated financial statements.

Consolidated Statements of Financial Condition

	<i>(in thousands)</i>	<i>December 31, 2000</i>	<i>December 31, 1999</i>
Assets			
Cash and cash equivalents		\$ 14,589	\$ 16,861
Cash segregated for the exclusive benefit of customers		187	181
Receivable from brokers and dealers:			
Securities failed to deliver		1,176	1,732
Deposits paid for securities borrowed		24,870	33,029
Settlement balances with clearing organizations		4,684	7,276
		30,730	42,037
Receivable from customers, net of allowance for doubtful accounts of \$104 and \$556, respectively		305,478	313,034
Securities owned, at fair value:			
U.S. Government obligations		4,873	4,287
State and municipal obligations		13,205	12,260
Corporate obligations		2,831	4,801
Corporate stocks		3,851	6,025
		24,760	27,373
Investments		32,478	24,562
Memberships in exchanges, at cost		463	470
Office equipment and leasehold improvements, at cost, net of allowances for depreciation and amortization of \$15,085 and \$11,370, respectively		9,689	7,597
Goodwill, net of accumulated amortization of \$984 and \$738, respectively		5,261	1,631
Notes receivable from and advances to officers and employees, net of allowance for doubtful receivables from former employees of \$331 and \$701, respectively		17,420	7,934
Deferred tax asset		3,036	2,958
Other assets		14,221	8,472
TOTAL ASSETS		\$ 458,312	\$ 453,110

Consolidated Statements of Financial Condition

	<i>(in thousands, except share amounts)</i>	<i>December 31, 2000</i>	<i>December 31, 1999</i>
Liabilities and Stockholders' Equity			
Short-term borrowings from banks		\$ 88,250	\$ 122,950
Payable to brokers and dealers:			
Securities failed to receive		2,152	4,037
Deposits received from securities loaned		153,370	143,023
		155,522	147,060
Payable to customers		40,484	33,643
Securities sold, but not yet purchased, at fair value		4,355	2,036
Drafts payable		19,034	18,065
Accrued employee compensation		19,500	18,277
Obligations under capital leases		1,771	1,068
Accounts payable and accrued expenses		20,620	15,984
Long-term debt		10,000	10,370
Other		24,598	24,598
Total Liabilities		384,134	394,051
Stockholders' equity:			
Preferred stock — \$1 par value; authorized 3,000,000 shares; none issued			
Common stock — \$.15 par value; authorized 10,000,000 shares; issued 7,525,971 and 7,376,176 shares, respectively		1,129	1,107
Additional paid-in capital		45,920	43,573
Retained earnings		32,827	24,546
		79,876	69,226
Less:			
Treasury stock, at cost 297,879 and 724,055 shares, respectively		2,938	6,984
Unamortized expense of restricted stock awards		155	370
Unearned employee stock ownership plan shares, at cost, 203,337 and 219,601 shares, respectively		2,605	2,813
Total Stockholders' Equity		74,178	59,059
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		\$ 458,312	\$ 453,110

See Notes to Consolidated Financial Statements.

Consolidated Statements of Operations

(in thousands, except per share amounts)		Years Ended December 31,		
		2000	1999	1998
Revenues	Commissions	\$ 85,383	\$ 68,663	\$ 56,729
	Principal transactions	28,046	24,654	26,465
	Investment banking	21,700	11,507	15,763
	Interest	35,479	20,525	18,889
	Other	27,514	25,844	19,442
		198,122	151,193	137,288
Expenses	Employee compensation and benefits	117,229	92,819	86,967
	Communications and office supplies	10,879	8,911	8,389
	Occupancy and equipment rental	15,120	11,819	9,549
	Interest	20,594	10,097	9,798
	Commissions and floor brokerage	3,333	2,838	2,804
	Other operating expenses	16,278	13,736	11,192
		183,433	140,220	128,699
	Income before income taxes	14,689	10,973	8,589
	Provision for income taxes	5,486	3,808	3,344
	Net income	\$ 9,203	\$ 7,165	\$ 5,245
Earnings Per Common Share and Share Equivalents	Net income per share:			
	Basic earnings per share	\$ 1.31	\$ 1.08	\$ 0.77
	Diluted earnings per share	\$ 1.20	\$ 1.03	\$ 0.73

See Notes to Consolidated Financial Statements.

Consolidated Statements of Stockholders' Equity

(in thousands, except share amounts)	Common Stock		Additional	Retained	Treasury Stock and Unearned Employee Stock Ownership Plan		Unamortized Expense of Restricted	Total
	Shares	Amount	Paid-In Capital	Earnings	Shares	Amount	Stock Awards	
Balance at January 1, 1998	6,678,223	\$ 1,002	\$ 37,006	\$ 17,425	(404,898)	\$(5,167)	\$(185)	\$ 50,081
Cash dividends — common stock (\$.12 per share)	--	--	--	(828)	--	--	--	(828)
Purchase of treasury shares	--	--	--	--	(211,717)	(2,160)	--	(2,160)
Employee benefit plans	20,903	3	(267)	--	173,351	2,082	--	1,818
Stock options exercised	94,676	14	367	--	7,099	63	--	444
Restricted stock awards	82,000	12	1,262	--	(1,576)	(11)	(1,263)	--
Amortization of restricted stock awards	--	--	--	--	--	--	367	367
Dividend reinvestment	--	--	1	--	972	9	--	10
Net income for the year	--	--	--	5,245	--	--	--	5,245
5% stock dividend	343,533	53	3,498	(3,551)	(21,840)	--	--	--
Balance at December 31, 1998	7,219,335	1,084	41,867	18,291	(458,609)	(5,184)	(1,081)	54,977
Cash dividends — common stock (\$.12 per share)	--	--	--	(853)	--	--	--	(853)
Purchase of treasury shares	--	--	--	--	(576,165)	(5,437)	--	(5,437)
Employee benefit plans	156,841	23	2,278	(57)	19,837	231	--	2,475
Stock options exercised	--	--	(572)	--	106,346	1,019	--	447
Restricted stock awards (net forfeitures)	--	--	--	--	(35,807)	(433)	433	--
Restricted stock awards amortization and units	--	--	--	--	--	--	278	278
Dividend reinvestment	--	--	--	--	742	7	--	7
Net income for the year	--	--	--	7,165	--	--	--	7,165
Balance at December 31, 1999	7,376,176	1,107	43,573	24,546	(943,656)	(9,797)	(370)	59,059
Cash dividends — common stock (\$.12 per share)	--	--	--	(922)	--	--	--	(922)
Purchase of treasury shares	--	--	--	--	(168,606)	(1,738)	--	(1,738)
Employee benefit plans	149,795	22	1,026	--	39,300	441	--	1,489
Stock options exercised	--	--	(208)	--	52,286	510	--	302
Restricted stock awards	--	--	3	--	2,000	20	(23)	--
Restricted stock awards amortization and units	--	--	1,796	--	--	--	238	2,034
Dividend reinvestment	--	--	--	--	476	5	--	5
Hanifen, Imhoff Inc. acquisition	--	--	(270)	--	516,984	5,016	--	4,746
Net income for the year	--	--	--	9,203	--	--	--	9,203
Balance at December 31, 2000	7,525,971	\$ 1,129	\$ 45,920	\$ 32,827	(501,216)	\$(5,543)	\$(155)	\$ 74,178

See Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

	(in thousands)	Years Ended December 31,		
		2000	1999	1998
Cash Flows	Net income	\$ 9,203	\$ 7,165	\$ 5,245
From Operating	Noncash and nonoperating items included in earnings:			
Activities	Depreciation and amortization	4,136	2,790	2,133
	Bonus notes amortization	2,836	1,992	1,717
	Deferred items	242	403	1,938
	Amortization of restricted stock awards, units, and stock benefits	1,157	854	595
	Gain on sale of subsidiary	- -	(1,496)	- -
	Realized and unrealized (gains)/losses	321	(697)	(577)
		17,895	11,011	11,051
	Decrease (increase) in operating receivables:			
	Customers	7,556	(99,325)	4,592
	Brokers and dealers	11,593	(18,091)	11,277
	(Decrease) increase in operating payables:			
	Customers	6,841	(3,663)	(1,933)
	Brokers and dealers	8,462	42,291	31,061
	Decrease (increase) in assets:			
	Cash and U.S. Government securities segregated for the exclusive benefit of customers	(6)	(4)	- -
	Securities owned	2,613	9,942	(19,420)
	Notes receivable from officers and employees	(12,316)	(3,466)	(3,927)
	Other assets	(4,734)	633	(2,648)
	(Decrease) increase in liabilities:			
	Securities sold, not yet purchased	2,319	1,038	(3,266)
	Drafts payable, accounts payable and accrued expenses, and accrued employee compensation	4,639	41	3,153
	Other	- -	9,398	10,600
	Cash From Operating Activities	\$ 44,862	\$(50,195)	\$ 40,540

Consolidated Statements of Cash Flows

(in thousands)		Years Ended December 31,		
		2000	1999	1998
	Cash From Operating Activities —			
	From Previous Page	\$ 44,862	\$(50,195)	\$ 40,540
Cash Flows From Financing Activities	Net (payments) proceeds for short-term borrowings from banks	(34,815)	60,060	(26,260)
	Proceeds from:			
	Issuance of stock	1,796	1,823	2,043
	Long-term debt	- -	5,000	370
	Payments for:			
	Purchases of stock for treasury	(1,738)	(5,437)	(2,160)
	Settlement of long-term debt	(370)		
	Principal payments under capital lease obligation	(1,182)	(704)	(597)
	Repayment of notes assumed in acquisition of subsidiary	(1,500)	- -	- -
	Cash dividends	(922)	(853)	(828)
	Cash From Financing Activities	(38,731)	59,889	(27,432)
Cash Flows From Investing Activities	Proceeds from:			
	Cash received in acquisition of subsidiary	2,927	- -	- -
	Sale of investments	543	219	118
	Sale of subsidiary	- -	4,609	- -
	Payments for:			
	Acquisition of office equipment and leasehold improvements	(4,163)	(3,984)	(3,979)
	Acquisition of investments	(7,710)	(6,512)	(11,778)
	Cash From Investing Activities	(8,403)	(5,668)	(15,639)
	(Decrease) increase in cash and cash equivalents	(2,272)	4,026	(2,531)
	Cash and cash equivalents — beginning of year	16,861	12,835	15,366
	Cash and cash equivalents — end of year	14,589	\$ 16,861	\$ 12,835
	Supplemental disclosures of cash flow information:			
	Interest payments	\$ 20,405	\$ 9,682	\$ 10,082
	Income tax payments	\$ 4,928	\$ 3,648	\$ 4,474
	Schedule of Noncash Investing and Financing Activities:			
	Fixed assets acquired under capital lease	\$ 1,885	\$ 924	\$ 923
	Restricted stock awards and units, net of forfeitures	\$ 5,888	\$ 3,471	\$ 1,263
	Employee stock ownership shares	\$ 183	\$ 152	\$ 165
	Acquisition of Hanifen, Imhoff Inc.	\$ 4,746	- -	- -
	Stock dividends distributed	- -	\$ 77	\$ 3,551

See Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

(in thousands, except share and per share amounts)

NOTE A — Summary of Significant Accounting and Reporting Policies

Nature of Operations

Stifel Financial Corp. (the “Parent”), through its wholly owned subsidiaries, principally Stifel, Nicolaus & Company, Incorporated (“Stifel Nicolaus”), collectively referred to as “the Company,” is principally engaged in retail brokerage, securities trading, investment banking, investment advisory, and related financial services throughout the United States. Although the Company has offices throughout the United States, its major geographic area of concentration is in the Midwest. The Company’s principal customers are individual investors, with the remaining client base composed of corporations, municipalities, and institutions.

Basis of Presentation

The consolidated financial statements include the accounts of the Parent and its wholly owned subsidiaries, principally Stifel Nicolaus. Stifel Nicolaus is a broker-dealer registered under the Securities Exchange Act of 1934. All material intercompany balances and transactions are eliminated in consolidation.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Where appropriate, prior years’ financial information has been reclassified to conform with the current year presentation.

The Company defines cash equivalents as short-term, highly liquid investments with original maturities of 90 days or less, other than those held for sale in the ordinary course of business.

Security Transactions

Trading and investment securities owned and securities sold, but not yet purchased are carried at fair value, and unrealized gains and losses are reflected in the results of operations.

Securities failed to deliver and receive represent the contract value of securities that have not been delivered or received by settlement date.

Receivable from customers includes amounts due on cash and margin transactions. The value of securities owned by customers and held as collateral for these receivables is not reflected in the consolidated statements of financial condition.

Customer security transactions are recorded on a settlement date basis with related commission revenues and expenses recorded on a trade date basis. Principal securities transactions are recorded on a trade date basis.

Fair Value

The Company’s financial instruments are carried at fair value or amounts that approximate fair value. Securities owned and securities sold, but not yet purchased are valued using quoted market or dealer prices, pricing models, or management’s estimates. Customer receivables, primarily consisting of floating-rate loans collateralized by customer-owned securities, are charged interest at rates similar to other such loans made throughout the industry. The Company’s remaining financial instruments are generally short-term in nature, and their carrying values approximate fair value. The Company has estimated the fair value of its long-term debt using the discounted cash flow analysis of payments. At December 31, 2000, the estimated fair value of the notes was \$10,645.

