RAYMOND JAMES FINANCIAL INC
Form 10-Q
February 08, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark one)

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended December 31, 2010

or

o 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: 1-9109

RAYMOND JAMES FINANCIAL, INC.
(Exact name of registrant as specified in its charter)

Florida	No. 59-1517485
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

880 Carillon Parkway, St. Petersburg, Florida 33716
(Address of principal executive offices) (Zip Code)

(727) 567-1000
(Registrant's telephone number, including area code)

None
(Former name, former address and former fiscal year, if changed since last report)

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 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 (232.405 of this chapter) during the preceding 12 months (or 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. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer x	Accelerated filer o
Non-accelerated filer o	Smaller reporting company o

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

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

125,996,802 shares of Common Stock as of February 4, 2011

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

Form 10-Q for the Quarter Ended December 31, 2010

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PART I FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
(Unaudited)

	December 31, 2010	September 30, 2010
	($ in 000's)	
Assets		
Cash and Cash Equivalents	$1,204,883	$2,943,239
Assets Segregated Pursuant to Regulations and Other Segregated Assets	2,069,075	3,430,715
Securities Purchased under Agreements to Resell and Other Collateralized Financings	456,239	344,652
Financial Instruments, at Fair Value:		
Trading Instruments	612,360	591,447
Available for Sale Securities	385,163	424,461
Private Equity and Other Investments	325,453	321,079
Receivables:		
Brokerage Clients, Net	1,628,394	1,675,535
Stock Borrowed	184,964	262,888
Bank Loans, Net	6,104,133	6,094,929
Brokers-Dealers and Clearing Organizations	115,839	143,994
Other	477,734	442,856
Deposits with Clearing Organizations	81,162	76,488
Prepaid Expenses and Other Assets	460,264	451,357
Investments in Real Estate Partnerships - Held by Variable Interest Entities	328,927	280,890
Property and Equipment, Net	171,569	170,768
Deferred Income Taxes, Net	181,104	165,208
Goodwill	62,575	62,575
Total Assets	$14,849,838	$17,883,081
Liabilities and Equity		
Trading Instruments Sold but Not Yet Purchased, at Fair Value	$203,989	$131,038
Securities Sold Under Agreements to Repurchase	166,815	233,346
Payables:		
Brokerage Clients	3,382,225	3,308,115
Stock Loaned	498,040	698,668
Bank Deposits	6,682,396	7,079,718
Brokers-Dealers and Clearing Organizations	98,554	137,041
Trade and Other	308,459	290,268
Other Borrowings	30,000	2,557,000
Accrued Compensation, Commissions and Benefits	298,821	418,591
Loans Payable Related to Investments by Variable Interest Entities in Real Estate Partnerships	107,437	76,464

Corporate Debt	355,169	355,964
Total Liabilities	12,131,905	15,286,213
Commitments and Contingencies (See Note 12)		
Equity		
Preferred Stock; $.10 Par Value; Authorized 10,000,000 Shares; Issued and Outstanding -0- Shares	-	-
Common Stock; $.01 Par Value; Authorized 350,000,000 Shares; Issued 129,305,302 at December 31, 2010 and 128,620,429 at September 30, 2010	1,254	1,244
Shares Exchangeable into Common Stock; 243,048 at December 31, 2010 and September 30, 2010	3,119	3,119
Additional Paid-In Capital	503,649	476,359
Retained Earnings	1,979,572	1,909,865
Treasury Stock, at cost, 4,019,411 Common Shares at December 31, 2010 and 3,918,492 Common Shares at September 30, 2010	(85,056)	(81,574)
Accumulated Other Comprehensive Income	4,204	(6,197)
Total Equity Attributable to Raymond James Financial, Inc.	2,406,742	2,302,816
Noncontrolling Interests	311,191	294,052
Total Equity	2,717,933	2,596,868
Total Liabilities and Equity	$ 14,849,838	$ 17,883,081

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited).

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME (Unaudited)
(in 000's, except per share amounts)

	Three Months Ended December 31,	
	2010	2009
Revenues:		
Securities Commissions and Fees	$534,139	$469,151
Investment Banking	58,969	25,718
Investment Advisory Fees	52,216	43,975
Interest	104,386	91,372
Net Trading Profits	6,322	11,637
Financial Service Fees	41,788	36,782
Other	32,513	24,034
Total Revenues	830,333	702,669
Interest Expense	16,504	15,702
Net Revenues	813,829	686,967
Non-Interest Expenses:		
Compensation, Commissions and Benefits	551,884	471,079
Communications and Information Processing	31,145	28,074
Occupancy and Equipment Costs	26,229	26,715
Clearance and Floor Brokerage	9,917	8,502
Business Development	23,945	19,881
Investment Sub-Advisory Fees	6,904	6,558
Bank Loan Loss Provision	11,232	22,835
Other	25,827	36,210
Total Non-Interest Expenses	687,083	619,854
Income Including Noncontrolling Interests and Before Provision for Income Taxes	126,746	67,113
Provision for Income Taxes	48,791	26,485
Net Income Including Noncontrolling Interests	77,955	40,628
Net Loss Attributable to Noncontrolling Interests	(3,768)	(2,275)
Net Income Attributable to Raymond James Financial, Inc.	$81,723	$42,903
Net Income per Common Share-Basic	$0.65	$0.35
Net Income per Common Share-Diluted	$0.65	$0.35
Weighted-Average Common Shares Outstanding-Basic	121,155	118,763
Weighted-Average Common and Common Equivalent Shares Outstanding-Diluted	121,534	118,983
Net Income Attributable to Raymond James Financial, Inc.	$81,723	$42,903
Other Comprehensive Income, Net of Tax(1):		
	4,897	13,223

Change in Unrealized Gain on Available for Sale Securities and Non-Credit Portion of Other-Than-Temporary Impairment Losses		
Change in Currency Translations	5,504	2,973
Total Comprehensive Income	$92,124	$59,099
Other-Than-Temporary Impairment:		
Total Other-Than-Temporary Impairment, net	$779	$(15,520)
Portion of Losses Recognized in Other Comprehensive Income (Before Taxes)	(2,958)	12,521
Net Impairment Losses Recognized in Other Revenue	$(2,179)	$(2,999)

(1) The components of Other Comprehensive Income, Net of Tax are attributable to Raymond James Financial, Inc. None of the components of other comprehensive income are attributable to noncontrolling interests.

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited).

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (Unaudited)
(in 000's, except per share amounts)

	Three Months Ended December 31,	
	2010	2009
Common Stock, par value $.01 per share		
Balance, beginning of year	$1,244	$1,227
Issued	10	2
Balance, end of period	1,254	1,229
Shares Exchangeable into Common Stock		
Balance, beginning of year	3,119	3,198
Exchanged	-	(2)
Balance, end of period	3,119	3,196
Additional Paid-In Capital		
Balance, beginning of year	476,359	416,662
Employee stock purchases	1,690	1,633
Exercise of stock options and vesting of restricted stock units, net of forfeitures	13,798	4,421
Restricted stock, stock option and restricted stock unit expense	14,355	12,455
Excess tax benefit from share-based payments	(1,000)	(457)
Other	(1,553)	1,074
Balance, end of period	503,649	435,788
Retained Earnings		
Balance, beginning of year	1,909,865	1,737,591
Net Income attributable to Raymond James Financial, Inc.	81,723	42,903
Cash Dividends	(16,387)	(13,686)
Other	4,371	-
Balance, end of period	1,979,572	1,766,808
Treasury Stock		
Balance, beginning of year	(81,574)	(84,412)
Purchases/Surrenders	(5,265)	(3,322)
Exercise of stock options and vesting of restricted stock units, net of forfeitures	1,783	(501)
Balance, end of period	(85,056)	(88,235)
Accumulated Other Comprehensive Income(1)		
Balance, beginning of year	(6,197)	(41,803)
Net unrealized gain on available for sale securities and non-credit portion of other-than-temporary impairment losses(2)	4,897	13,223
Net change in currency transactions	5,504	2,973
Balance, end of period	4,204	(25,607)
Total Equity Attributable to Raymond James Financial, Inc.	$2,406,742	$2,093,179
Noncontrolling Interests		

Balance, beginning of year	$294,052	$200,676
Net Loss Attributable to Noncontrolling Interests	(3,768)	(2,275)
Capital Contributions	14,512	24,869
Distributions	-	(340)
Other	6,395	(20)
Balance, end of period	311,191	222,910
Total Equity	$2,717,933	$2,316,089

(1) The components of Other Comprehensive Income are attributable to Raymond James Financial, Inc. None of the components of other comprehensive income are attributable to noncontrolling interests.

(2) Net of tax.

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited).

