STIFEL FINANCIAL CORP
Form 10-Q/A
August 11, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q/A

(Amendment No. 1)

(Mark One)

x Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended June 30, 2015

OR

¨ Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from to

Commission File Number: 001-09305

STIFEL FINANCIAL CORP.

(Exact name of registrant as specified in its charter)

Delaware	43-1273600
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

501 N. Broadway, St. Louis, Missouri 63102-2188

(Address of principal executive offices and zip code)

(314) 342-2000

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 ("the Exchange Act") during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company (as defined in Rule 12b-2 of the Exchange Act).

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

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

The number of shares outstanding of the registrant's common stock, $0.15 par value per share, as of the close of business on August 3, 2015, was 69,432,970.

EXPLANATORY NOTE

The sole purpose of this Amendment No. 1 to Stifel Financial Corp.'s Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2015 (the Form 10-Q) is to file Exhibit 101 with the Form 10-Q in accordance with Rule 405 of Regulation S-T. Due to a technical error, the eXtensible Business Reporting Language (XBRL) data associated with the Form 10-Q was omitted from that filing. No other changes have been made to the Form 10-Q. This Amendment No. 1 does not reflect any subsequent events occurring after the original filing date of the Form 10-Q or modify or update in any way disclosures made in the original filing.

Exhibit 101 consists of the following materials from the Form 10-Q, filed with the Securities and Exchange Commission on August 11, 2015, formatted in XBRL:

101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Calculation Linkbase Document.
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.

STIFEL FINANCIAL CORP.

Form 10-Q

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PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

STIFEL FINANCIAL CORP.

Consolidated Statements of Financial Condition

(in thousands)	June 30, 2015 (Unaudited)	December 31, 2014
Assets		
Cash and cash equivalents	$641,937	$689,782
Cash segregated for regulatory purposes	150	49,646
Receivables:		
Brokerage clients, net	756,727	483,887
Brokers, dealers, and clearing organizations	835,433	651,074
Securities purchased under agreements to resell	242,944	55,078
Financial instruments owned, at fair value	944,813	786,855
Available-for-sale securities, at fair value	787,897	1,513,478
Held-to-maturity securities, at amortized cost	1,125,426	1,177,565
Loans held for sale, at lower of cost or market	183,991	121,939
Bank loans, net of allowance	2,420,326	2,065,420
Investments, at fair value	190,452	210,255
Fixed assets, net	159,365	124,246
Goodwill	886,011	795,026
Intangible assets, net	60,758	54,563
Loans and advances to financial advisors and other employees, net	250,512	197,757
Deferred tax assets, net	258,157	258,142
Other assets	394,643	283,438
Total Assets	$10,139,542	$9,518,151

See accompanying Notes to Consolidated Financial Statements.

STIFEL FINANCIAL CORP.

Consolidated Statements of Financial Condition (continued)

(in thousands, except share and per share amounts)	June 30, 2015 (Unaudited)	December 31, 2014
Liabilities and Shareholders' Equity		
Short-term borrowings from banks	$543,289	$—
Payables:		
Brokerage clients	449,834	321,496
Brokers, dealers, and clearing organizations	170,956	14,023
Drafts	59,579	75,198
Securities sold under agreements to repurchase	342,350	39,180
Bank deposits	4,313,937	4,790,081
Financial instruments sold, but not yet purchased, at fair value	566,726	587,265
Accrued compensation	228,277	359,050
Accounts payable and accrued expenses	411,843	302,320
Senior notes	450,000	625,000
Debentures to Stifel Financial Capital Trusts	82,500	82,500
Total liabilities	$7,619,291	7,196,113
Shareholders' Equity:		
Preferred stock - $1 par value; authorized 3,000,000 shares; none issued	—	—
Common stock - $0.15 par value; authorized 97,000,000 shares; issued 69,338,091 and 66,336,018 shares, respectively	10,401	9,950
Additional paid-in-capital	1,759,347	1,634,114
Retained earnings	781,377	716,305
Accumulated other comprehensive income	(30,656)	(38,331)
	2,520,469	2,322,038
Treasury stock, at cost, 3,657 and 5 shares, respectively	(218)	—
Total Shareholders' Equity	2,520,251	2,322,038
Total Liabilities and Shareholders' Equity	$10,139,542	$9,518,151

See accompanying Notes to Consolidated Financial Statements.

STIFEL FINANCIAL CORP.

Consolidated Statements of Operations

(Unaudited)

(in thousands, except per share amounts)	Three Months Ended June 30, 2015	2014	Six Months Ended June 30, 2015	2014
Revenues:				
Commissions	$183,771	$164,371	$364,073	$336,614
Principal transactions	85,542	110,717	186,275	221,399
Investment banking	161,007	144,815	285,568	280,077
Asset management and service fees	119,936	94,231	233,805	183,401
Interest	43,852	46,114	86,588	88,950
Other income	13,741	8,745	25,541	13,983
Total revenues	607,849	568,993	1,181,850	1,124,424
Interest expense	10,098	8,888	23,117	17,562
Net revenues	597,751	560,105	1,158,733	1,106,862
Non-interest expenses:				
Compensation and benefits	409,998	355,268	765,691	702,257
Occupancy and equipment rental	48,346	43,237	92,516	84,019
Communications and office supplies	31,114	25,858	60,348	50,696
Commissions and floor brokerage	9,124	9,248	19,193	18,277
Other operating expenses	61,098	52,075	112,848	99,764
Total non-interest expenses	559,680	485,686	1,050,596	955,013
Income before income tax expense	38,071	74,419	108,137	151,849
Provision for income taxes	17,183	30,819	44,152	60,866
Net income	$20,888	$43,600	$63,985	$90,983
Earnings per common share				
Basic	$0.31	$0.66	$0.94	$1.38
Diluted	0.27	0.58	0.82	1.20
Weighted-average number of common shares outstanding:				
Basic	68,370	66,302	68,189	66,167
Diluted	77,856	75,641	77,624	75,665

See accompanying Notes to Consolidated Financial Statements.

STIFEL FINANCIAL CORP.

Consolidated Statements of Comprehensive Income

(Unaudited)

(in thousands)	Three Months Ended June 30, 2015	Three Months Ended June 30, 2014	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014
Net income	$20,888	$43,600	$63,985	$90,983
Other comprehensive income, net of tax:				
Changes in unrealized gains/(losses) on available-for-sale securities [1, 2]	(1,804)	2,704	5,873	5,567
Changes in unrealized gains on cash flow hedging instruments [3]	713	360	487	986
Foreign currency translation adjustment	5,293	1,732	1,315	2,068
Total other comprehensive income, net of tax	4,202	4,796	7,675	8,621
Comprehensive income	$25,090	$48,396	$71,660	$99,604

(1) Net of tax benefit of $1.1 million and taxes of $1.7 million for the three months ended June 30, 2015 and 2014, respectively. Net of taxes of $4.8 million and $3.5 million for the six months ended June 30, 2015 and 2014, respectively.

(2) Amounts are net of reclassifications to earnings of realized gains of $1.9 million and $1.2 million for the three months ended June 30, 2015 and 2014, respectively. Amounts are net of reclassifications to earnings of realized gains of $1.9 million and $1.2 million for the six months ended June 30, 2015 and 2014, respectively.

(3) Amounts are net of reclassifications to earnings of losses of $1.0 million and $1.6 million for the three months ended June 30, 2015 and 2014, respectively. Amounts are net of reclassifications to earnings of losses of $2.2 million and $3.3 million for the six months ended June 30, 2015 and 2014, respectively.

(4) Net of taxes of $0.4 million and $0.2 million for the three months ended June 30, 2015 and 2014, respectively. Net of taxes of $0.3 million and $0.6 million for the six months ended June 30, 2015 and 2014, respectively

(5) Net of taxes of $3.3 million and $1.1 million for the three months ended June 30, 2015 and 2014, respectively. Net of taxes of $0.8 million and $1.3 million for the six months ended June 30, 2015 and 2014, respectively

See accompanying Notes to Consolidated Financial Statements.

