

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 1.8 million accounts in nearly 2,200 locations throughout the United States, Canada and overseas. In addition, total client assets are currently approximately \$172 billion, of which about \$26 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.

second 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		Six Months Ended	
	March 31, 2009	March 31, 2008	March 31, 2009	March 31, 2008
Revenues:				
Securities Commissions and Fees	\$ 369,705	\$ 481,497	\$ 787,930	\$ 954,102
Investment Banking	18,001	27,232	38,734	51,087
Investment Advisory Fees	38,961	53,319	83,396	109,924
Interest	108,073	191,314	251,685	404,264
Net Trading Profits	12,766	(6,946)	21,941	(5,844)
Financial Service Fees	30,805	32,763	63,940	65,738
Other	18,100	27,955	44,618	57,054
Total Revenues	596,411	807,134	1,292,244	1,636,325
Interest Expense	6,744	115,447	38,635	258,811
Net Revenues	589,667	691,687	1,253,609	1,377,514
Non-Interest Expenses:				
Compensation, Commissions and Benefits	391,902	473,306	811,156	943,910
Communications and Information Processing	29,956	31,230	65,179	62,241
Occupancy and Equipment Costs	24,945	24,101	51,380	45,498
Clearance and Floor Brokerage	7,464	7,093	16,052	15,679
Business Development	18,817	21,744	43,541	45,603
Investment Advisory Fees	7,222	12,563	16,944	25,493
Bank Loan Loss Provision	74,979	11,113	99,849	23,933
Other	28,156	15,943	46,625	29,261
Total Non-Interest Expenses	583,441	597,093	1,150,726	1,191,618
Minority Interest	(6,692)	(3,224)	(11,699)	(2,679)
Income Before Provision for Income Taxes	12,918	97,818	114,582	188,575
Provision for Income Taxes	6,825	38,028	47,396	72,543
Net Income	\$ 6,093	\$ 59,790	\$ 67,186	\$ 116,032
Net Income per Share – Diluted	\$ 0.05	\$ 0.51	\$ 0.57	\$ 0.97
Weighted Average Common and Common Equivalent Shares Outstanding – Diluted	\$ 118,580	\$ 119,520	\$ 118,195	\$ 119,817

Consolidated Results by Segment (in 000s)

Revenues:				
Private Client Group	\$ 351,042	\$ 509,456	\$ 765,586	\$ 1,039,463
Capital Markets	124,013	124,509	252,719	239,032
Asset Management	46,181	60,657	97,472	125,286
Raymond James Bank	83,336	105,134	192,575	207,723
Emerging Markets	3,097	10,095	7,420	22,881
Stock Loan/Borrow	2,607	8,411	5,897	22,287
Proprietary Capital	(639)	1,242	(101)	2,413
Other	298	6,566	1,384	15,058
Intersegment Eliminations	(13,524)	(18,936)	(30,708)	(37,818)
Total	\$ 596,411	\$ 807,134	\$1,292,244	\$1,636,325
Pre-Tax Income:				
Private Client Group	\$ 11,681	\$ 53,234	\$ 44,266	109,318
Capital Markets	15,982	4,432	30,271	9,128
Asset Management	4,904	14,782	\$ 13,978	33,337
Raymond James Bank	(12,416)	25,891	42,210	40,665
Emerging Markets	(2,289)	106	(2,754)	(1,449)
Stock Loan/Borrow	847	1,291	2,070	2,934
Proprietary Capital	(502)	(620)	(1,046)	(1,277)
Other	(5,289)	(1,298)	(14,413)	(4,081)
Pre-Tax Income	\$ 12,918	\$ 97,818	\$ 114,582	\$ 188,575

Dear Shareholder,

As is my custom, I read last year's comparable quarterly report before beginning to write this year's. In that report, I recounted the carnage in the banking and investment banking businesses arising from the subprime crisis. In contrast, I happily reported that our earnings were remarkably good. One year later, it has become abundantly clear how much damage the financial services industry, the stock market and the general economy have suffered from the fallout, even for those companies, like ours, that avoided almost all of the catalytic bad management decisions. Unemployment continues to rise; corporate profits are declining dramatically; real estate and securities values have declined devastatingly; and the government has embarked upon frantic spending to stimulate the economy and is intruding in the private sector. Consequently, I guess it isn't surprising that our results are reflecting the malaise.

In the March quarter, we were fortunate to remain profitable, which might be described as an accomplishment in our industry. Net revenues declined 15% from last year's comparable quarter to \$590 million, while gross revenues declined 26% due to much lower interest rates. Net income plummeted by 90% to \$6.1 million, or \$.05 per share. The after-tax margin on net revenues fell from 8.6% to just over 1%. The annualized rate of return on average equity fell to a paltry 1.3%. Book value per share rose to \$16.05, partially as a result of a relatively small \$19 million increase in the value of Raymond James Bank's public available for sale securities as a result of the adoption of FAS 157-4.