Notes to Consolidated Financial Statements

(in thousands, except share and per share amounts)

NOTE A — Accounting and Reporting Policies (continued)

Investments

Securities not readily marketable, held for investment by the Parent and certain subsidiaries, are included under the caption "Investments" and are carried at the lower of historical cost or fair value. Investment securities of registered broker-dealer subsidiaries are carried at fair value or amounts that approximate fair value. The fair value of investments, for which a quoted market or dealer price is not available, are based on management's estimates. Among the factors considered by management in determining the fair value of investments are the cost of the investment, terms and liquidity, developments since the acquisition of the investment, the sales price of recently issued securities, the financial condition and operating results of the issuer, earnings trends and consistency of operating cash flows, the long-term business potential of the issuer, the quoted market price of securities with similar quality and yield that are publicly traded, and other factors generally pertinent to the valuation of investments. The fair value of these investments is subject to a high degree of volatility and may be susceptible to significant fluctuation in the near term. These investments were valued at \$13,701 and \$9,771 at December 31, 2000, and December 31, 1999, respectively.

Income Taxes

Deferred income taxes are recognized for the future tax consequences attributable to differences between the financial reporting and income tax bases of assets and liabilities.

Comprehensive Income

During 1998, the Company adopted SFAS No. 130, "Reporting Comprehensive Income," which requires entities to report changes in equity that result from transactions and economic events other than those with shareholders. The Company had no other comprehensive income; accordingly, net income and other comprehensive income are the same.

Other

Securities borrowed and securities loaned are recorded at the amount of cash collateral advanced or received. Securities borrowed transactions require Stifel Nicolaus to deposit cash or other collateral with the lender. With respect to securities loaned, Stifel Nicolaus receives collateral in the form of cash or other collateral in an amount generally in excess of the market value of securities loaned. Stifel Nicolaus monitors the market value of securities borrowed and loaned on a daily basis, with additional collateral obtained or refunded as necessary.

Amortization of assets under capital lease is computed on a straight-line basis over the estimated useful life of the asset. Leasehold improvements are amortized over the remaining term of the lease. Depreciation of office equipment is provided over estimated useful lives of three to seven years using accelerated methods.

Goodwill recognized in business combinations accounted for as purchases is being amortized principally over 25 years on a straight-line basis.

Basic earnings per share of common stock is computed by dividing income available to shareholders by the weighted average number of common shares outstanding during the periods. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the entity. Diluted earnings include dilutive stock options under the treasury stock method.

Notes to Consolidated Financial Statements

(in thousands, except share and per share amounts)

NOTE B — Special Reserve Bank Account

At December 31, 2000, cash of \$187 has been segregated in a special reserve bank account for the exclusive benefit of customers pursuant to Rule 15c3-3 under the Securities Exchange Act of 1934.

NOTE C — Short-Term Borrowings From Banks

In the normal course of business, Stifel Nicolaus borrows from various banks on a demand basis with company-owned and customer securities pledged as collateral. Available credit arrangements with banks totaled \$285,000 at December 31, 2000, of which \$196,750 was unused. There were no compensating balance requirements under these arrangements. The Company's floating interest rate short-term borrowings bore interest at a weighted average rate of 6.45% and 4.88% at December 31, 2000 and 1999, respectively. Short-term borrowings utilized for customer loans of \$77,125 and \$106,325 were collateralized by customer-owned securities valued at \$118,400 and \$174,698 at December 31, 2000 and 1999, respectively. Short-term borrowings of \$11,125 and \$16,625 used to finance trading securities were collateralized by company-owned securities valued at \$15,500 and \$22,741 at December 31, 2000 and 1999, respectively. The value of the customer-owned securities is not reflected in the consolidated statement of financial condition.

NOTE D — Commitments and Contingencies

In the normal course of business, Stifel Nicolaus enters into underwriting commitments. Settlement of transactions relating to such underwriting commitments, which were open December 31, 2000, had no material effect on the consolidated financial statements.

In connection with margin deposit requirements of The Options Clearing Corporation, Stifel Nicolaus has pledged cash and customer-owned securities valued at \$57,600. At December 31, 2000, the amounts on deposit satisfied the minimum margin deposit requirement of \$56,300.

The future minimum rental commitments at December 31, 2000, with initial or remaining non-cancellable lease terms in excess of one year are as follows:

<i>Year Ending December 31,</i>	<i>Capital Leases</i>	<i>Operating Leases</i>
2001	\$ 880	\$ 5,879
2002	750	5,018
2003	230	4,593
2004	55	3,663
2005	- -	2,993
Thereafter	- -	11,567
Minimum Commitments	\$1,915	<u>\$33,713</u>
Less Interest	<u>144</u>	
Net Present Value of Capital Lease Obligations	<u>\$ 1,771</u>	

Notes to Consolidated Financial Statements

(in thousands, except share and per share amounts)

NOTE D — Commitments and Contingencies (continued)

Rental expense for the years ended December 31, 2000, 1999, and 1998, approximated \$6,073, \$4,728, and \$4,032, respectively.

Office equipment, under capital leases, with a recorded cost of approximately \$3,733, net of amortization of \$2,058, and \$1,021, net of amortization of \$940, at December 31, 2000 and 1999, respectively, collateralizes the above capital lease obligations and is included in the consolidated statements of financial condition under the caption of “Office equipment and leasehold improvements.”

Amortization and depreciation expense of assets under capital lease and owned furniture and equipment for 2000, 1999, and 1998 was \$3,842, \$2,626, and \$1,794, respectively.

NOTE E — Net Capital Requirements

Stifel Nicolaus is subject to the Uniform Net Capital Rule, Rule 15c3-1 under the Securities Exchange Act of 1934 (the “rule”), which requires the maintenance of minimum net capital, as defined. Stifel Nicolaus has elected to use the alternative method permitted by the rule that requires maintenance of minimum net capital equal to the greater of \$250 or 2% of aggregate debit items arising from customer transactions, as defined. The rule also provides that equity capital may not be withdrawn or cash dividends paid if resulting net capital would be less than 5% of aggregate debit items.

At December 31, 2000, Stifel Nicolaus had net capital of \$37,105, which was 10.32% of aggregate debit items and \$29,915 in excess of minimum required net capital.

NOTE F — Employee Benefit Plans

The Company has a profit sharing 401(k) plan (the “PSP”) covering qualified employees as defined in the plan. Contributions to the PSP were based upon a company match of 50% of the employees’ first one thousand dollars in annual contributions for 2000 and the first five hundred dollars in annual contributions for 1999 and 1998. Additional contributions by the Company are discretionary. The amounts charged to employee compensation and benefits for the PSP were \$418, \$177, and \$158, for 2000, 1999, and 1998, respectively.

Effective January 1, 1999, Stifel Nicolaus adopted a new deferred compensation plan for its investment executives (“I.E.s”) who achieve certain levels of production, whereby a certain percentage of their earnings is deferred as defined by the plan, of which 50% is deferred into Parent stock units with a 25% matching contribution and 50% into one of two investment options chosen by the I.E.s. I.E.s may elect to defer an additional 1% of earnings into Parent stock units with a 25% matching contribution. Prior to the adoption of this new plan, I.E.s could elect to invest their individual deferred amounts into several investment options, including Parent stock. Deferred compensation for both plans cliff vests over a five-year period. Deferred compensation costs are amortized on a straight-line basis over the deferral period. Charges to employee compensation and benefits related to these plans were \$320, \$165, and \$507 for 2000, 1999, and 1998, respectively.