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(in 000's)

	Three Months Ended December 31,	
	2010	2009
Cash Flows From Operating Activities:		
Net Income Attributable to Raymond James Financial, Inc.	$81,723	$42,903
Net Loss Attributable to Noncontrolling Interests	(3,768)	(2,275)
Net Income Including Noncontrolling Interests	77,955	40,628
Adjustments to Reconcile Net Income Including Noncontrolling Interests to Net Cash Provided by (Used in) Operating Activities:		
Depreciation and Amortization	9,574	11,758
Deferred Income Taxes	(18,737)	(23,070)
Premium and Discount Amortization on Available for Sale Securities and Unrealized/Realized Gain on Other Investments	(484)	360
Provisions for Loan Losses, Legal Proceedings, Bad Debts and Other Accruals	14,793	37,635
Stock-Based Compensation Expense	15,832	12,901
Other	(2,234)	(302)
Net Change In:		
Assets Segregated Pursuant to Regulations and Other Segregated Assets	1,363,377	332,266
Securities Purchased Under Agreements to Resell and Other Collateralized Financings, net of Securities Sold Under Agreements to Repurchase	(178,118)	(126,107)
Stock Loaned, net of Stock Borrowed	(122,704)	300,332
Brokerage Client Receivables and Other Accounts Receivable, net	46,147	29,697
Trading Instruments, net	66,114	29,808
Prepaid Expenses and Other Assets	(129)	(45,038)
Brokerage Client Payables and Other Accounts Payable	66,780	(619,498)
Accrued Compensation, Commissions and Benefits	(122,556)	(107,096)
Purchase and Origination of Loans Held for Sale, net of Proceeds from Sale of Securitizations and Loans Held for Sale	(2,868)	(12,632)
Excess Tax Benefits from Stock-Based Payment Arrangements	(293)	(157)
Net Cash Provided by (Used in) Operating Activities	1,212,449	(138,515)
Cash Flows from Investing Activities:		
Additions to Property and Equipment	(9,500)	(5,827)
(Increase) Decrease in Loans, net	(48,760)	177,759
Redemption of Federal Home Loan Bank stock, net	4,777	-
Purchases of Private Equity and Other Investments, net	(8,648)	(13,888)
Decrease in Securities Purchased Under Agreements to Resell	-	2,000,000
Purchases of Available for Sale Securities	(1,201)	-
Available for Sale Securities Maturations and Repayments	34,538	37,975
Sales of Available for Sale Securities	11,161	-
Investments in Real Estate Partnerships Held by Variable Interest Entities, net of Other Investing Activity	(4,369)	(5,945)
Net Cash (Used In) Provided by Investing Activities	(22,002)	2,190,074
Cash Flows from Financing Activities:		
Proceeds from Borrowed Funds, net	-	1,027

Repayments of Borrowings, net	(2,527,795)	(930,752)
Repayments of Borrowings by Variable Interest Entities which are Real Estate Partnerships	(11,859)	(8,513)
Proceeds from Capital Contributed to Variable Interest Entities which are Real Estate Partnerships	14,196	25,917
Exercise of Stock Options and Employee Stock Purchases	17,025	5,309
Decrease in Bank Deposits	(397,322)	(2,416,318)
Purchase of Treasury Stock	(5,261)	(3,322)
Dividends on Common Stock	(16,387)	(13,686)
Excess Tax Benefits from Stock-Based Payment Arrangements	293	157
Net Cash Used in Financing Activities	(2,927,110)	(3,340,181)
Currency Adjustment:		
Effect of Exchange Rate Changes on Cash	(1,693)	1,122
Net Decrease in Cash and Cash Equivalents	(1,738,356)	(1,287,500)
Cash and Cash Equivalents at Beginning of Year	2,943,239	2,306,085
Cash and Cash Equivalents at End of Period	$1,204,883	$1,018,585
Supplemental Disclosures of Cash Flow Information:		
Cash Paid for Interest	$8,787	$5,382
Cash Paid for Income Taxes	$6,688	$8,972
Non-Cash Transfers of Loans to Other Real Estate Owned	$6,917	$4,971

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited).

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
December 31, 2010

NOTE 1 - BASIS OF PRESENTATION:

The accompanying unaudited condensed consolidated financial statements include the accounts of Raymond James Financial, Inc. ("RJF") and its consolidated subsidiaries that are generally controlled through a majority voting interest. RJF is a holding company headquartered in Florida whose subsidiaries are engaged in various financial service businesses; as used herein, the terms "our", "we" or "us" refer to RJF and/or one or more of its subsidiaries. In addition, we consolidate any variable interest entities ("VIEs") in which we are the primary beneficiary. Additional information on these VIEs is provided in Note 7 of these Notes to Condensed Consolidated Financial Statements. When we do not have a controlling interest in an entity, but we exert significant influence over the entity, we apply the equity method of accounting. All material intercompany balances and transactions have been eliminated in consolidation.

Certain financial information that is normally included in annual financial statements prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") but not required for interim reporting purposes has been condensed or omitted. These unaudited condensed consolidated financial statements reflect, in the opinion of management, all adjustments necessary for a fair presentation of the consolidated financial position and results of operations for the interim periods presented.

The nature of our business is such that the results of any interim period are not necessarily indicative of results for a full year. These unaudited condensed consolidated financial statements should be read in conjunction with Management's Discussion and Analysis and the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended September 30, 2010, as filed with the United States of America ("U.S.") Securities and Exchange Commission (the "2010 Form 10-K"). To prepare condensed consolidated financial statements in conformity with GAAP, we must make certain estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and could have a material impact on the condensed consolidated financial statements.

Update of Significant Accounting Policies

A summary of our significant accounting policies is included in Note 1 on pages 79 – 90 of our 2010 Form 10-K. Other than as discussed below, there have been no significant changes in our significant accounting policies since the year-end September 30, 2010.

As of October 1, 2010, we implemented new Financial Accounting Standards Board ("FASB") guidance regarding the consolidation of VIEs. This new guidance changes the approach to determine a VIEs' primary beneficiary from a quantitative assessment to a qualitative assessment designed to identify a controlling financial interest. This new guidance also increases the frequency of required assessments to determine whether we are the primary beneficiary of any VIEs to which we are a party. Upon adoption of this new guidance, we deconsolidated two low-income housing tax credit ("LIHTC") funds which we determined we are no longer the primary beneficiary, and consolidated two other LIHTC funds which we determined we are the primary beneficiary under the new guidance. See Note 7 for further discussion.

At December 31, 2010, we implemented new FASB guidance which requires enhanced disclosures about our allowances for loan losses and credit quality of our financing receivables. See Note 6 which contains the additional

disclosures required under this new guidance specifically pertaining to the financing receivables arising from our bank subsidiary, Raymond James Bank, FSB ("RJ Bank"), including certain additional accounting policy information regarding such balances not previously included in Note 1 – Summary of Significant Accounting Policies on pages 79-90 of our 2010 Form 10-K.

We also have certain financing receivables that arise from businesses other than our banking business, which are within the scope of the new accounting guidance. Specifically, we make loans to financial advisors and certain revenue producers, primarily for recruiting and retention purposes. Our accounting policies governing this activity, including our policies for determining the allowance for doubtful accounts, are described in Note 1 page 85 of our 2010 Form 10-K. As of December 31, 2010, the outstanding balance of these loans is $227.8 million, with a related allowance for doubtful accounts of $10.1 million, and are included in Other Receivables on our Condensed Consolidated Statements of Financial Condition. Based upon the nature of these financing receivables, we do not analyze this asset on a portfolio segment or class basis. Further, the aging of this receivable balance is not a determinative factor in computing our allowance for doubtful accounts as concerns regarding the recoverability of these loans primarily arises in the event that the financial advisor becomes no longer affiliated with us. Of the loan balance referred to above, the portion of the balance associated with financial advisors who are no longer affiliated with us, after consideration of the allowance for doubtful accounts, is approximately $2 million.

Reclassifications

Certain other prior period amounts, none of which are material, have been reclassified to conform to the current presentation.

NOTE 2 - CASH AND CASH EQUIVALENTS, ASSETS SEGREGATED PURSUANT TO REGULATIONS, AND DEPOSITS WITH CLEARING ORGANIZATIONS:

Our cash equivalents include money market funds or highly liquid investments not held for resale with original maturities of 90 days or less. For further discussion of our accounting policies regarding assets segregated pursuant to regulations and other segregated assets, see Note 1 on page 80 of our 2010 Form 10-K.