STIFEL FINANCIAL CORP.

Consolidated Statements of Cash Flows

(Unaudited)

(in thousands)	Six Months Ended June 30, 2015	2014
Cash Flows From Operating Activities:		
Net income	$63,985	$90,983
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	14,899	14,306
Amortization of loans and advances to financial advisors and other employees	28,692	32,580
Amortization of premium on investment portfolio	2,222	3,118
Provision for loan losses and allowance for loans and advances to financial advisors and other employees	4,393	4,692
Amortization of intangible assets	3,673	8,204
Deferred income taxes	16,797	25,377
Excess tax benefits from stock-based compensation	(12,454)	(17,208)
Stock-based compensation	81,160	47,087
Gains on sale of investments	(4,941)	(4,945)
Other, net	(7,012)	2,158
Decrease/(increase) in operating assets, net of assets acquired:		
Cash segregated for regulatory purposes and restricted cash	49,496	4,265
Receivables:		
Brokerage clients	(160,766)	(27,219)
Brokers, dealers, and clearing organizations	(150,642)	(354,142)
Securities purchased under agreements to resell	(187,866)	2,866
Financial instruments owned, including those pledged	(100,353)	(226,505)
Loans originated as held for sale	(969,064)	(490,705)
Proceeds from mortgages held for sale	904,798	472,609
Loans and advances to financial advisors and other employees	(48,472)	(37,632)
Other assets	(27,769)	(14,521)
Increase/(decrease) in operating liabilities, net of liabilities assumed:		
Payables:		
Brokerage clients	128,338	4,769
Brokers, dealers, and clearing organizations	57,487	46,634
Drafts	(15,619)	(6,161)
Financial instruments sold, but not yet purchased	(20,539)	204,129
Other liabilities and accrued expenses	(222,792)	(180,887)
Net cash used in operating activities	$(572,349)	$(396,148)

See accompanying Notes to Consolidated Financial Statements.

STIFEL FINANCIAL CORP.

Consolidated Statements of Cash Flows (continued)

(Unaudited)

(in thousands)	Six Months Ended June 30, 2015	2014
Cash Flows From Investing Activities:		
Proceeds from:		
Maturities, calls, sales, and principal paydowns of available-for-sale securities	$728,809	$245,570
Calls and principal paydowns of held-to-maturity securities	52,903	46,240
Sale or maturity of investments	50,912	33,737
Sale of other real estate owned	-	131
Increase in bank loans, net	(356,580)	(357,654)
Payments for:		
Purchase of available-for-sale securities	(199)	(132,703)
Purchase of held-to-maturity securities	-	(7,959)
Purchase of investments	(30,283)	(37,116)
Purchase of fixed assets	(32,309)	(12,107)
Acquisitions, net of cash acquired	18,456	(7,922)
Net cash provided by/(used in) investing activities	431,709	(229,783)
Cash Flows From Financing Activities:		
Proceeds from short-term borrowings from banks	327,568	312,300
Increase in securities sold under agreements to repurchase	303,170	25,771
Decrease in bank deposits, net	(476,144)	(9,667)
Increase/(decrease) in securities loaned	99,446	(15,003)
Excess tax benefits from stock-based compensation	12,454	17,208
Issuance of common stock for stock option exercises	245	114
Repayment of senior notes	(175,000)	—
Extinguishment of subordinated debt	-	(3,131)
Net cash provided by financing activities	91,739	327,592
Effect of exchange rate changes on cash	1,056	2,069
Decrease in cash and cash equivalents	(47,845)	(296,270)
Cash and cash equivalents at beginning of period	689,782	716,560
Cash and cash equivalents at end of period	$641,937	$420,290
Supplemental disclosure of cash flow information:		
Cash paid for interest	$20,073	$16,968
Cash paid for income taxes, net of refunds	31,951	31,594
Noncash financing activities:		
Unit grants, net of forfeitures	105,448	116,475
Shares surrendered into treasury	223	—
Issuance of common stock for acquisitions	80,981	—

See accompanying Notes to Consolidated Financial Statements.

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STIFEL FINANCIAL CORP.

Notes to Consolidated Financial Statements

(Unaudited)

NOTE 1 – Nature of Operations and Basis of Presentation

Nature of Operations

Stifel Financial Corp. (the "Parent"), through its wholly owned subsidiaries, principally Stifel, Nicolaus & Company, Incorporated ("Stifel"), Stifel Bank & Trust ("Stifel Bank"), Stifel Nicolaus Europe Limited ("SNEL"), Century Securities Associates, Inc. ("CSA"), Keefe, Bruyette & Woods, Inc. ("KBW"), Sterne, Agee and Leach Inc. ("SALI"), Sterne Agee Financial Services, Inc. ("SAFS"), Miller Buckfire & Co. LLC ("Miller Buckfire"), 1919 Investment Counsel & Trust Co., National Association ("1919 Investment Counsel"), Stifel Trust Company, National Association, and Ziegler Capital Management, LLC ("ZCM"), is principally engaged in retail brokerage; securities trading; investment banking; investment advisory; retail, consumer, and commercial banking; and related financial services. We have offices throughout the United States and several European cities. Our major geographic area of concentration is throughout the United States, with a growing presence in the United Kingdom and Europe. Our company's principal customers are individual investors, corporations, municipalities, and institutions.

Basis of Presentation

The consolidated financial statements include Stifel Financial Corp. and its wholly owned subsidiaries, principally Stifel Nicolaus and Stifel Bank. All material intercompany balances and transactions have been eliminated. Unless otherwise indicated, the terms "we," "us," "our," or "our company" in this report refer to Stifel Financial Corp. and its wholly owned subsidiaries.

We have prepared the accompanying unaudited consolidated financial statements pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). Pursuant to these rules and regulations, we have omitted certain information and footnote disclosures we normally include in our annual consolidated financial statements prepared in accordance with U.S. generally accepted accounting principles. In management's opinion, we have made all adjustments (consisting only of normal, recurring adjustments, except as otherwise noted) necessary to fairly present our financial position, results of operations and cash flows. Our interim period operating results do not necessarily indicate the results that may be expected for any other interim period or for the full fiscal year. These financial statements and accompanying notes should be read in conjunction with the consolidated financial statements and the notes thereto in our Annual Report on Form 10-K for the year ended December 31, 2014 on file with the SEC.

Certain amounts from prior periods have been reclassified to conform to the current period's presentation. The effect of these reclassifications on our company's previously reported consolidated financial statements was not material.

There have been no material changes in our significant accounting policies, as compared to the significant accounting policies described in our Annual Report on Form 10-K for the year ended December 31, 2014.

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NOTE 2 – Recently Issued Accounting Guidance

Interest - Imputation of Interest

In April 2015, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2015-03, “Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs” (“ASU 2015-03”). The guidance in ASU 2015-03 requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. ASU 2015-03 is effective for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. Early adoption is permitted, and a retrospective approach is required. The guidance is not expected to have a material impact on our consolidated financial statements.

Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share

In May 2015, the FASB issued ASU No. 2015-07, “Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent).” The guidance removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. The guidance also removes the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. Rather, those disclosures are limited to investments for which the entity has elected to measure the fair value using that practical expedient. The guidance is effective for fiscal years beginning after December 15, 2015 and for interim periods within those years. The guidance shall be applied retrospectively for all periods presented. Early application is permitted. The guidance is not expected to have a material impact on our consolidated financial statements.

Consolidation

In February 2015, the FASB issued ASU No. 2015-02, “Consolidation (Topic 810): Amendments to the Consolidation Analysis” that amends the criteria for determining whether limited partnerships and similar entities are VIEs, clarifies when a general partner or asset manager should consolidate an entity and eliminates the indefinite deferral of certain aspects of VIE accounting guidance for investments in certain investment funds. Money market funds registered under Rule 2a-7 of the Investment Company Act and similar funds are exempt from consolidation under the new guidance. The new accounting guidance is effective beginning on January 1, 2016. Early adoption is permitted; however, we do not expect to adopt this new guidance early. The guidance is not expected to have a material impact on our consolidated financial statements.