Notes to Consolidated Financial Statements

(in thousands, except share and per share amounts)

NOTE G — Stock-Based Compensation Plans

The Company has several stock-based compensation plans, which are described below. The Company applies APB Opinion 25, "Accounting for Stock Issued to Employees," and related interpretations in accounting for its plans. Had compensation cost for the Company's stock-based compensation plans been determined based on the fair value at the grant dates for awards under the Fixed Stock Option and the Employee Stock Purchase Plans consistent with the method of FASB Statement 123, "Accounting for Stock-Based Compensation," the Company's net income and earnings per share would have been reduced to the pro forma amounts indicated below:

	Years Ended December 31,		
	2000	1999	1998
Net income			
As reported	\$9,203	\$7,165	\$5,245
Pro forma	\$8,458	\$6,758	\$4,629
Basic earnings per share			
As reported	\$ 1.31	\$ 1.08	\$ 0.77
Pro forma	\$ 1.21	\$ 1.02	\$ 0.68
Diluted earnings per share			
As reported	\$ 1.20	\$ 1.03	\$ 0.73
Pro forma	\$ 1.10	\$ 0.97	\$ 0.64

All option plans are administered by the Compensation Committee of the Board of Directors of the Parent, which has the authority to interpret the Plans, determine to whom options may be granted under the Plans, and determine the terms of each option.

Fixed Stock Option Plans

The Company has four fixed stock option plans and an incentive stock award plan. Under the Company's 1983 and 1985 Incentive Stock Option Plans, the Company granted options up to an aggregate of 450,000 shares to key employees. Under the Company's 1987 non-qualified stock option plan, the Company granted options up to an aggregate of 100,000 shares. Under the Company's 1997 "Incentive Stock Plan," the Company may grant incentive stock options, stock appreciation rights, restricted stock, performance awards, and stock units up to an aggregate of 1,200,000 shares. Options under these plans are generally granted at 100% of market value at the date of the grant and expire ten years from the date of grant. The options generally vest ratably over a three- to five-year vesting period. The Company has also granted stock options to external board members under a non-qualified plan. These options are generally granted at 100% of market value at the date of the grant and are exercisable six months to one year from date of grant and expire ten years from date of grant.

Effective with options granted in 1995 and subsequently, the fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model, with the following weighted-average assumptions used for grants in 2000, 1999, and 1998, respectively: dividend yield of 1.05%, 1.09%, and 1.15%; expected volatility of 35.9%, 33.7%, and 41.9%; risk-free interest rates of 6.15%, 5.78%, and 5.15%; and expected lives of 6.36 years, 6.56 years, and 5.25 years.

Notes to Consolidated Financial Statements

(in thousands, except share and per share amounts)

NOTE G — Stock-Based Compensation Plans (continued)

The summary of the status of the Company's fixed stock option plans as of December 31, 2000, 1999, and 1998, and changes during the years ending on those dates is presented below:

<i>Fixed Options</i>	<i>2000</i>		<i>1999</i>		<i>1998</i>	
	<i>Shares</i>	<i>Weighted-Average Exercise Price</i>	<i>Shares</i>	<i>Weighted-Average Exercise Price</i>	<i>Shares</i>	<i>Weighted-Average Exercise Price</i>
Outstanding at beginning of year	807,885	\$ 9.32	769,084	\$ 8.78	764,617	\$ 7.49
Granted	515,100	10.88	296,393	9.67	169,050	11.70
Exercised	(52,286)	5.29	(106,346)	5.51	(106,864)	4.60
Forfeited	(69,861)	10.37	(151,246)	11.21	(55,812)	9.42
Expired	--	--	--	--	(1,907)	4.26
Outstanding at end of year	1,200,838	\$ 10.11	807,885	\$ 9.32	769,084	\$ 8.78
Options exercisable at year-end	420,203		351,987		384,475	
Weighted-average fair value of options granted during the year	\$4.63		\$3.92		\$4.78	

The following table summarizes information about fixed stock options outstanding at December 31, 2000:

<i>Range of Exercise Prices</i>	<i>Options Outstanding</i>			<i>Options Exercisable</i>	
	<i>Number Outstanding at 12/31/00</i>	<i>Weighted-Average Remaining Contractual Life</i>	<i>Weighted-Average Exercise Price</i>	<i>Number Exercisable at 12/31/00</i>	<i>Weighted-Average Exercise Price</i>
\$ 3.73 - \$ 6.26	130,741	4.62	\$ 5.29	130,741	\$ 5.29
7.14 - 10.00	329,714	8.16	9.45	98,362	9.04
10.13 - 10.63	290,875	9.02	10.41	4,770	10.41
10.83 - 12.26	370,072	8.03	11.23	160,887	11.01
13.00 - 15.31	79,436	8.28	14.43	25,443	15.31
\$ 3.73 - \$15.31	1,200,838	7.95	\$ 10.11	420,203	\$ 9.02

Notes to Consolidated Financial Statements

(in thousands, except share and per share amounts)

NOTE G — Stock-Based Compensation Plans (continued)

Employee Stock Purchase Plan

Under the 1998 Employee Stock Purchase Plan (the “ESPP”), the Company was authorized to issue up to 150,000 shares of common stock to its full-time employees, nearly all of whom are eligible to participate. Under the terms of the ESPP, employees can choose each year to have a specified percentage of their compensation withheld in 1% increments not to exceed 10%. The participant may also specify a maximum dollar amount to be withheld. At the beginning of every year, each participant will be granted an option to purchase 1,000 shares of common stock at a price equal to the lower of 85% of the beginning-of-year or end-of-year fair market value of the common stock. Approximately 35% to 36% of eligible employees have participated in the ESPP in the last three years. Under the ESPP, the Company granted 149,810 shares, 151,528 shares, and 156,841 shares to employees in 2000, 1999, and 1998, respectively.

Effective with options granted in 1995, the fair value of each employee’s purchase rights is estimated using the Black-Scholes option-pricing model, with the following weighted-average assumptions used for grants in 2000, 1999, and 1998, respectively: dividend yield of 1.05%, 1.09%, and 1.15%; expected volatility of 35.9%, 33.7%, and 41.9%; risk-free interest rates of 6.11%, 5.08%, and 5.05%; and expected lives of one year. The weighted-average fair value of those purchase rights granted in 2000, 1999, and 1998 was \$2.34, \$2.28, and \$2.67, respectively.

Restricted Stock Awards

Restricted stock awards are made, and shares issued, to certain key employees without cash payment by the employee. Certain key employees were granted 2,000, 1,783, and 98,275 shares of restricted stock, with a fair value of \$23, \$19, and \$1,276, during 2000, 1999, and 1998, respectively. At December 31, 2000, restricted stock awards covering 22,088 shares were outstanding, with the restrictions expiring at various dates through 2003. The shares are restricted as to resale. Restrictions lapse ratably over three- and five-year service periods. The deferred cost of the restricted stock awards is amortized on a straight-line basis. The Company charged to employee compensation and benefits \$238, \$278, and \$367 for the amortization during 2000, 1999, and 1998, respectively.