The following are financial instruments that are cash and cash equivalents or other investment balances which are readily convertible into cash as of December 31, 2010 and September 30, 2010:

	December 31, 2010	September 30, 2010
	(in 000's)	
Cash and Cash Equivalents:		
Cash in banks	$1,199,162	$2,939,963 (1)
Money market investments	5,721	3,276
Total cash and cash equivalents (2)	1,204,883	2,943,239
Cash and securities segregated pursuant to federal regulations and other segregated assets (3)	2,069,075	3,430,715 (1)
Deposits with clearing organizations(4)	81,162	76,488
	$3,355,120	$6,450,442

(1) At September 30, 2010, cash and other segregated assets included additional amounts in order for RJ Bank to meet point-in-time regulatory balance sheet composition requirements related to its qualifying as a thrift institution. The cash in banks and other segregated assets balances at September 30, 2010 included an additional $1.8 billion and $1.3 billion, respectively, resulting from the September 30, 2010 point-in-time requirement. See Note 22 on page 130 of our 2010 Form 10-K for discussion of the September 30, 2010 point-in-time requirement.

(2) Of the total, includes $423 million of RJF Parent Company cash and cash equivalents (invested on behalf of the RJF Parent Company by one of its subsidiaries) as of December 31, 2010. At September 30, 2010, the RJF Parent Company had $287 million in cash and cash equivalents (see Note 26 on page 135 of the 2010 Form 10-K for further information).

(3) Consists of cash and cash equivalents maintained in accordance with Rule 15c3-3 of the Securities Exchange Act of 1934. Raymond James & Associates, Inc. (“RJ&A”), as a broker-dealer carrying client accounts, is subject to requirements related to maintaining cash or qualified securities in a segregated reserve account for the exclusive benefit of its clients. Additionally, Raymond James Ltd. (“RJ Ltd”). is required to hold client Registered Retirement Savings Plan funds in trust. The $1.3 billion in other segregated assets at September 30, 2010 related to the point-in-time regulatory balance sheet composition requirements mentioned above was held as collateral by the Federal Home Loan Bank of Atlanta (“FHLB”) securing an overnight advance. On October 1, 2010, the advance was repaid.

(4) Consists of deposits of cash and cash equivalents or other short-term securities held by other clearing organizations or exchanges.

NOTE 3 - FAIR VALUE:

For a further discussion of our valuation methodologies for assets, liabilities measured at fair value, and the fair value hierarchy, see Note 1 pages 81 - 84 in our 2010 Form 10-K.

There have been no material changes to our valuation methodologies since our year ended September 30, 2010.

Assets and liabilities measured at fair value on a recurring basis as of December 31, 2010 and September 30, 2010 are presented below:

December 31, 2010	Quoted Prices in Active Markets for Identical Assets (Level 1)(1)	Significant Other Observable Inputs (Level 2)(1)	Significant Unobservable Inputs (Level 3)	Netting Adjustments(2)	Balance as of December 31, 2010
			(in 000's)		
Assets:					
Trading Instruments:					
Municipal and Provincial Obligations	$252	$220,140	$ 6,076	$ -	$226,468
Corporate Obligations	20,724	29,532	-	-	50,256
Government and Agency Obligations	18,650	25,794	-	-	44,444
Agency Mortgage-Backed Securities("MBS") and Collateralized Mortgage Obligations ("CMOs")	561	234,242	-	-	234,803
Non-Agency CMOs and Asset-Backed Securities ("ABS")	-	3,771	3,643	-	7,414
Total Debt Securities	40,187	513,479	9,719	-	563,385
Derivative Contracts	-	86,275	-	(64,169)	22,106
Equity Securities	17,750	447	3,225	-	21,422
Other Securities	691	4,756	-	-	5,447
Total Trading Instruments	58,628	604,957	12,944	(64,169)	612,360
Available for Sale Securities:					
Agency MBS and CMOs	-	197,333	-	-	197,333
Non-Agency CMOs	-	181,721	1,098	-	182,819
Other Securities	10	5,001	-	-	5,011
Total Available for Sale Securities	10	384,055	1,098	-	385,163
Private Equity and Other Investments:					
Private Equity Investments	-	-	159,586 (3)	-	159,586
Other Investments	165,156	666	45	-	165,867
Total Private Equity and Other Investments	165,156	666	159,631	-	325,453
Other Assets	-	-	25	-	25
Total	$223,794	$989,678	$ 173,698	$ (64,169)	$1,323,001
Liabilities:					
Trading Instruments Sold but Not Yet Purchased:					

Municipal and Provincial Obligations	$-	$149	$ -	$ -	$149
Corporate Obligations	-	2,576	-	-	2,576
Government Obligations	179,354	-	-	-	179,354
Agency MBS and CMOs	785	-	-	-	785
Total Debt Securities	180,139	2,725	-	-	182,864
Derivative Contracts	-	64,157	-	(57,175)	6,982
Equity Securities	13,745	398	-	-	14,143
Total Trading Instruments Sold but Not Yet Purchased	193,884	67,280	-	(57,175)	203,989
Other Liabilities	-	3	46	-	49
Total	$193,884	$67,283	$ 46	$ (57,175)	$204,038

(1) We had no significant transfers of financial instruments between Level 1 and Level 2 during the period ended December 31, 2010. Our policy is to use the end of each respective quarterly reporting period to determine when transfers of financial instruments between levels are recognized.

(2) We have elected to net derivative receivables and derivative payables and the related cash collateral received and paid when a legally enforceable master netting agreement exists.

(3) Includes $85.2 million in private equity investments of which the weighted-average portion we own is approximately 20%. The portion of this investment we do not own becomes a component of Noncontrolling Interests on our Condensed Consolidated Statements of Financial Condition, and amounted to $68.1 million of that total as of December 31, 2010.

September 30, 2010	Quoted Prices in Active Markets for Identical Assets (Level 1)(1)	Significant Other Observable Inputs (Level 2)(1)	Significant Unobservable Inputs (Level 3)	Netting Adjustments(2)	Balance as of September 30, 2010
			(in 000's)		
Assets:					
Trading Instruments:					
Municipal and Provincial Obligations	$7	$162,071	$ 6,275	$ -	$168,353
Corporate Obligations	21,485	16,986	-	-	38,471
Government and Agency Obligations	27,374	9,520	-	-	36,894
Agency MBS and CMOs	303	278,275	-	-	278,578
Non-Agency CMOs and ABS	-	4,367	3,930	-	8,297
Total Debt Securities	49,169	471,219	10,205	-	530,593
Derivative Contracts	-	102,490	-	(76,123)	26,367
Equity Securities	28,506	113	3,025	-	31,644
Other Securities	1,250	1,593	-	-	2,843
Total Trading Instruments	78,925	575,415	13,230	(76,123)	591,447
Available for Sale Securities:					
Agency MBS and CMOs	-	217,879	-	-	217,879
Non-Agency CMOs	-	200,559	1,011	-	201,570
Other Securities	9	5,003	-	-	5,012
Total Available for Sale Securities	9	423,441	1,011	-	424,461
Private Equity and Other Investments:					
Private Equity Investments	-	-	161,230 (3)	-	161,230
Other Investments	158,653	1,151	45	-	159,849
Total Private Equity and Other Investments	158,653	1,151	161,275	-	321,079
Other Assets	-	25	-	-	25
Total	$237,587	$1,000,032	$ 175,516	$ (76,123)	$1,337,012
Liabilities:					
Trading Instruments Sold but Not Yet Purchased:					
Municipal and Provincial Obligations	$-	$296	$ -	$ -	$296
Corporate Obligations	17	676	-	-	693
Government Obligations	99,631	-	-	-	99,631
Agency MBS and CMOs	105	-	-	-	105
Total Debt Securities	99,753	972	-	-	100,725
Derivative Contracts	-	86,039	-	(84,390)	1,649

Equity Securities	15,890	12,774	-	-	28,664
Total Trading Instruments Sold but Not Yet Purchased	115,643	99,785	-	(84,390)	131,038
Other Liabilities	-	105	46	-	151
Total	$115,643	$99,890	$ 46	$ (84,390)	$131,189

(1) We had no significant transfers of financial instruments between Level 1 and Level 2 during the year ended September 30, 2010. Our policy is to use the end of each respective quarterly reporting period to determine when transfers of financial instruments between levels are recognized.

(2) We have elected to net derivative receivables and derivative payables and the related cash collateral received and paid when a legally enforceable master netting agreement exists.

(3) Includes $86.3 million in private equity investments of which the weighted-average portion we own is approximately 20%. The portion of this investment we do not own becomes a component of Noncontrolling Interests on our Condensed Consolidated Statements of Financial Condition, and amounted to $69.1 million of that total as of September 30, 2010.

Changes in Level 3 Recurring Fair Value Measurements

The realized and unrealized gains and losses for assets and liabilities within the Level 3 category presented in the tables below may include changes in fair value that were attributable to both observable and unobservable inputs.