Repurchase Agreements

In June 2014, the FASB issued ASU No. 2014-11, "Transfers and Servicing (Topic 860): Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures," ("ASU 2014-11") amending FASB Accounting Standards Codification Topic 860, "Transfers and Servicing." The amended guidance changes the accounting for repurchase-to-maturity transactions and repurchase financing arrangements. The guidance also requires new disclosures for certain transfers accounted for as sales and collateral supporting transactions that are accounted for as secured borrowings. ASU 2014-11 is effective for annual and interim periods beginning after December 15, 2014, except for the disclosures related to secured borrowings, which are effective for annual periods beginning after December 15, 2014, and for interim periods beginning after March 15, 2015. The adoption of ASU 2014-11 did not have a material impact on our results of operations or financial position.

Revenue Recognition

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)," ("ASU 2014-09") which supersedes current revenue recognition guidance, including most industry-specific guidance. ASU 2014-09 requires a company to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods and services. The guidance also requires additional disclosures regarding the nature, amount, timing and uncertainty of revenue that is recognized. The guidance allows for either retrospective application to all periods presented or a modified retrospective approach where the guidance would only be applied to existing contracts in effect at the adoption date and new contracts going forward. ASU 2014-09 is effective for annual and interim periods beginning after December 15, 2016; however, the FASB has issued a proposal to extend the effective date by one year. Early adoption is not permitted. We are currently evaluating the impact the new guidance will have on our consolidated financial statements.

Discontinued Operations

In April 2014, the FASB issued ASU No. 2014-08, “Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity,” (“ASU 2014-08”) amending FASB ASC Topic 205-20, “Discontinued Operations,” (“ASC 205-20”). The amended guidance changes the criteria for reporting discontinued operations and requires new disclosures. ASU 2014-08 is effective for annual and interim periods beginning on or after December 15, 2014, and will be applied prospectively. The adoption of ASU 2014-08 did not have a material impact on our consolidated financial statements.

NOTE 3 – Receivables From and Payables to Brokers, Dealers, and Clearing Organizations

Amounts receivable from brokers, dealers, and clearing organizations at June 30, 2015 and December 31, 2014, included (in thousands):

	June 30, 2015	December 31, 2014
Deposits paid for securities borrowed	$480,240	$445,542
Receivables from clearing organizations	320,601	198,079
Securities failed to deliver	34,592	7,453
	$835,433	$651,074

Amounts payable to brokers, dealers, and clearing organizations at June 30, 2015 and December 31, 2014, included (in thousands):

	June 30, 2015	December 31, 2014
Deposits received from securities loaned	$104,138	$ 4,215
Payable to clearing organizations	40,738	2,443
Securities failed to receive	26,080	7,365
	$170,956	$ 14,023

Deposits paid for securities borrowed approximate the market value of the securities. Securities failed to deliver and receive represent the contract value of securities that have not been delivered or received on settlement date.

NOTE 4 – Fair Value Measurements

We measure certain financial assets and liabilities at fair value on a recurring basis, including cash equivalents, financial instruments owned, available-for-sale securities, investments, financial instruments sold, but not yet purchased, and derivatives.

We generally utilize third-party pricing services to value Level 1 and Level 2 available-for-sale investment securities, as well as certain derivatives designated as cash flow hedges. We review the methodologies and assumptions used by the third-party pricing services and evaluate the values provided, principally by comparison with other available market quotes for similar instruments and/or analysis based on internal models using available third-party market data. We may occasionally adjust certain values provided by the third-party pricing service when we believe, as the result of our review, that the adjusted price most appropriately reflects the fair value of the particular security.

Following are descriptions of the valuation methodologies and key inputs used to measure financial assets and liabilities recorded at fair value. The descriptions include an indication of the level of the fair value hierarchy in which the assets or liabilities are classified.

Cash Equivalents

Cash equivalents include highly liquid investments with original maturities of three months or less. Due to their short-term nature, the carrying amount of these instruments approximates the estimated fair value. Actively traded money market funds are measured at their reported net asset value, which approximates fair value. As such, we classify the estimated fair value of these instruments as Level 1.

Financial Instruments Owned and Available-For-Sale Securities

When available, the fair value of financial instruments is based on quoted prices in active markets and reported in Level 1. Level 1 financial instruments include highly liquid instruments with quoted prices, such as equity securities listed in active markets, corporate fixed income securities, mortgage-backed securities, and U.S. government securities.

If quoted prices are not available for identical instruments, fair values are obtained from pricing services, broker quotes, or other model-based valuation techniques with observable inputs, such as the present value of estimated cash flows, and reported as Level 2. The nature of these financial instruments include instruments for which quoted prices are available but traded less frequently, instruments whose fair value has been derived using a model where inputs to the model are directly observable in the market, or can be derived principally from or corroborated by observable market data, and instruments that are fair valued using other financial instruments, the parameters of which can be directly observed. Level 2 financial instruments include U.S. government agency securities, mortgage-backed securities, corporate fixed income securities infrequently traded, state and municipal securities, asset-backed securities, and equity securities not actively traded.

We have identified Level 3 financial instruments to include certain corporate fixed income securities with unobservable pricing inputs and certain state and municipal securities, which include auction rate securities (“ARS”). Level 3 financial instruments have little to no pricing observability as of the report date. These financial instruments do not have active two-way markets and are measured using management’s best estimate of fair value, where the inputs into the determination of fair value require significant management judgment or estimation. ARS are valued based upon our expectations of issuer redemptions and using internal discounted cash flow models that utilize unobservable inputs.

Investments

Investments carried at fair value primarily include corporate equity securities, ARS, investments in mutual funds, U.S. government securities, and investments in public companies, private equity securities, and partnerships, which are classified as other in the following tables.

Corporate equity securities, mutual funds, and U.S. government securities are valued based on quoted prices in active markets and reported in Level 1.

ARS for which the market has been dislocated and largely ceased to function are reported as Level 3 assets. The methods used to value ARS are discussed above.

Investments in partnerships and other investments include our general and limited partnership interests in investment partnerships and direct investments in non-public companies. The net assets of investment partnerships consist primarily of investments in non-marketable securities. The value of these investments is at risk to changes in equity markets, general economic conditions, and a variety of other factors. We estimate fair value for private equity investments based on our percentage ownership in the net asset value of the entire fund, as reported by the fund or on behalf of the fund, after indication that the fund adheres to applicable fair value measurement guidance.

The valuation of these investments requires significant management judgment due to the absence of quoted market prices, inherent lack of liquidity, and long-term nature of these assets. As a result, these values cannot be determined with precision, and the calculated fair value estimates may not be realizable in a current sale or immediate settlement of the instrument.

For those funds where the net asset value is not reported by the fund, we derive the fair value of the fund by estimating the fair value of each underlying investment in the fund. In addition to using qualitative information about each underlying investment, as provided by the fund, we give consideration to information pertinent to the specific nature of the debt or equity investment, such as relevant market conditions, offering prices, operating results, financial conditions, exit strategy, and other qualitative information, as available. The lack of an independent source to validate fair value estimates, including the impact of future capital calls and transfer restrictions, is an inherent limitation in the valuation process. Commitments to fund additional investments in nonmarketable equity securities recorded at fair value were $11.3 million and $11.5 million at June 30, 2015 and December 31, 2014, respectively.

Financial Instruments Sold, But Not Yet Purchased

Financial instruments sold, but not purchased, recorded at fair value based on quoted prices in active markets and other observable market data include highly liquid instruments with quoted prices, such as U.S. government securities, corporate fixed income securities, and equity securities listed in active markets, which are reported as Level 1.