Stock Units

A stock unit represents the right to receive a share of common stock from the Parent at a designated time in the future without cash payment by the employee and is issued in lieu of cash incentive. A deferred compensation plan is provided to certain revenue producers, officers, and key administrative employees, whereby a certain percentage of their incentive compensation is deferred as defined by the plan into Parent stock units with a 25% matching contribution by the Company. Participants may elect to defer up to an additional 15% of their incentive compensation with a 25% matching contribution by the Company. Units generally vest over a three- to five-year period and are distributable upon vesting or at future specified dates. Deferred compensation costs are amortized on a straight-line basis over the vesting period. The Company charged \$919, \$495, and \$210 to employee compensation and benefits relating to units granted under this plan for 2000, 1999, and 1998, respectively.

Employee Stock Ownership Plan

The Company has an employee stock ownership plan (the “ESOP”) covering qualified employees as defined in the plan. Employer contributions are made to the ESOP as determined by the Compensation Committee of the Board of Directors of the Parent on behalf of all eligible employees based upon the relationship of individual compensation (up to a maximum of \$170 in 2000 and \$160 in 1999 and 1998) to total compensation. In 1997, the Company purchased 248,063 shares for \$3,178 and contributed these shares to the ESOP. The unallocated shares are being released for allocation to the participants based upon employer contributions to fund an internal loan between the Parent and the ESOP. At December 31, 2000, the plan held 473,653 shares, of which 203,337 shares with a value of \$2,313 were unallocated. The Company charged to employee compensation and benefits \$183, \$152, and \$165 for the ESOP contributions for 2000, 1999, and 1998, respectively.

Notes to Consolidated Financial Statements

(in thousands, except share and per share amounts)

NOTE H — Legal Proceedings

The Company is a defendant in several lawsuits and arbitrations, which arose from its usual business activities. Some of these lawsuits and arbitrations claim substantial amounts, including punitive damage claims. Although the ultimate outcome of these actions cannot be ascertained at this time and the results of legal proceedings cannot be predicted with certainty, management, based on its understanding of the facts and after consultation with outside counsel, does not believe the ultimate resolution of these matters will have a materially adverse effect on the Company's consolidated financial condition and results of operations. However, depending upon the period of resolution, such effects could be material to the financial results of an individual operating period. It is reasonably possible that certain of these lawsuits and arbitrations could be resolved in the next year, and management does not believe such resolutions will result in losses materially in excess of the amounts previously provided.

On May 18, 2000, the Company and Sakura Global Capital, Inc. ("Sakura") entered into a settlement agreement with the Oklahoma Transportation Authority ("OTA"), formerly known as the Oklahoma Turnpike Authority, relating to the 1992 OTA \$608 million bond issue. In connection with the settlement, the settling parties also entered into a closing agreement with the Internal Revenue Service, which preserves the tax-exempt status of the bonds. This settlement agreement resolved the five-year-old civil action filed by the OTA. The Company's portion of the settlement, which was fully reserved, had no impact on the Company's 2000 earnings.

NOTE I — Financial Instruments With Off-Balance Sheet Credit Risk

In the normal course of business, the Company executes, settles, and finances customer and proprietary securities transactions. These activities expose the Company to off-balance sheet risk in the event that customers or other parties fail to satisfy their obligations.

In accordance with industry practice, securities transactions are recorded on settlement date, generally three business days after trade date. Should a customer or broker fail to deliver cash or securities as agreed, the Company may be required to purchase or sell securities at unfavorable market prices.

The Company borrows and lends securities to finance transactions and facilitate the settlement process, utilizing both firm proprietary positions and customer margin securities held as collateral. The Company monitors the adequacy of collateral levels on a daily basis. The Company periodically borrows from banks on a collateralized basis utilizing firm and customer margin securities in compliance with SEC rules. Should the counterparty fail to return customer securities pledged, the Company is subject to the risk of acquiring the securities at prevailing market prices in order to satisfy its customer obligations. The Company controls its exposure to credit risk by continually monitoring its counterparties' positions, and, where deemed necessary, the Company may require a deposit of additional collateral and/or a reduction or diversification of positions. The Company sells securities it does not currently own (short sales) and is obligated to subsequently purchase such securities at prevailing market prices. The Company is exposed to risk of loss if securities prices increase prior to closing the transactions. The Company controls its exposure to price risk for short sales through daily review and setting position and trading limits.

At December 31, 2000, customer margin securities of approximately \$420,000 were available to the Company to utilize as collateral on various borrowings or other purposes. The Company had utilized a portion of these available securities as collateral for bank loans (\$118,400), stock loans (\$129,200), OCC margin requirements (\$57,600), and customer short sales (\$3,700).

Concentrations of Credit Risk

The Company maintains margin and cash security accounts for its customers located throughout the United States. The majority of the Company's customer receivables are serviced by branch locations in Missouri and Illinois.

Derivatives

The Company deals, on an agency basis, in listed options and other products such as collateralized mortgage obligations, which derive their values from the price of some other security or index. The Company does not deal in complex derivative financial instruments, such as futures, forwards, and swaps.

Notes to Consolidated Financial Statements

(in thousands, except share and per share amounts)

NOTE J — Long-Term Debt

The Company has outstanding \$10,000 principal amount of notes due on June 30, 2004. Interest is payable monthly at the rate of 8% per annum.

NOTE K — Investments in Qualified Missouri Businesses

The Company formed two Limited Liability Corporations, referred to collectively as “the LLC,” to be certified capital companies under the statutes of the state of Missouri, which provide venture capital for qualified Missouri businesses, as defined. The LLC issued \$4,600 non-interest bearing notes due May 15, 2008, \$10,600 non-interest bearing notes due February 15, 2009, \$8,417 non-interest bearing notes due February 15, 2010, and \$981 non-interest bearing participating debentures due December 31, 2010, which are included in the Company’s consolidated statement of financial condition under the caption “Other.” Proceeds from the notes are first invested in zero coupon U.S. Government securities in an amount sufficient to accrete to the repayment of the notes and are placed in an irrevocable trust. These securities, valued at approximately \$14,306 and \$13,474 at December 31, 2000 and 1999, respectively, are held to maturity and are included under the caption “Investments.” The remaining proceeds are available for investment in qualified Missouri businesses.

The LLC invests in qualified Missouri businesses in the form of debt, preferred, and/or common equity. These investments are not readily marketable and are valued at fair value. These securities, valued at approximately \$10,130 and \$7,916 at December 31, 2000 and 1999, respectively, are included under the caption “Investments.”

Due to the structure of the LLC and under the statutes of the State of Missouri, the Company participates in a portion of the appreciation of these investments. Management monitors these investments on a continuous basis. The Company changed the valuation of its portfolio investments and recorded an unrealized loss of \$1,414 in 2000 and a net unrealized gain of \$416 during 1999.