Additional information about Level 3 assets and liabilities measured at fair value on a recurring basis for the three months ended December 31, 2010 and 2009 are presented below:

Level 3 Financial Assets at Fair Value

Period Ended December 31, 2010	Fair Value, September 30, 2010	Total Realized /Unrealized Gains/(Losses) Included in Earnings	Total Unrealized Gains/(Losses) Included in Other Comprehensive Income	Purchases, Issuances, and Settlements, Net	Transfers Into Level 3	Transfers Out of Level 3	Fair Value, December 31, 2010	Change in Unrealized Gains/ (Losses) Related to Financial Instruments Held at December 31, 2010
				(in 000's)				
Assets:								
Trading Instruments:								
Municipal and Provincial Obligations	$6,275	$ (194)	$ -	$ (5)	$-	$-	$ 6,076	$ (389)
Non-Agency CMOs and ABS	3,930	(137)	-	(149)	-	-	3,643	52
Equity Securities	3,025	-	-	200	-	-	3,225	-
Available for Sale Securities:								
Non-Agency CMOs	1,011	-	167	(80)	-	-	1,098	-
Private Equity and Other Investments:								
Private Equity Investments	161,230	75	-	(1,719)	-	-	159,586	(5)
Other Investments	45	-	-	-	-	-	45	-
Other Assets	-	-	-	-	25	-	25	-
Liabilities:								
Other Liabilities	$(46)	$ -	$ -	$ -	$-	$-	$ (46)	$ -

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Level 3 Financial Assets at Fair Value

Period Ended December 31, 2009	Fair Value, September 30, 2009	Total Realized /Unrealized Gains/(Losses) Included in Earnings	Total Unrealized Gains/(Losses) Included in Other Comprehensive Income	Purchases, Issuances, and Settlements, Net	Transfers Into Level 3	Transfers Out of Level 3	Fair Value, December 31, 2009	Change in Unrealized Gains/ (Losses) Related to Financial Instruments Held at December 31, 2009
				(in 000's)				
Assets:								
Trading Instruments:								
Municipal and Provincial Obligations	$5,316	$ 7	$ -	$ -	$-	$-	$ 5,323	$ 7
Non-Agency CMOs and ABS	10,915	(340)	-	(1,399)	-	-	9,176	(426)
Derivative Contracts	222	(222)	-	-	-	-	-	-
Other Securities	919	524	-	17	-	-	1,460	523
Available for Sale Securities:								
Non-Agency CMOs	2,596	(552)	711	(134)	-	-	2,621	(552)
Private Equity and Other Investments:								
Private Equity Investments	142,671	(302)	-	2,598	-	-	144,967	(302)
Other Investments	227	(4)	-	-	-	-	223	(4)
Liabilities:								
Derivative Contracts	$-	$ (117)	$ -	$ -	$-	$-	$ (117)	$ (205)
Other Liabilities	(59)	13	-	-	-	-	(46)	(7)

As of December 31, 2010, 8.9% of our assets and 1.7% of our liabilities are instruments measured at fair value on a recurring basis. Instruments measured at fair value on a recurring basis categorized as Level 3 as of December 31, 2010 represent 13.1% of our assets measured at fair value. As of December 31, 2009, 7.8% and 0.7% of our assets and liabilities, respectively, represented instruments measured at fair value on a recurring basis. Instruments measured at fair value on a recurring basis categorized as Level 3 as of December 31, 2009 represented 14.3% of our assets measured at fair value.

Gains and losses (realized and unrealized) included in revenues for the three months ended December 31, 2010 and 2009 are reported in net trading profits and other revenues in our Condensed Consolidated Statements of Income as follows:

For the Three Months Ended December 31, 2010	Net Trading Profits	Other Revenues
	(in 000's)	
Total gains included in revenues	$(331)	$75
Change in unrealized gains/(losses) relating to assets still held at reporting date	$(337)	$(5)

For the Three Months Ended December 31, 2009	Net Trading Profits (Losses)	Other Revenues
	(in 000's)	
Total gains/(losses) included in revenues	$187	$(1,180)
Change in unrealized gains/(losses) relating to assets still held at reporting date	$100	$(1,066)

Nonrecurring Fair Value Measurements

Certain assets and liabilities are not measured at fair value on an ongoing basis but are subject to fair value measurement only in certain circumstances, for example, when there is evidence of impairment or in other situations where the lower of cost or fair value method of accounting is applied. Our financial instruments which are measured at fair value on a nonrecurring basis include certain RJ Bank loans that have been deemed impaired and certain loans classified as held for sale. Our nonfinancial assets which are measured at fair value on a nonrecurring basis include goodwill and other real estate owned ("OREO"). The table below provides information, by level within the fair value hierarchy, for both financial and nonfinancial assets measured at fair value on a nonrecurring basis and held at December 31, 2010 and September 30, 2010.

	Fair Value Measurements			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of December 31, 2010
December 31, 2010:		(in 000's)		
Assets at fair value on a nonrecurring basis:				
Bank Loans, Net(1)	$-	$4,121	$ 46,573	$50,694
OREO (2)	-	2,578	-	2,578
September 30, 2010:				
Assets at fair value on a nonrecurring basis:				
Bank Loans, Net(1)	$-	$1,901	$ 71,920	$73,821
OREO (2)	-	19,431	-	19,431

(1) Includes individual loans classified as held for sale, which were recorded at a fair value lower than cost.

(2) Represents the fair value of foreclosed properties which were measured at a fair value subsequent to their initial classification as OREO. The recorded value in the Condensed Consolidated Statements of Financial Condition is net of the estimated selling costs.

The adjustment to fair value of the nonrecurring fair value measures for the three months ended December 31, 2010 resulted in $12.6 million in additional provision for loan losses as well as $502,000 in other losses during the quarter.

For a discussion of our accounting policies for impairment of loans held for investment, loans held for sale, and OREO, see Note 1 on pages 85-87 of our 2010 Form 10-K.

Fair Value Option

The fair value option is an accounting election that allows the reporting entity to apply fair value accounting for certain financial assets and liabilities on an instrument by instrument basis. As of December 31, 2010, we have elected not to choose the fair value option for any of our financial assets or liabilities not already recorded at fair value.

OTHER FAIR VALUE DISCLOSURES

Many, but not all of the financial instruments we hold are recorded at fair value in the Condensed Consolidated Statements of Financial Condition. Refer to Note 3 pages 95-96 of our 2010 Form 10-K for discussion of the methods and assumptions we apply to the determination of fair value of our financial instruments that are not otherwise recorded at fair value.

The carrying amounts and estimated fair values of our financial instruments that are not carried at fair value at December 31, 2010 and September 30, 2010, respectively, are as follows:

	December 31, 2010		September 30, 2010	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
		(in 000's)		
Financial Assets:				
Bank Loans, Net	$6,104,133	$6,135,587	$6,094,929	$6,099,106
Financial Liabilities:				
Bank Deposits	6,682,396	6,689,481	7,079,718	7,088,297
Other Borrowings	30,000	30,241	2,557,000	2,557,613
Corporate Debt	355,169	411,005	355,964	421,132

NOTE 4 – TRADING INSTRUMENTS AND TRADING INSTRUMENTS SOLD BUT NOT YET PURCHASED:

	December 31, 2010		September 30, 2010	
	Trading Instruments	Instruments Sold but Not Yet Purchased	Trading Instruments	Instruments Sold but Not Yet Purchased
	(in 000's)			
Municipal and Provincial Obligations	$226,468	$149	$168,353	$296
Corporate Obligations	50,256	2,576	38,471	693
Government and Agency Obligations	44,444	179,354	36,894	99,631
Agency MBS and CMOs	234,803	785	278,578	105
Non-Agency CMOs and ABS	7,414	-	8,297	-
Total Debt Securities	563,385	182,864	530,593	100,725
Derivative Contracts	22,106	6,982	26,367	1,649
Equity Securities	21,422	14,143	31,644	28,664
Other Securities	5,447	-	2,843	-
Total	$612,360	$203,989	$591,447	$131,038

Auction rate securities totaling $9.6 million and $9.1 million at December 31, 2010 and September 30, 2010, respectively, are included predominately within the Municipal and Provincial Obligations presented in the table above. There were no auction rate securities in Trading Instruments Sold but Not Yet Purchased as of either December 31, 2010 or September 30, 2010.

See Note 3 for additional information regarding the fair value of Trading Instruments and Trading Instruments Sold but Not Yet Purchased.