If quoted prices are not available, fair values are obtained from pricing services, broker quotes, or other model-based valuation techniques with observable inputs, such as the present value of estimated cash flows, and reported as Level 2. The nature of these financial instruments include instruments for which quoted prices are available but traded less frequently, instruments whose fair value has been derived using a model where inputs to the model are directly observable in the market, or can be derived principally from or corroborated by observable market data, and instruments that are fair valued using other financial instruments, the parameters of which can be directly observed. Level 2 financial instruments include U.S. government agency securities, mortgage-backed securities not actively traded, and corporate fixed income securities.

Derivatives

Derivatives are valued using quoted market prices for identical instruments when available or pricing models based on the net present value of estimated future cash flows. The valuation models used require market observable inputs, including contractual terms, market prices, yield curves, credit curves, and measures of volatility. We manage credit risk for our derivative positions on a counterparty-by-counterparty basis and calculate credit valuation adjustments, included in the fair value of these instruments, on the basis of our relationships at the counterparty portfolio/master netting agreement level. These credit valuation adjustments are determined by applying a credit spread for the counterparty to the total expected exposure of the derivative after considering collateral and other master netting arrangements. We have classified our interest rate swaps as Level 2.

Assets and liabilities measured at fair value on a recurring basis as of June 30, 2015, are presented below:

	June 30, 2015			
	Total	Level 1	Level 2	Level 3
Assets:				
Cash equivalents	$89,423	$89,423	$—	$—
Financial instruments owned:				
U.S. government securities	29,280	29,280	—	—
U.S. government agency securities	151,895	—	151,895	—
Mortgage-backed securities:				
Agency	259,968	—	259,968	—
Non-agency	16,377	—	15,707	670
Corporate securities:				
Fixed income securities	270,594	30,389	235,633	4,572
Equity securities	41,628	40,898	111	619
State and municipal securities	175,071	—	175,071	—
Total financial instruments owned	944,813	100,567	838,385	5,861
Available-for-sale securities:				
U.S. government agency securities	1,710	—	1,710	—
State and municipal securities	73,733	—	73,733	—
Mortgage-backed securities:				
Agency	27,903	—	27,903	—
Commercial	36,654	—	36,654	—
Non-agency	2,934	—	2,934	—
Corporate fixed income securities	188,533	—	188,533	—
Asset-backed securities	456,430	—	456,430	—
Total available-for-sale securities	787,897	—	787,897	—
Investments:				
Corporate equity securities	54,126	51,157	7	2,962
Mutual funds	14,907	14,907	—	—
U.S. government securities	103	103	—	—
Auction rate securities:				
Equity securities	48,355	—	—	48,355
Municipal securities	1,324	—	—	1,324
Other [1]	71,637	—	2,395	69,242
Total investments	190,452	66,167	2,402	121,883
	$2,012,585	$256,157	$1,628,684	$127,744

[1] Includes $51.2 million of partnership interests, $13.2 million of private company investments, and $4.8 million of private equity and other investments.

	June 30, 2015			
	Total	Level 1	Level 2	Level 3
Liabilities:				
Financial instruments sold, but not yet purchased:				
U.S. government securities	$236,053	$236,053	$—	$ —

U.S. government agency securities	5,061	—	5,061		—
Mortgage-backed securities:					
Agency	70,715	—	70,715		
Non-agency	163	—	163		—
Corporate securities:					
Fixed income securities	189,758	1,194	188,564		—
Equity securities	64,970	64,923	47		—
State and municipal securities	6	—	6		
Total financial instruments sold, but not yet purchased	566,726	302,170	264,556	$	—
Derivative contracts [2]	4,322	—	4,322		—
	$571,048	$302,170	$268,878	$	—

[2] Included in accounts payable and accrued expenses in the consolidated statements of financial condition.

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Assets and liabilities measured at fair value on a recurring basis as of December 31, 2014, are presented below:

	December 31, 2014			
	Total	Level 1	Level 2	Level 3
Assets:				
Cash equivalents	$122,875	$122,875	$—	$—
Financial instruments owned:				
U.S. government securities	58,992	58,992	—	—
U.S. government agency securities	101,439	—	101,439	—
Mortgage-backed securities:				
Agency	159,057	—	159,057	—
Non-agency	13,366	189	12,371	806
Corporate securities:				
Fixed income securities	245,909	75,236	168,680	1,993
Equity securities	77,548	76,316	88	1,144
State and municipal securities	130,544	—	130,544	—
Total financial instruments owned	786,855	210,733	572,179	3,943
Available-for-sale securities:				
U.S. government agency securities	1,610	—	1,610	—
State and municipal securities	74,401	—	74,401	—
Mortgage-backed securities:				
Agency	209,206	—	209,206	—
Commercial	107,644	—	107,644	—
Non-agency	3,137	—	3,137	—
Corporate fixed income securities	337,406	50,892	286,514	—
Asset-backed securities	780,074	—	736,029	44,045
Total available-for-sale securities	1,513,478	50,892	1,418,541	44,045
Investments:				
Corporate equity securities	59,203	35,123	24,080	—
Mutual funds	18,144	18,144	—	—
U.S. government securities	6,555	104	6,451	—
Auction rate securities:				
Equity securities	46,197	—	—	46,197
Municipal securities	1,326	—	—	1,326
Other [1]	78,830	1,283	4,557	72,990
Total investments	210,255	54,654	35,088	120,513
	$2,633,463	$439,154	$2,025,808	$168,501

[1] Includes $42.1 million of partnership interests, $16.4 million of private company investments, and $14.3 million of private equity and other investments.

	December 31, 2014			
	Total	Level 1	Level 2	Level 3
Liabilities:				
Financial instruments sold, but not yet purchased:				
U.S. government securities	$146,592	$146,592	$—	$ —

U.S. government agency securities	10,029	—	10,029	—
Mortgage-backed securities:				
Agency	28,067	—	28,067	—
Non-agency	4,556	401	4,155	—
Corporate securities:				
Fixed income securities	293,008	17,116	275,892	—
Equity securities	105,013	105,013	—	—
Total financial instruments sold, but not yet purchased	587,265	269,122	318,143	—
Derivative contracts [2]	5,641	—	5,641	—
	$592,906	$269,122	$323,784	$ —

[2] Included in accounts payable and accrued expenses in the consolidated statements of financial condition.

The following table summarizes the changes in fair value carrying values associated with Level 3 financial instruments during the three months ended June 30, 2015 (in thousands):

	Three Months Ended June 30, 2015			
	Financial instruments owned			Available-for-sale securities
	Mortgage-Backed Securities – Non-Agency	Corporate Fixed Income Securities	Equity Securities	Asset-Backed Securities
Balance at March 31, 2015	$719	$ 2,680	$ 619	$ 44,387
Unrealized gains/(losses):				
Included in changes in net assets [2]	(23)	210	—	—
Included in OCI [3]	—	—	—	—
Realized gains/(losses) [2]	19	—	—	(2,136)
Purchases	—	8,963	—	—
Sales		(7,281)		(42,251)
Redemptions	(45)	—	—	—
Transfers:				
Into Level 3	—	—	—	—
Out of Level 3	—	—	—	—
Net change	(49)	1,892	—	(44,387)
Balance at June 30, 2015	$670	$ 4,572	$ 619	$ —

	Three Months Ended June 30, 2015			
	Investments			
	Corporate Equity Securities	Auction Rate Securities – Equity	Auction Rate Securities – Municipal	Other [1]
Balance at March 31, 2015	$—	$ 42,518	$ 1,330	$66,557
Unrealized gains/(losses):				
Included in changes in net assets [2]	85	(788)	(6)	3,030
Included in OCI [3]	—	—	—	—
Realized gains [2]	—	—	—	126
Purchases	—	6,625	—	2,701
Sales	—	—	—	(266)
Redemptions	—	—	—	(29)
Transfers:				
Into Level 3	2,877	—	—	—

Out of Level 3	—	—	—	(2,877)
Net change	2,962	5,837	(6)	2,685
Balance at June 30, 2015	$2,962	$ 48,355	$ 1,324	$69,242

[1] Includes partnership interests, private company investments, and private equity investments.