NOTE L — Preferred Stock Purchase Rights

On June 30, 1987, the Company’s Board of Directors declared a distribution of one preferred stock purchase right for each share of the Company’s common stock. On July 23, 1996, the Company’s Board of Directors approved the redemption of these shareholder rights and the adoption of a new Shareholder Rights Plan. Shareholders of record on August 12, 1996, received a payment of \$.05 per share, representing the redemption price for the existing rights. This payment was in lieu of the regular quarterly dividend of \$.03 per share.

In addition, on July 23, 1996, the Company’s Board of Directors authorized and declared a dividend distribution of one preferred stock purchase right for each outstanding share of the Company’s common stock, par value \$0.15 per share. The dividend was distributed to stockholders of record on August 12, 1996. Each right will entitle the registered holder to purchase one one-hundredth of a share of a Series A Junior Participating Preferred Stock, par value \$1.00 per share, at an exercise price of \$35 per right. The rights become exercisable on the tenth day after public announcement that a person or group has acquired 15% or more of the Company’s common stock or upon commencement of announcement of intent to make a tender offer for 15% or more of the outstanding shares of common stock without prior written consent of the Company. If the Company is acquired by any person after the rights become exercisable, each right will entitle its holder to purchase shares of common stock at one-half the then current market price and, in the event of a subsequent merger or other acquisition of the Company, to buy shares of common stock of the acquiring entity at one-half of the market price of those shares. The rights may be redeemed by the Company prior to becoming exercisable by action of the Board of Directors at a redemption price of \$.01 per right. These rights will expire, if not previously exercised, on August 12, 2006.

Notes to Consolidated Financial Statements

(in thousands, except share and per share amounts)

NOTE M — Income Taxes

The Company's provision (benefit) for income taxes consists of:

	Years Ended December 31,		
	2000	1999	1998
Current:			
Federal	\$ 4,957	\$ 3,165	\$ 1,600
State	607	388	381
	\$ 5,564	\$ 3,553	\$ 1,981
Deferred:			
Federal	\$ (69)	\$ 227	\$ 1,100
State	(9)	28	263
	\$ (78)	\$ 255	\$ 1,363
	\$ 5,486	\$ 3,808	\$ 3,344

The provision for income taxes differs from the amount computed by applying the statutory federal income tax rate to income before income taxes for the following reasons:

	Years Ended December 31,		
	2000	1999	1998
Federal tax computed at statutory rates	\$ 4,995	\$ 3,731	\$ 2,921
State income taxes, net of federal income tax benefit	392	255	441
Sale of Todd Investment Advisors	- -	(386)	- -
Other, net	99	208	(18)
Provision for income taxes	\$ 5,486	\$ 3,808	\$ 3,344

Notes to Consolidated Financial Statements

(in thousands, except share and per share amounts)

NOTE M — Income Taxes (continued)

The net deferred tax asset consists of the following temporary differences:

		December 31, 2000	December 31, 1999
Deferred Tax Asset	Accruals not currently deductible	\$ 1,466	\$ 1,741
	Deferred compensation	1,259	1,427
	Deferred revenue	926	953
	Office equipment and leasehold improvements, principally book over tax depreciation	383	298
	Investments, principally due to valuation allowance	412	98
	Other	264	65
	Deferred Tax Asset	4,710	4,582
Deferred Tax Liability	Customer and employee receivable	(1,506)	(968)
	Intangible assets, principally tax over book amortization	(168)	(176)
	Investment fee revenue installment receivable	- -	(480)
	Deferred Tax Liability	(1,674)	(1,624)
	Net Deferred Tax Asset	\$ 3,036	\$ 2,958

The Company believes that a valuation allowance with respect to the realization of the total gross deferred tax asset is not necessary. Based on the Company's historical earnings and taxes previously paid, future expectations of taxable income, and the future reversals of gross deferred tax liability, management believes it is more likely than not that the Company will realize the gross deferred tax asset.

NOTE N — Related Party Transactions

Four directors of the Parent are associated with firms that provide legal and consulting services to the Company. The Company charged approximately \$342, \$460, and \$761 (primarily for legal fees) to operations for these services for 2000, 1999, and 1998, respectively.

A director of the Parent has a general partnership interest in an enterprise in which the Company also holds general and limited partnership interests carried at approximately \$1,024 at December 31, 2000, and \$759 at December 31, 1999.

Notes to Consolidated Financial Statements

(in thousands, except share and per share amounts)

NOTE O — Segment Reporting

The Company's reportable segments include the Private Client Group, Equity Capital Markets, Fixed Income Capital Markets, and Other. Prior years' financial information has been reclassified to conform with the current year presentation. The Private Client Group segment includes 70 branch offices and 123 independent contractor offices of the Company's broker-dealer subsidiaries located throughout the U.S., primarily in the Midwest. These branches provide securities brokerage services, including the sale of equities, mutual funds, fixed income products, and insurance, to their private clients. The Equity Capital Markets segment includes corporate finance management and participation in underwritings (exclusive of sales credits, which are included in the Private Client Group segment), mergers and acquisitions, institutional sales, trading, research, and market making. The Fixed Income Capital Markets segment includes public finance, institutional sales, and competitive underwriting and trading. Investment advisory fees and clearing income is included in Other.

Intersegment revenues and charges are eliminated between segments. The Company evaluates the performance of its segments and allocates resources to them based on various factors, including prospects for growth, return on investment, and return on revenues.

The Company has not disclosed asset information by segment, as the information is not produced internally and its preparation is impracticable.

Information concerning operations in these segments of business is as follows:

	Years Ended December 31,		
	2000	1999	1998
Revenues			
Private Client Group	\$ 162,620	\$ 128,211	\$ 112,431
Equity Capital Markets	17,783	10,083	13,504
Fixed Income Capital Markets	13,376	5,913	6,013
Other	4,343	6,986	5,340
Total Revenues	\$ 198,122	\$ 151,193	\$ 137,288
Operating Contribution			
Private Client Group	\$ 25,057	\$ 17,619	\$ 14,486
Equity Capital Markets	862	77	1,224
Fixed Income Capital Markets	1,462	860	934
Other	1,638	4,519	1,447
Total Operating Contribution	29,019	23,075	18,091
Unallocated Overhead	(14,330)	(12,102)	(9,502)
Pre-Tax Income	\$ 14,689	\$ 10,973	\$ 8,589

Notes to Consolidated Financial Statements

(in thousands, except share and per share amounts)

NOTE P — Earnings Per Share

The following table reflects a reconciliation between Basic Earnings Per Share and Diluted Earnings Per Share.