NOTE 5 - AVAILABLE FOR SALE SECURITIES:

Available for sale securities are comprised primarily of CMOs and other mortgage-related debt securities, owned by RJ Bank, and certain equity securities owned by our non-broker-dealer subsidiaries. There were proceeds of $11.2 million from the sale of available for sale securities during the three month period ended December 31, 2010, which resulted in total losses of $411,000. There were no proceeds from the sale of available for sale securities for the three month period ended December 31, 2009.

The amortized cost and estimated fair values of available for sale securities as of December 31, 2010 and September 30, 2010 are as follows:

	December 31, 2010			
	Cost Basis	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(in 000's)			
Available for Sale Securities:				
Agency MBS and CMOs	$196,581	$854	$(102)	$197,333
Non-Agency CMOs (1)	226,420	36	(43,637)	182,819
Other Securities	5,000	1	-	5,001
Total RJ Bank Available for Sale Securities	428,001	891	(43,739)	385,153
Other Securities	3	7	-	10
Total Available for Sale Securities	$428,004	$898	$(43,739)	$385,163

	September 30, 2010			
	Cost Basis	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(in 000's)			
Available for Sale Securities:				
Agency MBS and CMOs	$217,516	$559	$(196)	$217,879
Non-Agency CMOs(2)	252,522	16	(50,968)	201,570
Other Securities	5,000	3	-	5,003
Total RJ Bank Available for Sale Securities	475,038	578	(51,164)	424,452
Other Securities	3	6	-	9
Total Available for Sale Securities	$475,041	$584	$(51,164)	$424,461

(1) As of December 31, 2010, the non-credit portion of other-than-temporary impairment (“OTTI”) recorded in accumulated other comprehensive income (“AOCI”) was $33.2 million (before taxes).

(2) As of September 30, 2010, the non-credit portion of OTTI recorded in AOCI was $36.1 million (before taxes).

See Note 3 for additional information regarding the fair value of available for sale securities.

Since RJ Bank's available for sale securities are backed by mortgages, actual maturities will differ from contractual maturities because borrowers may have the right to prepay obligations without prepayment penalties. The contractual maturities, amortized cost, carrying values and current yields for RJ Bank's available for sale securities at December 31, 2010 are as follows:

	December 31, 2010				
	Within One Year	After One But Within Five Years	After Five But Within Ten Years	After Ten Years	Total
	($ in 000's)				
Agency MBS & CMOs:					
Amortized cost	$-	$-	$70,205	$126,376	$196,581
Carrying value	-	-	70,526	126,807	197,333
Weighted-average yield	-	-	0.52 %	0.64 %	0.59 %
Non-Agency CMOs:					
Amortized cost	$-	$-	$-	$226,420	$226,420
Carrying value	-	-	-	182,819	182,819
Weighted-average yield	-	-	-	5.15 %	5.15 %
Other Securities:					
Amortized cost	$5,000	$-	$-	$-	$5,000
Carrying value	5,001	-	-	-	5,001
Weighted-average yield	0.36 %	-	-	-	0.36 %
Total Available for Sale Securities:					
Amortized cost	$5,000	$-	$70,205	$352,796	$428,001
Carrying value	5,001	-	70,526	309,626	385,153
Weighted-average yield	0.36 %	-	0.52 %	3.30 %	2.76 %

Unrealized Losses

For a further discussion of our Available for Sale Securities' accounting policies, including the fair value determination process, see Note 1 pages 82-83 in our 2010 Form 10-K.

RJ Bank's investments' gross unrealized losses and fair value, aggregated by investment category and length of time the individual securities have been in a continuous unrealized loss position, at December 31, 2010 and September 30, 2010 are as follows:

	December 31, 2010					
	Less than 12 Months		12 Months or More		Total	
	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses
	(in 000's)					

Agency MBS and CMOs	$15,650	$(39)	$20,380	$(63)	$36,030	$(102)
Non-Agency CMOs	-	-	181,053	(43,637)	181,053	(43,637)
Total Impaired Securities	$15,650	$(39)	$201,433	$(43,700)	$217,083	$(43,739)

	September 30, 2010					
	Less than 12 Months		12 Months or More		Total	
	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses
	(in 000's)					
Agency MBS and CMOs	$45,026	$(117)	$58,425	$(79)	$103,451	$(196)
Non-Agency CMOs	-	-	199,877	(50,968)	199,877	(50,968)
Total Impaired Securities	$45,026	$(117)	$258,302	$(51,047)	$303,328	$(51,164)

The reference point for determining when securities are in a loss position is the reporting period end. As such, it is possible that a security had a fair value that exceeded its amortized cost on other days during the period.

Agency MBS and CMOs

The Federal National Mortgage Association ("FNMA") or Federal Home Loan Mortgage Corporation ("FHLMC"), both of which were placed under the conservatorship of the U.S. Government on September 7, 2008, as well as the Government National Mortgage Association ("GNMA"), guarantee the contractual cash flows of the agency MBS. At December 31, 2010, of the 28 U.S. government-sponsored enterprise MBS in an unrealized loss position, 12 were in a continuous unrealized loss position for less than 12 months and 16 for 12 months or more. We do not consider these securities other-than-temporarily impaired due to the guarantee provided by FNMA, FHLMC, and GNMA as to the full payment of principal and interest, and the fact that we have the ability and intent to hold these securities to maturity.

Non-Agency CMOs

As of December 31, 2010 and including subsequent ratings changes, $13.3 million of the non-agency CMOs were rated AAA by two rating agencies, and $169.5 million were rated less than AAA by at least one rating agency. At December 31, 2010, all but two of the 26 non-agency CMOs were in a continuous unrealized loss position for 12 months or more. The remaining non-agency CMOs were in an unrealized gain position at December 31, 2010. All of the non-agency securities carry various amounts of credit enhancement, and none are collateralized with subprime loans. These securities were purchased based on the underlying loan characteristics such as loan-to-value ("LTV") ratio, credit scores, property type, location and level of credit enhancement. Current characteristics of each security owned such as delinquency and foreclosure levels, credit enhancement, projected losses and coverage are reviewed monthly by management. Only those non-agency CMOs whose amortized cost basis we do not expect to recover in full are considered to be other-than-temporarily impaired as we have the ability and intent to hold these securities to maturity. The unrealized losses at December 31, 2010 were primarily due to the continued illiquidity and uncertainty in the markets.

Based on the expected cash flows derived from the model utilized in our analysis, we expect to recover all unrealized losses not already recorded in earnings on our non-agency CMOs. However, it is possible that the underlying loan collateral of these securities will perform worse than current expectations, which may lead to adverse changes in the cash flows expected to be collected on these securities and potential future OTTI losses.

The significant assumptions used in the cash flow analysis of non-agency CMOs as of December 31, 2010 are as follows:

	December 31, 2010	
	Range	Weighted Average(1)
Default Rate	3.9% - 31.0%	15.7%
Loss Severity	12.9% - 58.2%	38.7%
Prepayment Rate	1.8% - 40.5%	13.7%

(1) Represents the expected activity for the next twelve months.

Other-Than-Temporarily Impaired Securities

Although there is no intent to sell our non-agency CMOs and it is not more likely than not that we will be required to sell these securities, we do not expect to recover the entire amortized cost basis of certain securities within this portfolio.

Changes in the amount related to credit losses recognized in earnings on available for sale securities are as follows:

	Three Months Ended December 31,	
	2010	2009
	(in 000's)	
Amount related to credit losses on securities we held at the beginning of the period	$18,816	$17,762
Additions to the amount related to credit loss for which an OTTI was not previously recognized	-	1,556
Additional increases to the amount related to credit loss for which an OTTI was previously recognized	2,179	1,443
Decreases to the amount related to credit losses for worthless securities	-	(3,331)
Amount related to credit losses on securities we held at the end of the period	$20,995	$17,430

The current period credit losses were primarily due to high loss severities on individual loan collateral of certain securities and the expected continuation of high default levels and collateral losses throughout 2011 and into 2012.

NOTE 6 – BANK LOANS, NET:

Bank client receivables are comprised of loans originated or purchased by RJ Bank and include commercial and residential real estate loans, as well as commercial and consumer loans. These receivables are collateralized by first or second mortgages on residential or other real property, by other assets of the borrower, or are unsecured.

During the current quarter end, RJ Bank reclassified balances within the categories of its loan portfolio to more closely align these balances with its assignment of credit risk utilized within the allowance for loan losses evaluation. As a result, the prior period bank loan disclosures presented in this Form 10-Q differ from what was previously reported.

For a discussion of our accounting policies regarding bank loans, including the policies regarding the allowance for loan losses, nonaccrual and impaired loans, charge-offs and other real estate owned, see Note 1 pages 85 - 87 in our 2010 Form 10-K.