[2] Realized and unrealized gains/(losses) related to financial instruments owned and investments are reported in other income in the consolidated statements of operations.

[3] Unrealized gains/(losses) related to available-for-sale securities are reported in accumulated other comprehensive loss in the consolidated statements of financial condition.

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The following table summarizes the changes in fair value carrying values associated with Level 3 financial instruments during the six months ended June 30, 2015 (in thousands):

	Six Months Ended June 30, 2015			
	Financial instruments owned			Available-for-sale securities
	Mortgage-Backed Securities – Non-Agency	Corporate Fixed Income Securities	Equity Securities	Asset-Backed Securities
Balance at December 31, 2014	$806	$ 1,993	$ 1,144	$ 44,045
Unrealized gains/(losses):				
Included in changes in net assets [2]	(83)	210	—	—
Included in OCI [3]	—	—	—	342
Realized gains/(losses) [2]	33	—	—	(2,136)
Purchases	—	11,643	—	—
Sales	—	(9,274)	(525)	(42,251)
Redemptions	(86)	—	—	—
Transfers:				
Into Level 3	—	—	—	—
Out of Level 3	—	—	—	—
Net change	(136)	2,579	(525)	(44,045)
Balance at June 30, 2015	$670	$ 4,572	$ 619	$ —

	Six Months Ended June 30, 2015			
	Investments			
	Corporate Equity Securities	Auction Rate Securities – Equity	Auction Rate Securities – Municipal	Other [1]
Balance at December 31, 2014	$—	$ 46,197	$ 1,326	$72,990
Unrealized gains/(losses):				
Included in changes in net assets [2]	85	(242)	(2)	3,968
Included in OCI [3]	—	—	—	—
Realized gains [2]	—	—	—	(503)
Purchases	—	6,625	—	4,396
Sales	—	—	—	(2,740)
Redemptions	—	(4,225)	—	(84)
Transfers:				
Into Level 3	2,877	—	—	—

Out of Level 3	—	—	—	(8,785)
Net change	2,962	2,158	(2)	(3,748)
Balance at June 30, 2015	$2,962	$ 48,355	$ 1,324	$69,242

[1] Includes partnership interests, private company investments, and private equity investments.
[2] Realized and unrealized gains/(losses) related to financial instruments owned and investments are reported in other income in the consolidated statements of operations.
[3] Unrealized gains/(losses) related to available-for-sale securities are reported in accumulated other comprehensive loss in the consolidated statements of financial condition.

The results included in the table above are only a component of the overall investment strategies of our company. The table above does not present Level 1 or Level 2 valued assets or liabilities. The changes to our company's Level 3 classified instruments were principally a result of transfers of investments out of level 3 and redemptions of ARS at par during the six months ended June 30, 2015. The changes in unrealized gains/(losses) recorded in earnings for the three and six months ended June 30, 2015, relating to Level 3 assets still held at June 30, 2015, were immaterial.

The following table summarizes quantitative information related to the significant unobservable inputs utilized in our company's Level 3 recurring fair value measurements as of June 30, 2015.

	Valuation technique	Unobservable input	Range	Weighted average
Investments:				
Auction rate securities:				
Equity securities	Discounted cash flow	Discount rate	2.3% - 13.4%	7.7%
		Workout period	1 - 3 years	2.4 years
Municipal securities	Discounted cash flow	Discount rate	0.3% - 8.4%	7.1%
		Workout period	1 - 4 years	2.8 years
Other				
Investments in partnerships	Market approach	Revenue multiple	1.3 – 3.0	2.1
		EBITDA multiple	9.4 – 11.3	8.9

The fair value of certain Level 3 assets was determined using various methodologies, as appropriate, including net asset values ("NAVs") of underlying investments, third-party pricing vendors, broker quotes, and market and income approaches. These inputs are evaluated for reasonableness through various procedures, including due diligence reviews of third-party pricing vendors, variance analyses, consideration of current market environment, and other analytical procedures.

The fair value for our auction rate securities was determined using an income approach based on an internally developed discounted cash flow model. The discounted cash flow model utilizes two significant unobservable inputs: discount rate and workout period. The discount rate was calculated using credit spreads of the underlying collateral or similar securities. The workout period was based on an assessment of publicly available information on efforts to re-establish functioning markets for these securities and our company's own redemption experience. Significant increases in any of these inputs in isolation would result in a significantly lower fair value. On an ongoing basis, management verifies the fair value by reviewing the appropriateness of the discounted cash flow model and its significant inputs.

General and limited partnership interests in investment partnerships totaled $51.2 million and $42.1 million at June 30, 2015 and December 31, 2014, respectively. The general and limited partnership interests in investment partnerships were primarily valued based upon NAVs received from third-party fund managers. The various partnerships are investment companies, which record their underlying investments at fair value based on fair value policies established by management of the underlying fund. Fair value policies at the underlying fund generally require the funds to utilize pricing/valuation information, including independent appraisals, from third-party sources. However, in some instances, current valuation information for illiquid securities or securities in markets that are not active may not be available from any third-party source or fund management may conclude that the valuations that are available from third-party sources are not reliable. In these instances, fund management may perform model-based analytical valuations that may be used as an input to value these investments.

Direct investments in private equity companies totaled $18.1 million and $21.2 million at June 30, 2015 and December 31, 2014, respectively. Direct investments in private equity companies may be valued using the market approach and were valued based on an assessment of each underlying investment, incorporating evaluation of additional significant third-party financing, changes in valuations of comparable peer companies, the business environment of the companies, market indices, assumptions relating to appropriate risk adjustments for nonperformance, and legal restrictions on disposition, among other factors. The fair value derived from the methods used are evaluated and weighted, as appropriate, considering the reasonableness of the range of values indicated. Under the market approach, fair value may be determined by reference to multiples of market-comparable companies or transactions, including earnings before interest, taxes, depreciation, and amortization (“EBITDA”) multiples. For securities utilizing the market comparable companies valuation technique, a significant increase (decrease) in the EBITDA multiple in isolation could result in a significantly higher (lower) fair value measurement.

Transfers Within the Fair Value Hierarchy

We assess our financial instruments on a quarterly basis to determine the appropriate classification within the fair value hierarchy. Transfers between fair value classifications occur when there are changes in pricing observability levels. Transfers of financial instruments among the levels are deemed to occur at the beginning of the reporting period. There were $2.4 million and $5.4 million of transfers of financial assets from Level 1 to Level 2 during the three and six months ended June 30, 2015, respectively, primarily related to corporate fixed income securities for which there were low volumes of recent trade activity observed. There were no transfers of financial assets out of Level 3 during the three months ended June 30, 2015. There were $5.9 million of transfers of financial assets out of Level 3 during the six months ended June 30, 2015, primarily related to other investments for which market trades were observed that provided transparency into the valuation of these assets. During the three months ended June 30, 2015, we transferred $2.9 million of financial instruments out of the other classification to corporate equity securities within Level 3.

Fair Value of Financial Instruments

The following reflects the fair value of financial instruments as of June 30, 2015 and December 31, 2014, whether or not recognized in the consolidated statements of financial condition at fair value (in thousands).

	June 30, 2015		December 31, 2014	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Financial assets:				
Cash and cash equivalents	$552,514	$552,514	$689,782	$689,782
Cash segregated for regulatory purposes	150	150	49,646	49,646
Securities purchased under agreements to resell	242,944	242,944	55,078	55,078
Financial instruments owned	944,813	944,813	786,855	786,855
Available-for-sale securities	787,897	787,897	1,513,478	1,513,478
Held-to-maturity securities	1,125,426	1,148,308	1,177,565	1,211,976
Loans held for sale	183,991	183,991	121,939	121,939
Bank loans	2,420,326	2,450,601	2,065,420	2,086,864
Investments	190,452	190,452	210,255	210,255
Financial liabilities:				
Securities sold under agreements to repurchase	$342,350	$342,350	$39,180	$39,180
Bank deposits	4,313,937	4,259,251	4,790,081	4,246,214
Financial instruments sold, but not yet purchased	566,726	566,726	587,265	587,265
Derivative contracts [1]	4,322	4,322	5,641	5,641
Senior notes	450,000	449,516	625,000	638,690
Debentures to Stifel Financial Capital Trusts	82,500	78,516	82,500	76,714

[1] Included in accounts payable and accrued expenses in the consolidated statements of financial condition.

