

corporate profile

Raymond James Financial is a diversified financial services holding company whose subsidiaries engage primarily in investment and financial planning, including securities and insurance brokerage, investment banking, asset management, banking and cash management, and trust services. Its three wholly owned broker/dealers (Raymond James & Associates, Raymond James Financial Services and Raymond James Ltd.) and Raymond James Investment Services Limited, a majority-owned independent contractor subsidiary in the United Kingdom, have a total of more than 5,000 financial advisors serving approximately 1.9 million accounts in nearly 2,200 locations throughout the United States, Canada and overseas. In addition, total client assets are currently approximately \$170 billion, of which about \$28 billion are managed by the firm's asset management subsidiaries. Established in 1962 and a public company since 1983, Raymond James Financial is listed on the New York Stock Exchange and its shares are currently owned by more than 18,000 individual and institutional investors.

first quarter

Stock Traded
New York Stock Exchange
Stock Symbol
RJF

RAYMOND JAMES®
FINANCIAL, INC.

Individual solutions from independent advisors

International Headquarters:
The Raymond James Financial Center
880 Carillon Parkway | St. Petersburg, FL 33716
raymondjames.com

RAYMOND JAMES®
FINANCIAL, INC.

Condensed Consolidated Statements of Income (Unaudited – in 000s, Except Per Share Amounts)

	Three Months Ended		% Change
	Dec. 31, 2008	Dec. 31, 2007	
Revenues:			
Securities Commissions and Fees	\$ 418,225	\$ 472,605	(12%)
Investment Banking	20,733	23,855	(13%)
Investment Advisory Fees	44,435	56,605	(21%)
Interest	143,612	212,950	(33%)
Net Trading Profits	9,175	1,102	733%
Financial Service Fees	33,135	32,975	-%
Other	26,518	29,099	(9%)
Total Revenues	695,833	829,191	(16%)
Interest Expense	31,891	143,364	(78%)
Net Revenues	663,942	685,827	(3%)
Non-Interest Expenses:			
Compensation, Commissions and Benefits	419,254	470,604	(11%)
Communications and Information Processing	35,223	31,011	14%
Occupancy and Equipment Costs	26,435	21,397	24%
Clearance and Floor Brokerage	8,588	8,586	-%
Business Development	24,724	23,859	4%
Investment Advisory Fees	9,722	12,930	(25%)
Bank Loan Loss Provision	24,870	12,820	94%
Other	18,469	13,318	39%
Total Non-Interest Expenses	567,285	594,525	(5%)
Minority Interest	(5,007)	545	(1,019%)
Income Before Provision for Income Taxes	101,664	90,757	12%
Provision for Income Taxes	40,571	34,515	18%
Net Income	\$ 61,093	\$ 56,242	9%
Net Income per Share – Diluted	\$ 0.52	\$ 0.47	11%
Weighted Average Common and Common Equivalent Shares Outstanding – Diluted	118,087	120,241	

Consolidated Results by Segment (in 000s)

Revenues:			
Private Client Group	\$ 414,544	\$ 530,007	(22%)
Capital Markets	128,706	114,523	12%
Asset Management	51,291	64,629	(21%)
Raymond James Bank	109,239	102,589	6%
Emerging Markets	4,323	12,786	(66%)
Stock Loan/Borrow	3,290	13,876	(76%)
Proprietary Capital	538	1,171	(54%)
Other	1,086	8,492	(87%)
Intersegment Eliminations	(17,184)	(18,882)	9%
Total	\$ 695,833	\$ 829,191	(16%)
Pre-Tax Income:			
Private Client Group	\$ 32,585	\$ 56,084	(42%)
Capital Markets	14,289	4,696	204%
Asset Management	9,074	18,555	(51%)
Raymond James Bank	54,626	14,774	270%
Emerging Markets	(465)	(1,555)	70%
Stock Loan/Borrow	1,223	1,643	(26%)
Proprietary Capital	(544)	(657)	17%
Other	(9,124)	(2,783)	(228%)
Pre-Tax Income	\$ 101,664	\$ 90,757	12%

Dear Shareholder,

Investors' portfolio values suffered serious damage in the December quarter as the S&P 500 Index declined 22%, capping a 37% drop in calendar 2008. In October 2008, followed by a reprise in January 2009, investor concerns about the financial sector and the general economy engendered extreme volatility and days when the stock market seemed to have no support. In short, these have been extremely difficult times for those in the securities and banking industries, as for investors worldwide.