	Years Ended December 31,								
	2000			1999			1998		
	Income (Numerator)	Shares (Denominator)	Per Share Amount	Income (Numerator)	Shares (Denominator)	Per Share Amount	Income (Numerator)	Shares (Denominator)	Per Share Amount
Net Income									
Basic Earnings Per Share									
Income available to shareholders	\$ 9,203	7,006,565	\$ 1.31	\$ 7,165	6,654,773	\$ 1.08	\$ 5,245	6,849,998	\$ 0.77
Effect of Dilutive Securities									
Employee benefits plans	- -	661,941	- -	- -	285,351	- -	- -	347,988	- -
Diluted Earnings Per Share									
Income available to common stockholders and assumed conversions	\$ 9,203	7,668,506	\$ 1.20	\$ 7,165	6,940,124	\$ 1.03	\$ 5,245	7,197,986	\$ 0.73

NOTE Q — Sale of Subsidiary

On April 28, 1999, the Company sold its investment advisor subsidiary, Todd Investment Advisors, to Western and Southern Life Insurance Company, a significant shareholder. The Company recorded a pre-tax gain of approximately \$1.5 million, which is included in other income.

NOTE R — Merger

On January 12, 2000, the Company completed the merger of Hanifen, Imhoff Inc. ("HII"), a Denver-based investment banking firm. The transaction has been accounted for as a purchase and provided for a tax-free exchange of 516,984 shares of the Company's stock (valued at \$4,745,913) for all of the outstanding shares of HII. The purchase price has been allocated to net tangible and intangible assets acquired based on their estimated fair market values. The remaining purchase price of \$3.8 million has been recorded as goodwill, which will be amortized over 25 years. The exchange ratio was calculated using the respective book values of the Company and HII. The total shares issued in the transaction were based upon the final closing equity of HII at December 31, 1999. In connection with the transaction, certain key associates of HII executed employment agreements containing non-compete provisions and restrictions on the sale of the stock received in the merger and were awarded options in the Company. The merger added 54 investment bankers, research analysts, institutional sales associates, and traders to the capital markets segment, as well as 24 administrative and technical support associates.

The following is unaudited pro forma financial data for the combined operations, assuming the transaction had taken place on January 1, 1998. Due to the timing of the transaction, the pro forma impact is not material to the 2000 financial data.

	Years Ended December 31,	
	1999	1998
Revenues	\$ 166,811	\$ 153,968
Net income	\$ 6,551	\$ 4,754
Diluted earnings per share	\$ 0.88	\$ 0.62
Diluted weighted average shares outstanding	7,457	7,715

The above pro forma data do not purport to be indicative of the results which actually would have occurred had the acquisition been made on January 1, 1998.

Notes to Consolidated Financial Statements

(in thousands, except share and per share amounts)

NOTE S — Subsequent Event

On January 31, 2001, the Company's Board of Directors approved a \$.03 per share cash dividend to be paid on March 1, 2001, to shareholders of record on February 15, 2001.

NOTE T — Recent Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities," which, after being amended by SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities — Deferral of the Effective Date of FASB Statement No. 133," is effective for fiscal years beginning after June 15, 2000. This statement establishes accounting and reporting standards for derivative instruments and hedging activities. The Statements are effective for the Company's consolidated financial statements on January 1, 2001. As the Company does not hold any derivatives or embedded derivatives as defined by the Statements, the adoption of the Statements on January 1, 2001, did not result in a transition adjustment.

In September 2000, the FASB issued SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." This Statement replaces SFAS No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities," and rescinds SFAS No. 127, "Deferral of Effective Date of Certain Provisions of FASB Statement No. 125." It revises the standards for accounting for securitizations and other transfers of financial assets and extinguishments of liabilities. Those standards are based on consistent application of a financial-components approach that focuses on control. This Statement is effective for transfers and servicing of financial assets and extinguishments of liabilities occurring after March 31, 2001. The Company has presented the required provisions under the Standard regarding collateral, including its sources and uses, but has yet to determine what impact, if any, the remaining provisions to be adopted after March 31, 2001, will have on the Company's consolidated financial statements.

* * * * *

Independent Auditor's Report

To the Board of Directors and Stockholders of
Stifel Financial Corp.
St. Louis, Missouri

We have audited the accompanying consolidated statements of financial condition of Stifel Financial Corp. and Subsidiaries (the "Company") as of December 31, 2000 and 1999, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Stifel Financial Corp. and Subsidiaries at December 31, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

**Deloitte
& Touche**

St. Louis, Missouri
March 9, 2001

Quarterly Results

Quarterly Operating Results (Unaudited)

<i>(in thousands, except per share amounts)</i>	Revenue	Earnings Before Income Taxes	Net Income	Basic Earnings Per Share	Diluted Earnings Per Share
Year 2000 By Quarter					
First	\$52,217	\$5,085	\$ 3,280	\$.47	\$.44
Second	47,942	3,860	2,461	.35	.32
Third	48,654	3,852	2,314	.33	.30
Fourth	49,309	1,892	1,148	.16	.15
Year 1999 By Quarter					
First	\$37,017	\$2,815	\$ 1,787	\$.26	\$.25
Second	37,835	3,405	2,244	.33	.32
Third	35,513	2,173	1,431	.22	.21
Fourth	40,828	2,580	1,703	.26	.25

Five-Year Financial Summary

		Years Ended December 31,				
(in thousands, except per share amounts)		2000	1999	1998	1997	1996
Revenue						
	Commissions	\$ 85,383	\$ 68,663	\$ 56,729	\$ 49,763	\$ 43,900
	Principal transactions	28,046	24,654	26,465	20,463	19,498
	Investment banking	21,700	11,507	15,763	28,476	16,253
	Interest	35,479	20,525	18,889	21,397	13,774
	Other	27,514	25,844	19,442	15,720	16,388
		198,122	151,193	137,288	135,819	109,813
Expenses						
	Employee compensation and benefits	117,229	92,819	86,967	81,817	66,765
	Communications and office supplies	10,879	8,911	8,389	6,914	6,797
	Occupancy and equipment rental	15,120	11,819	9,549	8,109	7,958
	Interest	20,594	10,097	9,798	12,991	8,197
	Commissions and floor brokerage	3,333	2,838	2,804	2,780	2,641
	Other operating expenses	16,278	13,736	11,192	13,787	11,853
		183,433	140,220	128,699	126,398	104,211
	Income before income taxes	14,689	10,973	8,589	9,421	5,602
	Provision for income taxes	5,486	3,808	3,344	3,750	2,209
	Net income	\$ 9,203	\$ 7,165	\$ 5,245	\$ 5,671	\$ 3,393
Per Share Data						
	Basic earnings	\$ 1.31	\$ 1.08	\$.77	\$ 1.01	\$.66
	Diluted earnings	\$ 1.20	\$ 1.03	\$.73	\$.88	\$.59
	Cash dividends	\$.12	\$.12	\$.12	\$.12	\$.09
Other Data						
	Total assets	\$458,312	\$453,110	\$335,005	\$315,484	\$301,344
	Long-term obligations	\$ 10,000	\$ 10,370	\$ 5,370	\$ 5,000	\$ 10,000
	Stockholders' equity	\$ 74,178	\$ 59,059	\$ 54,977	\$ 50,081	\$ 37,752
	Net income as % average equity	13.33%	12.55%	9.69%	13.29%	9.35%
	Net income as % revenues	4.65%	4.74%	3.82%	4.17%	3.09%
	Average common shares and share equivalents used in determining earnings per share:					
	Basic	7,007	6,655	6,850	5,591	5,150
	Diluted	7,669	6,940	7,198	7,099	6,816

Shareholder Information

Annual Meeting

The 2001 annual meeting of stockholders will be held in Founders Hall (2nd Floor), One Financial Plaza, 501 North Broadway, St. Louis, Missouri, on Wednesday, April 25, 2001, at 11:00 a.m.