The following table presents the estimated fair values of financial instruments not measured at fair value on a recurring basis as of June 30, 2015 and December 31, 2014 (in thousands):

	June 30, 2015			
	Total	Level 1	Level 2	Level 3
Financial assets:				
Cash	$552,514	$552,514	$—	$—
Cash segregated for regulatory purposes	150	150	—	—
Securities purchased under agreements to resell	242,944	242,944	—	—
Held-to-maturity securities	1,148,308	—	907,203	241,105

Loans held for sale	183,991	—	183,991	—
Bank loans	2,450,601	—	2,450,601	—
Financial liabilities:				
Securities sold under agreements to repurchase	$342,350	$147,518	$194,832	$—
Bank deposits	4,259,251	—	4,259,251	—
Senior notes	449,516	449,516	—	—
Debentures to Stifel Financial Capital Trusts	78,516	—	—	78,516

	December 31, 2014			
	Total	Level 1	Level 2	Level 3
Financial assets:				
Cash	$566,907	$566,907	$—	$—
Cash segregated for regulatory purposes	49,646	49,646	—	—
Securities purchased under agreements to resell	55,078	44,996	10,082	—
Held-to-maturity securities	1,211,976	—	969,913	242,063
Loans held for sale	121,939	—	121,939	—
Bank loans	2,086,864	—	2,086,864	—
Financial liabilities:				
Securities sold under agreements to repurchase	$39,180	$39,180	$—	$—
Bank deposits	4,246,214	—	4,246,214	—
Senior notes	638,690	638,690	—	—
Debentures to Stifel Financial Capital Trusts	76,714	—	—	76,714

The following, as supplemented by the discussion above, describes the valuation techniques used in estimating the fair value of our financial instruments as of June 30, 2015 and December 31, 2014.

Financial Assets

Securities Purchased Under Agreements to Resell

Securities purchased under agreements to resell are collateralized financing transactions that are recorded at their contractual amounts plus accrued interest. The carrying values at June 30, 2015 and December 31, 2014 approximate fair value due to their short-term nature.

Held-to-Maturity Securities

Securities held to maturity are recorded at amortized cost based on our company's positive intent and ability to hold these securities to maturity. Securities held to maturity include agency mortgage-backed securities, asset-backed securities, consisting of corporate obligations, collateralized debt obligation securities, and corporate fixed income securities. The estimated fair value, included in the above table, is determined using several factors; however, primary weight is given to discounted cash flow modeling techniques that incorporated an estimated discount rate based upon recent observable debt security issuances with similar characteristics.

Loans Held for Sale

Loans held for sale consist of fixed-rate and adjustable-rate residential real estate mortgage loans intended for sale. Loans held for sale are stated at lower of cost or fair value. Fair value is determined based on prevailing market prices for loans with similar characteristics or on sale contract prices.

Bank Loans

The fair values of mortgage loans and commercial loans were estimated using a discounted cash flow method, a form of the income approach. Discount rates were determined considering rates at which similar portfolios of loans would be made under current conditions and considering liquidity spreads applicable to each loan portfolio based on the secondary market.

Financial Liabilities

Securities Sold Under Agreements to Repurchase

Securities sold under agreements to repurchase are collateralized financing transactions that are recorded at their contractual amounts plus accrued interest. The carrying values at June 30, 2015 and December 31, 2014 approximate fair value due to the short-term nature.

Bank Deposits

The fair value of interest-bearing deposits, including certificates of deposits, demand deposits, savings, and checking accounts, was calculated by discounting the future cash flows using discount rates based on the replacement cost of funding of similar structures and terms.

Senior Notes

The fair value of our senior notes is estimated based upon quoted market prices.

Debentures to Stifel Financial Capital Trusts

The fair value of our trust preferred securities is based on the discounted value of contractual cash flows. We have assumed a discount rate based on the coupon achieved in our 5.375% senior notes due 2022.

These fair value disclosures represent our best estimates based on relevant market information and information about the financial instruments. Fair value estimates are based on judgments regarding future expected losses, current economic conditions, risk characteristics of the various instruments, and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in the above methodologies and assumptions could significantly affect the estimates.

NOTE 5 – Financial Instruments Owned and Financial Instruments Sold, But Not Yet Purchased

The components of financial instruments owned and financial instruments sold, but not yet purchased, at June 30, 2015 and December 31, 2014 are as follows (in thousands):

	June 30, 2015	December 31 2014
Financial instruments owned:		
U.S. government securities	$29,280	$58,992
U.S. government agency securities	151,895	101,439
Mortgage-backed securities:		
Agency	259,968	159,057
Non-agency	16,377	13,366
Corporate securities:		
Fixed income securities	270,594	245,909
Equity securities	41,628	77,548
State and municipal securities	175,071	130,544
	$944,813	$786,855
Financial instruments sold, but not yet purchased:		
U.S. government securities	$236,053	$146,592
U.S. government agency securities	5,061	10,029
Mortgage-backed securities:		
Agency	70,715	28,067
Non-agency	163	4,556
Corporate securities:		
Fixed income securities	189,758	293,008
Equity securities	64,970	105,013
State and municipal securities	6	—

	$566,726	$587,265

At June 30, 2015 and December 31, 2014, financial instruments owned in the amount of $748.1 million and $425.1 million, respectively, were pledged as collateral for our repurchase agreements and short-term borrowings.

Financial instruments sold, but not yet purchased, represent obligations of our company to deliver the specified security at the contracted price, thereby creating a liability to purchase the security in the market at prevailing prices in future periods. We are obligated to acquire the securities sold short at prevailing market prices in future periods, which may exceed the amount reflected in the consolidated statements of financial condition.

NOTE 6 – Available-for-Sale and Held-to-Maturity Securities

The following tables provide a summary of the amortized cost and fair values of the available-for-sale securities and held-to-maturity securities at June 30, 2015 and December 31, 2014 (in thousands):

	June 30, 2015			
	Amortized Cost	Gross Unrealized Gains [1]	Gross Unrealized Losses [1]	Estimated Fair Value
Available-for-sale securities				
U.S. government agency securities	$1,706	$ 5	$ (1)	$1,710
State and municipal securities	76,238	2	(2,507)	73,733
Mortgage-backed securities:				
Agency	28,187	134	(418)	27,903
Commercial	36,345	313	(4)	36,654
Non-agency	2,970	3	(39)	2,934
Corporate fixed income securities	187,699	1,627	(793)	188,533
Asset-backed securities	455,776	2,812	(2,158)	456,430
	$788,921	$ 4,896	$ (5,920)	$787,897
Held-to-maturity securities [2]				
Mortgage-backed securities:				
Agency	$832,248	$ 21,522	$ (27)	$853,743
Commercial	59,491	2,057	—	61,548
Non-agency	973	—	(14)	959
Asset-backed securities	177,523	2,715	(2,732)	177,506
Corporate fixed income securities	55,191	2	(641)	54,552
	$1,125,426	$ 26,296	$ (3,414)	$1,148,308

	December 31, 2014			
	Amortized Cost	Gross Unrealized Gains [1]	Gross Unrealized Losses [1]	Estimated Fair Value
Available-for-sale securities				
U.S. government agency securities	$1,613	$ 1	$ (4)	$1,610
State and municipal securities	76,518	20	(2,137)	74,401
Mortgage-backed securities:				
Agency	206,982	3,137	(913)	209,206
Commercial	107,100	633	(89)	107,644
Non-agency	3,186	5	(54)	3,137
Corporate fixed income securities	336,210	2,016	(820)	337,406
Asset-backed securities	788,908	1,321	(10,155)	780,074
	$1,520,517	$ 7,133	$ (14,172)	$1,513,478

Held-to-maturity securities [2]				
Mortgage-backed securities:				
Agency	$884,451	$ 32,926	$ (42)	$917,335
Commercial	59,462	2,257	—	61,719
Non-agency	1,081	—	(17)	1,064
Asset-backed securities	177,335	3,151	(2,645)	177,841
Corporate fixed income securities	55,236	4	(1,223)	54,017
	$1,177,565	$ 38,338	$ (3,927)	$1,211,976

[1] Unrealized gains/(losses) related to available-for-sale securities are reported in accumulated other comprehensive income.