The FASB issued new accounting guidance, effective for us as of December 31, 2010, requiring certain additional disclosures regarding the allowance for loan losses and credit quality of our financing receivables. The following information supplements the accounting policy information included in our 2010 Form 10-K, referred to above. The allowance for loan losses provides for probable losses incurred in RJ Bank's loan portfolio. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance. This allowance for loan loss is comprised of two components: allowances calculated based on formulas for homogenous classes of loans and allowances assigned to certain classified loans individually evaluated for impairment. The calculation of the allowance is an inherently subjective process impacted by many factors.

We segregate our loan portfolio into five loan portfolio segments: commercial, commercial real estate (“CRE”), CRE construction, residential mortgage and consumer. These portfolio segments also serve as the portfolio loan classes for purposes of credit analysis, except for residential mortgage loans which are further disaggregated into residential first mortgage and residential home equity classes. Each loan is assigned a grade and then an allowance percentage is assigned to each loan grade based upon the perceived risk associated with the class and grade. Commercial, CRE and CRE construction loans are assigned to one of several loan grades based upon the respective loan’s credit characteristics.

Factors taken into consideration when assigning loan grades and allowance percentage to commercial, CRE and CRE construction loan classes include estimates of borrower default probabilities and collateral values; trends in delinquencies; volume and terms; changes in geographic distribution, updated LTV ratios, lending policies, local, regional, and national economic conditions; concentrations of credit risk; past loss history, Shared National Credit ("SNC") reviews and examination results from regulatory agencies. Loan grades for individual commercial, CRE, and CRE construction loans are derived from analyzing two aspects of the risk factors in a particular loan, the obligor rating and the facility rating. The obligor rating relates to a borrower's probability of defaulting and the facility rating measures the anticipated loss in the event of default. These two ratings are considered in combination to derive the final commercial, CRE and CRE construction loan grades. For residential first mortgage, residential home equity and consumer loan classes, factors considered when assigning loan grades and allowance percentage include loan performance trends, loan product parameters and qualification requirements, credit scores, updated LTV ratios, occupancy (i.e. owner occupied, second home or investment property), documentation level, loan purpose, geographic concentrations, average loan size and loan policy exceptions.

The following table presents the balances for both the held for sale and held for investment loan portfolios as well as the associated percentage of each major loan category in RJ Bank's loan portfolios:

	December 31, 2010			September 30, 2010		
	Balance	%		Balance	%	
	($ in 000's)					
Loans Held for Sale, Net(1)	$9,221	-		$6,114	-	
Loans Held for Investment, Net:(1)						
Commercial Loans	3,401,422	54	%	3,232,723	52	%
CRE Construction Loans	58,028	1	%	65,512	1	%
CRE Loans	878,259	14	%	937,669	15	%
Residential Mortgage Loans	1,941,036	31	%	2,015,331	32	%
Consumer Loans	6,495	-		23,940	-	
Total loans held for investment	6,285,240			6,275,175		
Net Unearned Income and Deferred Expenses	(44,304)			(39,276)		
Total Loans Held for Investment, Net	6,240,936			6,235,899		
Total Loans Held for Sale and Investment	6,250,157	100	%	6,242,013	100	%
Allowance for Loan Losses	(146,024)			(147,084)		
Bank Loans, Net	$6,104,133			$6,094,929		

(1) Net of unearned income and deferred expenses, which includes purchase premiums, purchase discounts, and net deferred origination fees and costs.

At December 31, 2010, the FHLB has a blanket lien on RJ Bank's residential mortgage loan portfolio, as security for the repayment of certain borrowings from the FHLB.

RJ Bank's net gain from the sale of loans held for sale was $259,000 and $112,000, which was recorded in Other Revenues on our Condensed Consolidated Statements of Income, for the three month periods ended December 31, 2010 and 2009, respectively.

The following table shows the contractual maturities of RJ Bank's loan portfolio at December 31, 2010, including contractual principal repayments. This table does not, however, include any estimates of prepayments. These prepayments could shorten the average loan lives and cause the actual timing of the loan repayments to differ significantly from those shown in the following table:

	Due in			
	One Year or Less	> One Year – Five Years	> Five Years	Total(1)
	(in 000's)			
Loans Held for Sale	$-	$-	$8,871	$8,871
Loans Held for Investment				
Commercial Loans	69,536	2,487,294	844,592	3,401,422
CRE Construction Loans	27,493	30,535	-	58,028
CRE Loans	356,518	460,502	61,239	878,259
Residential Mortgage Loans	1,109	12,651	1,927,276	1,941,036
Consumer Loans	6,470	-	25	6,495
Total Loans Held for Investment	461,126	2,990,982	2,833,132	6,285,240
Total Loans	$461,126	$2,990,982	$2,842,003	$6,294,111

(1) Excludes any net unearned income and deferred expenses.

The following table presents the comparative data for nonperforming loans held for investment and total nonperforming assets:

	December 31, 2010	September 30, 2010
	($ in 000's)	
Nonaccrual Loans:		
CRE Loans	$48,611	$67,071
Residential Mortgage Loans:		
First Mortgage Loans(1)	84,945	80,754
Home Equity Loans/Lines	72	71
Total Nonaccrual Loans	133,628	147,896
Accruing Loans Which are 90 Days Past Due:		
CRE Loans	-	830
Residential Mortgage Loans:		
First Mortgage Loans	2,859	5,098
Home Equity Loans/Lines	175	159
Total Accruing Loans Which are 90 Days Past Due	3,034	6,087
Total Nonperforming Loans	136,662	153,983
Real Estate Owned and Other Repossessed Assets, Net:		

CRE	11,956	19,486
Residential First Mortgage	8,817	8,439
Total	20,773	27,925
Total Nonperforming Assets, Net	$157,435	$181,908
Total Nonperforming Assets as a % of Total Loans, Net and Other Real Estate Owned, Net	2.57 %	2.97 %

(1) Of the total residential first mortgage nonaccrual loans, there are loans totaling $74.2 million and $68.7 million as of December 31, 2010 and September 30, 2010, respectively, for which a charge-off had previously been recorded.

The table of nonperforming assets above excludes $8.7 million and $8.2 million of residential troubled debt restructurings, which were performing in accordance with the restructured terms as of December 31, 2010 and September 30, 2010, respectively.

As of December 31, 2010 and September 30, 2010 RJ Bank had commitments to lend an additional $540,000 and $623,000, respectively, on one nonperforming CRE loan, which was classified as a troubled debt restructuring.

The gross interest income related to the nonperforming loans reflected in the previous table, which would have been recorded had these loans been current in accordance with their original terms, totaled $1.8 million and $3.5 million for the three months ended December 31, 2010 and 2009, respectively. The interest income recognized on nonperforming loans was $324,000 and $107,000 for the three months ended December 31, 2010 and 2009, respectively.

The following table presents an analysis of the payment status of loans held for investment as of December 31, 2010:

	30- 59 Days	60-89 Days	90 Days or More	Total Past Due	Current	Total Loans Held for Investment(1)
			($ in 000's)			
Commercial Loans(2)	$-	$107	$-	$107	$3,366,764	$ 3,366,871
CRE Construction Loans	-	-	-	-	57,658	57,658
CRE Loans	27	19,885	347	20,259	850,389	870,648
Residential Mortgage Loans:						
First Mortgage Loans	11,798	6,764	68,079	86,641	1,818,519	1,905,160
Home Equity Loans/Lines	42	88	247	377	33,726	34,103
Consumer Loans	-	-	-	-	6,496	6,496
Total Loans Held for Investment	$11,867	$26,844	$68,673	$107,384	$6,133,552	$ 6,240,936

(1) Net of unearned income and deferred expenses.

(2) Past due recorded investments reflected in this loan class are government-guaranteed loans.

The following table provides a summary of RJ Bank's impaired loans as of December 31, 2010 and September 30, 2010:

	December 31, 2010			September 30, 2010		
	Gross Recorded Investment	Unpaid Principal Balance	Allowance For Losses	Gross Recorded Investment	Unpaid Principal Balance	Allowance For Losses
			(in 000's)			
Impaired Loans with Allowance for Loan Losses:(1)						

CRE Loans	$43,230	$55,636	$17,228	$60,598	$85,652	$8,469
Residential Mortgage Loans:						
First Mortgage Loans	13,392	14,491	2,802	12,434	13,659	2,782
Home Equity Loans/Lines	144	144	28	144	144	30
Total	56,766	70,271	20,058	73,176	99,455	11,281
Impaired Loans without Allowance for Loan Losses:(2)						
CRE Loans	$5,381	$12,867	$-	$6,473	$17,309	$-
Residential - First Mortgage Loans	4,484	6,866	-	3,552	5,355	-
Total	9,865	19,733	-	10,025	22,664	-
Total Impaired Loans	$66,631	$90,004	$20,058	$83,201	$122,119	$11,281

(1) Impaired loan balances have had reserves established based upon management’s analysis.