Dividends

Dividends paid were as follows:

Record Date	Payment Date	Cash Dividend	Stock Dividend
2/11/99	2/25/99	\$0.03	5%
5/11/99	5/27/99	\$0.03	--
8/11/99	8/25/99	\$0.03	--
11/10/99	11/24/99	\$0.03	--
2/18/00	3/3/00	\$0.03	--
5/16/00	5/30/00	\$0.03	--
8/9/00	8/23/00	\$0.03	--
11/8/00	11/22/00	\$0.03	--

A regular quarterly cash dividend of \$0.03 per share was established on November 30, 1993.

On July 23, 1996, the Board of Directors of Stifel Financial Corp. approved the redemption of certain stock rights under a former Shareholder Rights Plan and the adoption of a new Shareholder Rights Plan. Shareholders on record, as of August 12, 1996, received a payment of \$0.05 per share, representing the redemption price for the former Rights. This payment was in lieu of the regular quarterly cash dividend of \$0.03 per share.

Form 10-K

The Form 10-K Annual Report to the Securities and Exchange Commission for the year ended December 31, 2000, providing further details of Stifel Financial Corp.'s business, is available at no charge from Stifel Financial Corp., Investor Relations, 501 North Broadway, St. Louis, Missouri 63102.

Transfer Agent

The transfer agent and registrar for Stifel Financial Corp. is UMB Bank, n.a., Kansas City, Missouri.

Number of Stockholders

The approximate number of stockholders of record on March 7, 2001, was 3,200.

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:

	Stock Price High - Low
Year 2000 By Quarter	
First	\$ 11 1/2 - 9 9/16
Second	11 9/16 - 9 1/2
Third	13 3/8 - 10 3/8
Fourth	14 15/16 - 11 1/4
Year 1999 By Quarter	
First	\$10 11/16 - 9
Second	10 11/16 - 8 15/16
Third	9 3/4 - 8 15/16
Fourth	11 7/8 - 8 15/16

Memberships

Stifel, Nicolaus & Company, Incorporated, one of Stifel Financial Corp.'s subsidiaries, is a member of:

New York Stock Exchange, Inc.
American Stock Exchange, Inc.
Chicago Stock Exchange, Inc.
Philadelphia Stock Exchange, Inc.
Chicago Board Options Exchange, Inc.
New York Futures Exchange, Inc.
National Association of Securities Dealers, Inc.
Securities Investor Protection Corporation

Principal Subsidiaries

Stifel, Nicolaus & Company, Incorporated
Stifel Venture Corp.
Century Securities Associates, Inc.
Pin Oak Capital, Ltd.
Stifel CAPCO, LLC
Stifel CAPCO II, LLC

Stifel Nicolaus Office Locations

Alton, Illinois

322 State Street, Suite 100
(618) 463-4697

Beachwood, Ohio

Enterprise Place
3401 Enterprise Parkway,
Suite 110
(216) 514-8612

Belleville, Illinois

One Bronze Pointe
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Beloit, Wisconsin

400 East Grand Avenue
(608) 363-8402

Brookfield, Wisconsin

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(262) 794-1000

Camdenton, Missouri

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Chesterfield, Missouri

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Cincinnati, Ohio

Bank One Towers
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Suite 250
(314) 862-8800

Clayton, Missouri

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Plaza of the Rockies
111 South Tejon, Suite 705
(719) 442-2646

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Decatur, Illinois

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Denver, Colorado

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Dublin, Ohio

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Edwardsville, Illinois

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Englewood, Colorado

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6312 South Fiddler's Green Circle,
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Fort Collins, Colorado

255 East Monroe Drive,
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Fort Wayne, Indiana

7221 Engle Road, Suite 115
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Fremont, Michigan

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(231) 924-0250

Geneva, Illinois

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Grand Rapids, Michigan

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Jefferson City, Missouri

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Joplin, Missouri

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Kansas City, Missouri

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Kimberly, Wisconsin

Fox Cities Location
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(920) 991-1415

Kirkwood, Missouri

1001 South Kirkwood Road,
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(314) 909-0238

Little Rock, Arkansas

Pavilion Centre
8315 Cantrell, Suite 220
(501) 217-0205

Louisville, Kentucky

Starks Building
455 South Fourth Avenue,
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(502) 587-6053

Louisville, Kentucky

(Hurstbourne)
320 Whittington Parkway,
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(502) 426-2220

Manhattan, Kansas

323 Poyntz Avenue
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Mansfield, Ohio

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Mattoon, Illinois

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80 South Eighth Street,
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Minnetonka, Minnesota

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Suite 230
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(913) 795-3159

New Albany, Indiana

3122 Blackiston Mill Road
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Oak Brook, Illinois

AT&T Plaza
1111 West 22nd Street,
Suite 640
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Olympia Fields, Illinois

20000 Governors Drive,
Suite 101
(708) 748-4500

Omaha, Nebraska

One Pacific Place
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Omaha, Nebraska

The 1600 Farnam Building
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Racine, Wisconsin

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Stevens Point, Wisconsin

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Texarkana, Texas

2010 Moores Lane, Suite 120
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Valparaiso, Indiana

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Washington Courthouse, Ohio

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Waterloo, Illinois

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(618) 939-9400

Wausau, Wisconsin

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Wayzata, Minnesota

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301 North Main, Suite 1800
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Winter Park, Florida

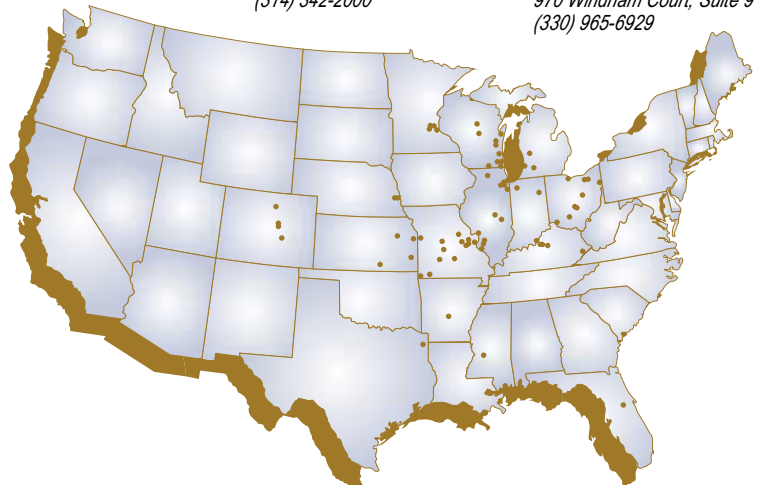
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Youngstown, Ohio

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