[2] Held-to-maturity securities are carried in the consolidated statements of financial condition at amortized cost, and the changes in the value of these securities, other than impairment charges, are not reported on the consolidated financial statements.

For the three and six months ended June 30, 2015 and 2014, we received proceeds of $552.6 million and $66.7 million, respectively, from the sale of available-for-sale securities, which resulted in net realized gains of $3.1 million and $2.0 million, respectively.

During the three months ended June 30, 2015, unrealized losses, net of deferred tax benefit, of $1.8 million were recorded in accumulated other comprehensive income in the consolidated statements of financial condition. During the three months ended June

30, 2014, unrealized gains, net of deferred taxes, of $2.7 million were recorded in accumulated other comprehensive income in the consolidated statements of financial condition. During the six months ended June 30, 2015 and 2014, unrealized gains, net of deferred taxes, of $5.9 million and $5.6 million, respectively, were recorded in accumulated other comprehensive income in the consolidated statements of financial condition.

The table below summarizes the amortized cost and fair values of debt securities by contractual maturity (in thousands). Expected maturities may differ significantly from contractual maturities, as issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

	June 30, 2015			
	Available-for-sale securities		Held-to-maturity securities	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Debt securities				
Within one year	$31,104	$31,290	$15,013	$15,012
After one year through three years	98,828	99,728	40,178	39,540
After three years through five years	28,967	29,304	—	—
After five years through ten years	115,553	115,018	—	—
After ten years	446,966	445,066	177,523	177,506
Mortgage-backed securities				
After one year through three years	94	95	—	—
After five years through ten years	757	804	59,491	61,548
After ten years	66,651	66,592	833,221	854,702
	$788,920	$787,897	$1,125,426	$1,148,308

The maturities of our available-for-sale (fair value) and held-to-maturity (amortized cost) securities at June 30, 2015, are as follows (in thousands):

	Within 1 Year	1-5 Years	5-10 Years	After 10 Years	Total
Available-for-sale:[1]					
U.S. government agency securities	$732	$978	$—	$—	$1,710
State and municipal securities	—	—	1,671	72,062	73,733
Mortgage-backed securities:					
Agency	—	—	804	27,099	27,903
Commercial	—	—	—	36,654	36,654
Non-agency	—	95	—	2,839	2,934
Corporate fixed income securities	30,558	128,054	29,921	—	188,533
Asset-backed securities	—	-	83,426	373,004	456,430
	$31,290	$129,127	$115,822	$511,658	$787,897
Held-to-maturity:					

Mortgage-backed securities:					
Agency	$—	$—	$—	$832,248	$832,248
Commercial	—	—	59,491	—	59,491
Non-agency	—	—	—	973	973
Asset-backed securities	—	—	—	177,523	177,523
Corporate fixed income securities	15,013	40,178		—	55,191
	$15,013	$40,178	$59,491	$1,010,744	$1,125,426

[1] Due to the immaterial amount of income recognized on tax-exempt securities, yields were not calculated on a tax-equivalent basis.

At June 30, 2015 and December 31, 2014, securities of $990.4 million and $1.2 billion, respectively, were pledged at the Federal Home Loan Bank as collateral for borrowings and letters of credit obtained to secure public deposits.

The following table shows the gross unrealized losses and fair value of the Company's investment securities with unrealized losses, aggregated by investment category and length of time the individual investment securities have been in continuous unrealized loss positions, at June 30, 2015 (in thousands):

	Less than 12 months		12 months or more		Total	
	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value
Available-for-sale securities						
U.S. government securities	$(1)	$483	$—	$—	$(1)	$483
State and municipal securities	(814)	36,500	(1,693)	35,562	(2,507)	72,062
Mortgage-backed securities:						
Agency	(4)	2,047	(414)	8,997	(418)	11,044
Commercial	(4)	2,099	—	—	(4)	2,099
Non-agency	(39)	2,729	—	—	(39)	2,729
Corporate fixed income securities	(793)	34,912	—	—	(793)	34,912
Asset-backed securities	(385)	66,076	(1,773)	86,302	(2,158)	152,378
	$(2,040)	$144,846	$(3,880)	$130,861	$(5,920)	$275,707
Held-to-maturity securities						
Mortgage-backed securities:						
Agency	$—	$—	$(27)	$2,552	$(27)	$2,552
Non-agency	(2)	569	(12)	391	(14)	960
Asset-backed securities	(48)	9,140	(2,684)	68,918	(2,732)	78,058
Corporate fixed income securities	—	—	(641)	49,551	(641)	49,551
	$(50)	$9,709	$(3,364)	$121,412	$(3,414)	$131,121

At June 30, 2015, the amortized cost of 43 securities classified as available for sale exceeded their fair value by $5.9 million, of which $3.9 million related to investment securities that had been in a loss position for 12 months or longer. The total fair value of these investments at June 30, 2015, was $275.7 million, which was 35.0% of our available-for-sale portfolio.

At June 30, 2015, the carrying value of 22 securities held to maturity exceeded their fair value by $3.4 million, of which $3.3 million related to securities held to maturity that have been in a loss position for 12 months or longer. As discussed in more detail below, we conduct periodic reviews of all securities with unrealized losses to assess whether the impairment is other-than-temporary.

Other-Than-Temporary Impairment

We evaluate all securities in an unrealized loss position quarterly to assess whether the impairment is other-than-temporary. Our other-than-temporary impairment ("OTTI") assessment is a subjective process requiring the use of judgments and assumptions. There was no credit-related OTTI recognized during the three and six months ended June 30, 2015 and 2014.

We believe the gross unrealized losses related to all other securities of $5.9 million as of June 30, 2015, are attributable to issuer-specific credit spreads and changes in market interest rates and asset spreads. We, therefore, do not expect to incur any credit losses related to these securities. In addition, we have no intent to sell these securities with unrealized losses, and it is not more likely than not that we will be required to sell these securities prior to recovery of the amortized cost. No OTTI charge was recorded during the three and six months ended June 30, 2015 related to these securities. Accordingly, we have concluded that the impairment on these securities is not other-than-temporary.

NOTE 7 – Bank Loans

The following table presents the balance and associated percentage of each major loan category in our loan portfolio at June 30, 2015 and December 31, 2014 (in thousands, except percentages):

	June 30, 2015		December 31, 2014	
	Balance	Percent	Balance	Percent
Commercial and industrial	$1,010,810	40.8 %	$896,853	42.4 %
Consumer [1]	983,359	39.7	758,288	35.8
Residential real estate	448,994	18.1	432,646	20.4
Commercial real estate	20,053	0.8	15,902	0.8
Home equity lines of credit	12,599	0.5	12,945	0.6
	2,475,815	100.0 %	2,116,634	100.0 %
Unamortized loan discount	(29,180)		(30,533)	
Unamortized loan fees, net of loan fees	(1,819)		(1,631)	
Loans in process	(567)		1,681	
Allowance for loan losses	(23,923)		(20,731)	
	$2,420,326		$2,065,420	

[1] Includes securities-based loans of $ 963.1 million and $732.8 million at June 30, 2015 and December 31, 2014, respectively.

At June 30, 2015 and December 31, 2014, Stifel Bank had loans outstanding to its executive officers, directors, and their affiliates in the amount of $1.2 million and $0.6 million, respectively, and loans outstanding to other Stifel Financial Corp. executive officers, directors, and their affiliates in the amount of $ 5.3 million and $5.3 million, respectively.