(2) When the discounted cash flow, collateral value or market value equals or exceeds the carrying value of the loan, then the loan does not require an allowance. These are generally loans in process of foreclosure that have already been adjusted to fair value.

The average balance of the impaired loans and the related interest income recognized in the Condensed Consolidated Statements of Income for the three months ended December 31, 2010 and 2009 were as follows:

	Three Months Ended December 31,	
	2010	2009
	(in 000's)	
Average Impaired Loan Balance:		
CRE Loans	$47,075	$60,548
Residential Mortgage Loans:		
First Mortgage Loans	17,075	3,518
Home Equity Loans/Lines	144	128
Total	$64,294	$64,194
Interest Income Recognized:		
CRE Loans	$-	$-
Residential Mortgage Loans:		
First Mortgage Loans	63	27
Home Equity Loans/Lines	1	1
Total	$64	$28

The credit quality of RJ Bank's loan portfolio is summarized monthly using the standard asset classification system utilized by the Office of Thrift Supervision ("OTS") and the other federal banking agencies. These classifications are divided into three groups. Not Classified (Pass), Special Mention and Classified or Adverse Rating (Substandard, Doubtful and Loss) and are defined as follows:

Pass – Loans which are well protected by the current net worth and paying capacity of the obligor (or guarantors, if any) or by the fair value, less costs to acquire and sell, of any underlying collateral in a timely manner.

Special Mention – Loans which have potential weaknesses that deserve management's close attention. These loans are not adversely classified and do not expose RJ Bank to sufficient risk to warrant an adverse classification.

Substandard – Loans which are inadequately protected by the current sound worth and paying capacity of the obligor or by the collateral pledged, if any. Loans with this classification are characterized by the distinct possibility that RJ Bank will sustain some loss if the deficiencies are not corrected.

Doubtful – Loans which have all the weaknesses inherent in loans classified as substandard with the added characteristic that the weaknesses make collection or liquidation in full highly questionable and improbable on the basis of currently known facts, conditions and values.

Loss – Loans which are considered by management to be uncollectible and of such little value that its continuance on RJ Bank's books as an asset, without establishment of a specific valuation allowance or charge-off is not warranted. RJ Bank would not have any loan balances within this classification as in accordance with its accounting policy, loans or a portion thereof considered to be uncollectible are charged-off prior to the assignment of this classification.

RJ Bank's credit quality of its loan portfolio as of December 31, 2010 is presented in the following table:

				Residential Mortgage			
	Commercial	CRE Construction	CRE	First Mortgage	Home Equity	Consumer	Total
				(in 000's)			
Pass	$3,282,712	$ 39,185	$688,774	$1,783,740	$33,288	$6,495	$5,834,194
Special Mention	50,173	18,843	78,164	31,416	182	-	178,778
Substandard	68,537	-	100,201	92,075	335	-	261,148
Doubtful		-	11,120	-	-	-	11,120
Total	$3,401,422	$ 58,028	$878,259	$1,907,231	$33,805	$6,495	$6,285,240

The assignment of RJ Bank's loan portfolio to the loan classification above was made using the most recently available information described in our allowance for loan losses accounting policy presented on pages 86-87 of our 2010 Form 10-K.

Changes in the allowance for loan losses of RJ Bank were as follows:

	Three Months Ended December 31,	
	2010	2009
	($ in 000's)	
Allowance for Loan Losses, Beginning of Period	$ 147,084	$ 150,272
Provision For Loan Losses	11,232	22,835
Charge-Offs:		
CRE Loans	(6,449)	(16,601)
Residential Mortgage Loans	(6,315)	(9,531)
Total Charge-Offs	(12,764)	(26,132)
Recoveries:		
CRE Loans	100	2,004
Residential Mortgage Loans	372	185
Total Recoveries	472	2,189
Net Charge-Offs	(12,292)	(23,943)
Allowance for Loan Losses, End of Period	$ 146,024	$ 149,164
Net Charge-Offs to Average Bank Loans, Net Outstanding (annualized)	0.80 %	0.37 %

The following tables allocate, by loan portfolio segment, RJ Bank's recorded investment and related allowance for loan losses as of December 31, 2010 and September 30, 2010:

		Loans Held for Investment					
	Loans Held for Sale	Commercial	CRE Construction	CRE	Residential Mortgage	Consumer	Total
				($ in 000's)			
December 31, 2010:							
Allowance for Loan Losses:							
Individually Evaluated for Impairment	$ -	$ -	$ -	$ 17,228	$ 2,830	$ -	$ 20,058
Collectively Evaluated for Impairment	48	59,978	2,672	31,378	31,868	22	125,966
Total Allowance	$ 48	$ 59,978	$ 2,672	$ 48,606	$ 34,698	$ 22	$ 146,024

for Loan Losses							
Loan Category as a % of Total Recorded Investment	-	54 %	1 %	14 %	31 %	-	100 %
Recorded Investment: (1)							
Individually Evaluated for Impairment	$ -	$ -	$ -	$ 48,611	$ 18,020	$ -	$ 66,631
Collectively Evaluated for Impairment	8,871	3,401,422	58,028	829,648	1,923,016	6,495	6,227,480
Total Recorded Investment	$ 8,871	$ 3,401,422	$ 58,028	$ 878,259	$ 1,941,036	$ 6,495	$ 6,294,111

(1) Excludes any net unearned income and deferred expenses.

	Loans Held for Sale	Loans Held for Investment					
		Commercial	CRE Construction	CRE	Residential Mortgage	Consumer	Total
				($ in 000's)			
September 30, 2010:							
Allowance for Loan Losses:							
Individually Evaluated for Impairment	$-	$-	$ -	$8,469	$2,812	$-	$11,281
Collectively Evaluated for Impairment	23	60,464	4,473	39,302	31,485	56	135,803
Total Allowance for Loan Losses	$23	$60,464	$ 4,473	$47,771	$34,297	$56	$147,084
Loan Category as a % of Total Recorded Investment	-	52 %	1 %	15 %	32 %	-	100 %
Recorded Investment: (1)							
Individually Evaluated for Impairment	$-	$-	$ -	$67,071	$16,130	$-	$83,201
Collectively Evaluated for Impairment	5,847	3,232,723	65,512	870,598	1,999,201	23,940	6,197,821
Total Recorded Investment	$5,847	$3,232,723	$ 65,512	$937,669	$2,015,331	$23,940	$6,281,022

(1) Excludes any net unearned income and deferred expenses.

RJ Bank had no recorded investment in loans acquired with deteriorated credit quality as of December 31, 2010 and September 30, 2010.

The reserve for unfunded lending commitments, included in Trade and Other Payables on our Condensed Consolidated Statements of Financial Condition, was $11.4 million and $11.9 million at December 31, 2010 and September 30, 2010, respectively.

RJ Bank's net interest income after provision for loan losses for the three months ended December 31, 2010 and 2009 was $63.1 million and $42.8 million, respectively.

NOTE 7 - VARIABLE INTEREST ENTITIES:

A VIE requires consolidation by the entity's primary beneficiary. Refer to Note 1 page 88 and Note 9 pages 105 - 109 in our 2010 Form 10-K for a description of our principal involvement with VIEs.

On October 1, 2010, we adopted new accounting guidance which amended the existing pronouncement regarding the consolidation of VIEs. This new guidance contains new criteria for determining the primary beneficiary of a VIE and increases the frequency of required reassessments to determine whether an entity is the primary beneficiary of a VIE. Under this new guidance, we assess VIEs for consolidation when we hold variable interests in the entity. We consolidate VIEs when we are deemed to be the primary beneficiary. The primary beneficiary is determined to be the party that meets both of the following criteria: (1) has the power to make decisions that most significantly affect the economic performance of the VIE and (2) has the obligations to absorb losses or the right to receive benefits that in either case could potentially be significant to the VIE.

We hold variable interests in the following VIE's: Raymond James Employee Investment Funds I and II (the "EIF Funds"), a trust fund established for employee retention purposes ("Restricted Stock Trust Fund"), certain LIHTC fund entities in which Raymond James Tax Credit Funds, Inc. ("RJTCF") holds an interest ("LIHTC Funds"), and various other partnerships and limited liability companies ("LLCs") involving real estate ("Other Real Estate Limited Partnerships and LLCs").

On October 1, 2010, as a result of the application of the new accounting guidance, we:

(1) Deconsolidated two LIHTC funds in which we were deemed to be the primary beneficiary under the previous accounting guidance. These two entities had consolidated assets of approximately $3.5 million and no consolidated liabilities. Within Equity (as presented on the Condensed Consolidated Statement of Financial Condition), their deconsolidation resulted in an after-tax cumulative effect adjustment to retained earnings and noncontrolling interests of $3.3 million and $6.8 million, respectively.