Consequently, it seems anomalous to report an increase in earnings over last fiscal year's first quarter. Let me assure you that we are being affected by the fallout from the devastation in the financial sector, but our conservatism has resulted in an absence of operating losses as well as reduced levels of charge-offs or major write-downs. This quarter included \$85 million in pre-tax mark-to-market charges for public mortgage-backed securities in Raymond James Bank, which was charged directly to net worth on the balance sheet. However, rigorous investigation of that market deterioration and additional stress testing didn't reveal the need for permanent charge-offs at the current time.

While gross revenues declined 16% to \$696 million, that reduction related principally to lower interest rates. Net revenues only declined by 3% to \$664 million, which, in light of market conditions in the quarter, was remarkable. Commissions and fees declined 12% to \$418 million. Net income of \$61.1 million was up 9% from the December 2007 quarter. Earnings per diluted share were \$0.52, up from the \$0.47 recorded in the first quarter last year. The after-tax margin on net revenues was 9.2%. In spite of the addition to retained earnings, the book value per share actually declined to \$15.96 because of the adjustment to Raymond James Bank's securities portfolio and currency exchange rate losses. The annualized rate of return on average equity was 13%.

A comparison of contributions to net income by our business segments is extremely useful in understanding how earnings were up in this very infertile market environment. The Private Client Group, our largest segment, produced only \$32.6 million in pre-tax income, down 42% from the first quarter last year, as the market environment reduced PCG's commissions and fees by 17%, and the steep decline in interest rates drove down net interest earnings in the segment. The high rates of recruiting new financial advisors and of new office openings also increased expenses in spite of the introduction of many new cost control measures. We still believe this to be a wise strategy for long-term success.

The Asset Management segment also suffered from the market decline in the last year as assets under management dropped 26% from December 2007. As a result, revenues were off 21%, reducing the pre-tax income of the segment by 51% to \$9.1 million. The equity portion of the Capital Markets segment was

impaired by the near absence of underwriting business as only three managed transactions occurred in this near moribund, normally active, revenue producer. Fortunately, reasonably good merger and acquisition activity, strategic advice assignments, and equity institutional commission activity resulted in a near break-even level of Equity Capital Markets revenues. Nonetheless, the entire Capital Markets area produced \$14.3 million in pre-tax income, a 204% increase, as Fixed Income generated a 158% increase in commissions in the quarter, which was augmented by a dramatic increase in fixed income net trading profits.

Fortunately, the growth of our loan portfolio and net interest spreads in the banking segment generated a much more robust improvement in pre-tax net income than that contributed by the securities business. Raymond James Bank's contribution to pre-tax net income was \$54.6 million, up 270% over the pre-tax net income in last year's comparable quarter. While we continue to make large additions to reserves for loan losses, reflecting deterioration in economic conditions and loan growth, both our real estate and corporate loan portfolios continue to perform far better than industry benchmarks, and actual charge-offs remain relatively low.

In December, Raymond James was selected as a "2008 Greenwich Associates Quality Leader." According to Greenwich, "Firms earning this distinction have been recognized by their clients as providing the industry's best service in a range of financial service businesses, including investment banking, commercial banking, fixed income sales/trading, equities sales/trading, derivatives and convertible bonds in the United States and Europe. Raymond James was selected for demonstrated excellence in Overall Research and Analyst Service Quality."

During the quarter, Eagle Asset Management became the successor advisor to Heritage Asset Management. We rebranded the Heritage fund group as the Eagle Family of Funds. This enabled our Asset Management segment to initiate some cost efficiencies as well as increase Eagle's brand awareness as Eagle portfolio managers manage most of the fund group.