Although these results are still much better than those of many financial institutions reporting losses from large mark-downs, write-offs and provisions for loan losses, that's not much consolation. One of the major contributors to the negative comparison to last year's more profitable results was Raymond James Bank, which recorded a \$7.5 million loss after-tax compared to a \$15.7 million profit last year. That may seem particularly unexpected as the bank made a \$34 million after-tax profit in the December quarter. Given the continuing deterioration in commercial real estate values in the March quarter, it isn't as surprising as it appears at first glance, as the bank's loan loss provision expense for the quarter was \$75 million compared to \$11 million in last year's second quarter and \$25 million in the December quarter. Although it is extremely difficult to forecast which loans might default or what percentage of a problem loan might ultimately be charged off in a bad recession,

our policy is to prudently increase loan loss provisions on a timely basis in light of any changes in circumstances associated with a borrower. However, net interest spreads, while down 23 basis points from last quarter, are still a healthy 3.7%. Unless economic conditions become materially worse, our internal stress tests indicate that net interest earnings over the next 12 months should be adequate to comprehend further provisions for loan losses. Charge-offs and loan loss provisions at our larger bank peers remain higher than ours, so we still believe that we will continue to outperform.

As the market has declined over the last year, client assets under administration have dropped 18% to \$172 billion, which is reflected in a 23% decline in commission and fees. The Private Client Group's pre-tax income experienced a 78% reduction to \$11.7 million. The Asset Management Group, in spite of good portfolio performance relative to benchmarks, declined 67% to \$4.9 million. Capital Markets generated a 261% increase in its profit contribution to \$16 million as a result of continued robust activity in the Fixed Income department, even though Equity Capital Markets recorded a small loss in a lackluster underwriting environment. In short, while conditions in the securities markets continued to be inimical, quarterly gains in the securities business more than offset the loss at Raymond James Bank, which had supplied the majority of net income in the December quarter.

Supplemented by the much better first quarter, six month net revenues of \$1.25 billion were down only 9% and net income of \$67.2 million was down 42% from last year's first half. Diluted net income per share of \$0.57 was down 41% from last year.

In spite of the depressed conditions in the financial markets and the world's economies, all news wasn't bad. For the seventh time, Raymond James Financial was ranked one of *Forbes'* 400 Best Big Companies in America. The "Platinum 400" is selected based upon factors including sales and earnings growth, debt to total capital, earnings outlook, and stock market returns. In February, 24 Raymond James advisors were named to *Barron's* list of "Top 1,000 Advisors." Mal Makin (Rhode Island) and John Moore (New Mexico) were ranked first in their respective states.

Because Super Bowl XLIII was played in Raymond James Stadium, we garnered over six minutes of broadcast exposure, which was "valued" at more than \$37 million. Both NBC's Today Show and ESPN also had non-game broadcasts from the stadium, which provided brand

exposure in addition to that received during the game.

We have not as yet received approval from the OCC and Federal Reserve Board to complete our conversion of Raymond James Bank from a savings and loan to a commercial bank, and the parent to a bank holding company. We are still planning to end our fiscal year as a bank holding company.

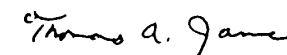
Nuveen, which manages numerous closed-end funds that issued preferred auction rate securities, has announced its first in a series of offerings to refinance these securities. Since they comprised approximately \$560 million of our remaining \$880 million in auction rate securities held by our clients on March 31, we are very hopeful these new issues are successful. In the meantime, both the SEC and the state of Florida continue to review our practices in the sale of those securities and we remain proactively involved in obtaining liquidity for our clients.

During the quarter, we announced that Paul Reilly would be joining us May 1 as president and will accede to the CEO role a year later. He is an outstanding leader and I'm enthusiastic about adding him to our already very competent management team.

In contrast to the poor results attained in this quarter, I'd like to leave you with some positive thoughts. Our recruiting results have

never been better as a result of the problems financial advisors associated with a number of our competitors are experiencing. We are improving our business platform with the addition of these highly qualified recruits to our Private Client Group and Capital Markets segments. Raymond James Bank should remain profitable in the short term, unless economic conditions deteriorate further, and will generate very good returns on equity over the long run. Thus far, we have remained scarred, but not permanently damaged, by the worst conditions impacting the financial markets and the economy since 1973-4. Although I'm not sure how long these conditions will prevail before we reach an inflection point, at which time the market and economy will improve, I know that Raymond James will be well-positioned to grow at above-average rates when that point is reached.

Sincerely,



Thomas A. James
Chairman and CEO
April 28, 2009

Condensed Consolidated Balance Sheet (Unaudited – in 000s)

	March 31, 2009	September 30, 2008
Assets:		
Cash and Cash Equivalents	\$ 317,192	\$ 3,207,493
Assets Segregated Pursuant to Federal Regulations	5,076,914	4,311,933
Securities Purchased Under Agreements to Resell	1,005,305	950,546
Financial Instruments	1,036,637	1,101,856
Receivables	9,768,002	10,152,206
Property and Equipment, Net	189,185	192,450
Other Assets	724,310	793,132
	\$ 18,117,545	\$ 20,709,616
Liabilities and Shareholders' Equity:		
Loans Payable	\$ 326,529	\$ 2,314,788
Payables	15,375,075	15,681,335
Trading Securities Sold But Not Yet Purchased	77,148	123,756
Securities Sold Under Agreements to Repurchase	2,951	122,728
Other Liabilities	236,735	345,782
Total Liabilities	16,018,438	18,588,389
Minority Interest	202,778	237,322
Shareholders' Equity	1,896,329	1,883,905
	\$ 18,117,545	\$ 20,709,616