At June 30, 2015 and December 31, 2014, we had mortgage loans held for sale of $ 184.0 million and $121.9 million, respectively. For the three months ended June 30, 2015 and 2014, we recognized gains of $ 3.5 million and $1.7 million, respectively, from the sale of originated loans, net of fees and costs. For the six months ended June 30, 2015 and 2014, we recognized gains of $ 6.1 million and $2.9 million, respectively, from the sale of originated loans, net of fees and costs.

The following table details activity in the allowance for loan losses by portfolio segment for the three and six months ended June 30, 2015 (in thousands).

	Three months ended June 30, 2015				
	Beginning				Ending
	Balance	Provision	Charge-offs	Recoveries	Balance
Commercial and industrial	$18,104	$ 1,193	$ -	$ -	$19,297
Consumer	1,392	176	—	—	1,568
Residential real estate	857	114	(69)	2	904
Commercial real estate	305	(26)	—	7	286
Home equity lines of credit	269	(4)	—	—	265
Qualitative	1,640	(37)	—	—	1,603
	$22,567	$ 1,416	$ (69)	$ 9	$23,923

	Six months ended June 30, 2015				
	Beginning				Ending
	Balance	Provision	Charge-offs	Recoveries	Balance
Commercial and industrial	$16,609	$ 2,688	$ -	$ -	$19,297
Consumer	1,255	313	—	—	1,568
Residential real estate	787	229	(116)	4	904
Commercial real estate	232	12	—	42	286
Home equity lines of credit	267	(2)	—	—	265
Qualitative	1,581	22	—	—	1,603
	$20,731	$ 3,262	$ (116)	$ 46	$23,923

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The following table presents the recorded balances of loans and amount of allowance allocated based upon impairment method by portfolio segment at June 30, 2015 (in thousands):

	Allowance for Loan Losses			Recorded Investment in Loans		
	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total
Commercial and industrial	$21	$ 19,276	$19,297	$-	$ 1,010,810	$1,010,810
Consumer	19	1,549	1,568	20	983,339	983,359
Residential real estate	40	864	904	5,283	443,711	448,994
Commercial real estate	—	286	286	219	19,834	20,053
Home equity lines of credit	149	116	265	323	12,276	12,599
Qualitative	—	1,603	1,603	—	—	—
	$229	$ 23,694	$23,923	$5,845	$ 2,469,970	$2,475,815

The following table details activity in the allowance for loan losses by portfolio segment for the three and six months ended June 30, 2014 (in thousands).

	Three months ended June 30, 2014				
	Beginning Balance	Provision	Charge-offs	Recoveries	Ending Balance
Commercial and industrial	$11,089	$ 2,436	$ -	$ -	$13,525
Consumer	800	137	—	—	937
Residential real estate	473	90	—	1	564
Commercial real estate	194	45	—	4	243
Home equity lines of credit	290	(10)	—	—	280
Qualitative	1,285	270	—	—	1,555
	$14,131	$ 2,968	$ -	$ 5	$17,104

	Six months ended June 30, 2014				
	Beginning Balance	Provision	Charge-offs	Recoveries	Ending Balance
Commercial and industrial	$9,832	$ 4,161	$ (468)	$	$13,525
Consumer	892	49	(4)		937
Residential real estate	408	154	—	2	564
Commercial real estate	198	17	—	28	243
Home equity lines of credit	174	106	—	—	280
Construction and land	12	(12)	—	—	—
Qualitative	1,152	403	—	—	1,555
	$12,668	$ 4,878	$ (472)	$ 30	$17,104

The following table presents the recorded balances of loans and amount of allowance allocated based upon impairment method by portfolio segment at June 30, 2014 (in thousands):

	Allowance for Loan Losses			Recorded Investment in Loans		
	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total
Commercial and industrial	$33	$ 13,492	$13,525	—	$ 750,071	$750,071
Consumer	—	937	937	—	624,700	624,700
Residential real estate	237	327	564	412	411,027	411,439
Commercial real estate	—	243	243	238	15,817	16,055
Home equity lines of credit	—	280	280	323	14,078	14,401
Qualitative	—	1,555	1,555	—	—	—
	$270	$ 16,834	$17,104	$973	$ 1,815,693	$1,816,666

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The following table presents the recorded balances of loans and amount of allowance allocated based upon impairment method by portfolio segment at December 31, 2014 (in thousands):

	Allowance for Loan Losses			Recorded Investment in Loans		
	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total
Commercial and industrial	$—	$ 16,609	$16,609	$—	$ 896,853	$896,853
Consumer	13	1,242	1,255	13	758,275	758,288
Residential real estate	87	700	787	378	432,268	432,646
Commercial real estate	23	209	232	228	15,674	15,902
Home equity lines of credit	149	118	267	323	12,622	12,945
Qualitative	—	1,581	1,581	—	—	—
	$272	$ 20,459	$20,731	$942	$ 2,115,692	$2,116,634

In determining the amount of our allowance, we rely on an analysis of our loan portfolio, our experience and our evaluation of general economic conditions, as well as the requirements of the written agreement and other regulatory input. If our assumptions prove to be incorrect, our current allowance may not be sufficient to cover future loan losses and we may experience significant increases to our provision.

There are two components of the allowance for loan losses: the inherent allowance component and the specific allowance component.

The inherent allowance component of the allowance for loan losses is used to estimate the probable losses inherent in the loan portfolio and includes non-homogeneous loans that have not been identified as impaired and portfolios of smaller balance homogeneous loans. The Company maintains methodologies by loan product for calculating an allowance for loan losses that estimates the inherent losses in the loan portfolio. Qualitative and environmental factors such as economic and business conditions, nature and volume of the portfolio and lending terms, and volume and severity of past due loans may also be considered in the calculations. The allowance for loan losses is maintained at a level reasonable to ensure that it can adequately absorb the estimated probable losses inherent in the portfolio.

The specific allowance component of the allowance for loan losses is used to estimate probable losses for non-homogeneous exposures, including loans modified in a Troubled Debt Restructuring (“TDR”), which have been specifically identified for impairment analysis by the Company and determined to be impaired. At June 30, 2015, we had $4.0 million of non-accrual loans, net of discounts, which included $0.4 million in troubled debt restructurings, for which there was a specific allowance of $0.2 million. At December 31, 2014, we had $4.9 million of non-accrual loans, net of discounts, which included $1.0 million in troubled debt restructurings, for which there was a specific allowance of $0.3 million. The gross interest income related to impaired loans, which would have been recorded had these loans been current in accordance with their original terms, and the interest income recognized on these loans during the three and six months ended June 30, 2015 and 2014, were insignificant to the consolidated financial statements.

The tables below present loans that were individually evaluated for impairment by portfolio segment at June 30, 2015 and December 31, 2014, included the average recorded investment balance (in thousands):

	June 30, 2015					
	Unpaid Contractual Principal Balance	Recorded Investment with No Allowance	Recorded Investment with Allowance	Total Recorded Investment	Related Allowance	Average Recorded Investment
Commercial and industrial	$—	$ —	$ —	$ —	$ —	$ —
Consumer	20	8	11	19	11	21
Residential real estate	6,081	5,106	213	5,319	37	5,337
Commercial real estate	219	—	219	219	22	223
Home equity lines of credit	323	—	323	323	148	323
Total	$6,643	$ 5,114	$ 766	$ 5,880	$ 218	$ 5,904

	December 31, 2014					
	Unpaid Contractual Principal Balance	Recorded Investment with No Allowance	Recorded Investment with Allowance	Total Recorded Investment	Related Allowance	Average Recorded Investment
Commercial and industrial	$—	$ —	$ —	$ —	$ —	$ —
Consumer	13	—	13	13	13	15
Residential real estate	5,006	3,944	377	4,321	87	4,646
Commercial real estate	228	—	228	228	23	235
Home equity lines of credit	323	—	323	323	149	323
Total	$5,570					