In November, Raymond James Bank applied to participate in the Capital Purchase Program (CPP) of the Emergency Economic Stabilization Act for up to \$300 million in preferred shares. We have not received notification of approval as of the date of this report and have not determined how much we would sell if approved. Raymond James Financial, as was planned for some time, formally applied with the OCC to convert Raymond James Bank to a commercial bank from a savings and loan as well as to the Federal Reserve Board for Raymond James Financial to become a bank holding company. We expect to receive approval within the next few months. Our objective in seeking these changes is to include a higher percentage of corporate loans in Raymond James Bank's portfolio.

In the December edition of *On Wall Street*, four Raymond James & Associates financial advisors were ranked among the "Top 10 Regional Advisors": Michael Frayman, Brent Anderson, Van Hauswirth and Tyler Spence. Margaret Starner was named to *Research* magazine's 2008 "Advisor Hall of Fame" in December. *Medical Economics* magazine named a cross-section of Raymond James advisors in their list of the "150 best financial advisors for doctors": Michael Finkle, Curt Anderson, Ralph Broadwater, Sherri Stephens, Marilyn Gunther, John Grande, Robin Byford, Mal Makin and Alan Goldfarb. The December edition of *Bank Investment Consultant* recognized eight advisors from the Raymond James Financial Services Financial Institutions Division among the "Top 50 Bank Reps": Greg Scott, Brock Kidd, Brian Linerode, Philip Moses, Dave Battisto, Peter McFarland, Don Watson and Bern Mahon. In October, Raymond James Financial Services' Richard Farkas was named to *Research* magazine's "ETF Hall of Fame."

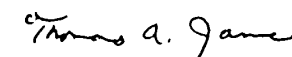
In November, Raymond James Financial Services was voted best large broker/dealer by readers of *Boomer Market Advisor*.

While we appreciate the accolades above, all of us would prefer an improvement in the market for our clients as well as the firm. These are painful times because hard work doesn't necessarily produce current benefits as external market and economic factors are controlling our destiny. Furthermore, the existing economic recession hasn't reached its nadir since human psychology is generating logical

cost cutting, reductions in capital expenditures and lower consumer spending. This adjustment will probably take all of 2009, if not longer. However, it is more difficult to forecast when the market will turn. Thus, I still counsel cost averaging into depressed sectors with good long-term prospects. Many individual equities, purchased as stocks or through professionally managed accounts, are very attractive from a longer-term perspective.

The glass really is half full as fear has dominated securities pricing, often including our own stock price. Although I think the securities part of our business will produce unfavorable quarterly comparisons in the next several quarters, I believe Fixed Income and Raymond James Bank should still generate favorable comparisons. More importantly, due to a combination of cost-cutting initiatives and opportunistic investments, principally in high-quality people, Raymond James has a bright future on the other side of this recession.

Sincerely,



Thomas A. James

Chairman and CEO

February 2, 2009

Condensed Consolidated Balance Sheet (Unaudited – in 000s)

	December 31, 2008	September 30, 2008
Assets:		
Cash and Cash Equivalents	\$ 480,982	\$ 3,207,493
Assets Segregated Pursuant to Federal Regulations	4,654,266	4,311,933
Securities Purchased Under Agreements to Resell	1,302,588	950,546
Financial Instruments	940,332	1,101,856
Receivables	9,974,590	10,152,206
Property and Equipment, Net	190,743	192,450
Other Assets	738,815	793,132
	\$ 18,282,316	\$ 20,709,616
Liabilities and Shareholders' Equity:		
Loans Payable	\$ 255,972	\$ 2,314,788
Payables	15,494,302	15,681,335
Trading Securities Sold But Not Yet Purchased	82,665	123,756
Securities Sold Under Agreements to Repurchase	60,817	122,728
Other Liabilities	278,325	345,782
Total Liabilities	16,172,081	18,588,389
Minority Interest	244,816	237,322
Shareholders' Equity	1,865,419	1,883,905
	\$ 18,282,316	\$ 20,709,616