(2) Consolidated two LIHTC funds in which we are deemed to be the primary beneficiary under the new accounting guidance as of October 1, 2010. These two entities had consolidated assets of $56.8 million, consolidated liabilities of $42.1 million, and since we hold less than a 1% interest in these entities, the equity impact of their consolidation was a $14.7 million increase in noncontrolling interests.

VIEs where we are the Primary Beneficiary

Of the VIEs in which we hold an interest, we have determined that the EIF Funds, the Restricted Stock Trust Fund and certain of RJTCF's LIHTC Fund entities require consolidation in our financial statements as we are deemed the primary beneficiary of those VIEs. The aggregate assets and liabilities of the entities we consolidate are provided in the table below.

	Aggregate Assets(1)	Aggregate Liabilities(1)
	(in 000's)	
December 31, 2010:		
LIHTC Funds	$270,488	$ 126,986
Guaranteed LIHTC Fund	78,575	3,655
Restricted Stock Trust Fund	12,331	8,123
EIF Funds	17,623	-
Total	$379,017	$ 138,764
September 30, 2010:		
LIHTC Funds	$234,742	$ 94,028
Guaranteed LIHTC Fund	75,449	2,382
Restricted Stock Trust Fund	7,969	4,429
EIF Funds	18,215	-
Total	$336,375	$ 100,839

(1) Aggregate assets and aggregate liabilities differ from the consolidated carrying value of assets and liabilities due to elimination of intercompany assets and liabilities held by the consolidated VIE.

The following table presents information about the carrying value of the assets, liabilities and equity of the VIEs which we consolidate and are included within our Condensed Consolidated Statements of Financial Condition. The noncontrolling interests presented in this table represent the portion of these net assets which are not ours:

	December 31, 2010	September 30, 2010
	(in 000's)	
Assets:		
Assets Segregated Pursuant to Regulations and Other Segregated Assets	$17,704	$14,188
Receivables, Other	7,383	6,104
Investments in Real Estate Partnerships – Held by VIEs	328,927	280,890
Trust Fund Investment in RJF Common Stock(1)	12,331	7,798
Prepaid Expenses and Other Assets	17,622	19,398
Total Assets	$383,967	$328,378
Liabilities And Equity:		
Loans Payable Related to Investments by VIEs in Real Estate Partnerships(2)	$107,437	$76,464
Trade and Other Payables	4,160	2,722
Intercompany Payables	17,660	16,930
Total Liabilities	129,257	96,116
RJF Equity	6,589	5,205
Noncontrolling Interests	248,121	227,057
Total Equity	254,710	232,262
Total Liabilities and Equity	$383,967	$328,378

(1) Included in treasury stock in our Condensed Consolidated Statements of Financial Condition.

(2) Comprised of several non-recourse loans. We are not contingently liable under any of these loans.

The following table presents information about the net loss of the VIEs which we consolidate and are included within our Condensed Consolidated Statements of Income. The noncontrolling interests presented in this table represent the portion of the net loss from these VIEs which are not ours:

	Three Months Ended December 31, 2010	Three Months Ended December 31, 2009
	(in 000's)	
Revenues:		
Interest	$-	$6
Other	(69)	1,043
Total Revenues	(69)	1,049
Interest Expense	1,555	1,113
Net Expense	(1,624)	(64)

Non-Interest Expenses	3,671	3,693
Net Loss Including Noncontrolling Interests	(5,295)	(3,757)
Net Loss Attributable to Noncontrolling Interests	(5,003)	(2,853)
Net Loss Attributable to RJF	$(292)	$(904)

EIF Funds

The EIF Funds are limited partnerships for which we are the general partner. The EIF Funds invest in certain of our private equity activities as well as other unaffiliated venture capital limited partnerships. The EIF Funds were established as compensation and retention measures for certain of our key employees. We are deemed to be the primary beneficiary, and accordingly, we consolidate the EIF Funds.

Restricted Stock Trust Fund

We utilize a trust in connection with one of our restricted stock plans. This trust fund was established and funded for the purpose of acquiring our common stock in the open market to be used to settle restricted stock units granted as a retention vehicle for certain employees of our Canadian subsidiary. Given this trust fund's purpose and design, our Canadian subsidiary is deemed to be the entity most closely associated with this VIE. As a result, we are deemed to be the primary beneficiary, and accordingly, consolidate this trust fund.

Low-Income Housing Partnerships

RJTCF is a wholly-owned subsidiary of RJF and is the managing member or general partner in approximately 64 separate tax credit housing funds having one or more investor members or limited partners. These tax credit housing funds are organized as LLCs or limited partnerships for the purpose of investing in a number of project partnerships, which are limited partnerships that in turn purchase and develop low-income housing properties qualifying for tax credits.

Our determination of the primary beneficiary of each tax credit fund in which we have a variable interest requires judgment and is based on an analysis of all relevant facts and circumstances, including: (1) an assessment of the characteristics of our variable interest and other involvements we have with the tax credit fund, including involvement of related parties and any de-facto agents, as well as the involvement of other variable interest holders, namely, limited partners or investor members, and (2) the tax credit funds' purpose and design, including the risks that the tax credit fund was designed to create and pass through to its variable interest holders. In the design of tax credit fund VIEs, the overriding premise is that the investor members invest solely for tax attributes associated with the portfolio of low-income housing properties held by the fund, while RJTCF as the managing member or general partner of the fund is responsible for overseeing the fund's operations.

Non-Guaranteed Low-Income Housing Tax Credit Funds

As the managing member or general partner of the fund, except for the one guaranteed fund discussed below, RJTCF does not provide guarantees related to the delivery or funding of tax credits or other tax attributes to the investor members or limited partners of these tax credit funds. The investor member(s) or limited partner(s) of the VIEs bear the risk of loss on their investment. Additionally, under the tax credit funds' designed structure, the investor member(s) or limited partner(s) receive nearly all of the tax credits and tax-deductible loss benefits designed to be delivered by the fund entity, as well as a majority of any proceeds upon a sale of a project partnership held by a tax credit fund (fund level residuals).   RJTCF earns fees from the fund for its services in organizing the fund, identifying and acquiring the project partnership investments, on-going asset management fees, and a share of any residuals arising from sale of project partnerships upon the termination of the fund.

We have concluded that the determination of whether RJTCF is the primary beneficiary of any of the 63 non-guaranteed LIHTC credit funds in which it holds a variable interest is primarily dependent upon: (1) the analysis of whether the other variable interest holders in the tax credit fund hold significant participating rights over the activities that most significantly impact the tax credit funds' economic performance, and/or (2) whether RJTCF has an obligation to absorb losses of, or the right to receive benefits from, the tax credit fund VIE which could potentially be significant to the fund.

RJTCF sponsors two general types of non-guaranteed tax credit funds, either non-guaranteed single investor funds, of which there are 48, or non-guaranteed multi-investor funds, of which there are 15. In single investor funds, RJTCF has concluded that the one single investor member or limited partner in such funds has significant participating rights

over the activities that most significantly impact the economics of the fund and therefore RJTCF, as managing member or general partner of such funds, does not have the power over such activities. Accordingly, RJTCF is not deemed to be the primary beneficiary of such single investor funds and these funds are not consolidated.

In multi-investor funds, RJTCF has concluded that since the participating rights over the activities that most significantly impact the economics of the fund are not held by one single investor, RJTCF is deemed to have the power over such activities. RJTCF then assesses whether its' projected benefits to be received from the multi-investor funds, primarily from on-going asset management fees or its share of any residuals upon the termination of the fund, are potentially significant to the fund. RJTCF is deemed to be the primary beneficiary of any multi-investor fund for which it concludes that such benefits are potentially significant to the fund. RJTCF has concluded that it is the primary beneficiary of 11 of the 15 non-guaranteed multi-investor tax credit funds it has sponsored, and accordingly, consolidates these funds.

Guaranteed Low-Income Housing Tax Credit Fund

In conjunction with one of the multi-investor tax credit funds in which RJTCF is the managing member, RJTCF provided the investor members with a guaranteed return on their investment in the fund (the "Guaranteed LIHTC Fund"). As a result of this guarantee obligation, we have determined that we are the primary beneficiary of, and accordingly we consolidate, this guaranteed multi-investor fund. See Note 12 for further discussion of the guarantee obligation.

VIEs where we hold a variable interest but we are not the Primary Beneficiary

The aggregate assets, liabilities, and our exposure to loss from those VIEs in which we hold a variable interest, but concluded we are not the primary beneficiary, are provided in the table below.

	December 31, 2010			September 30, 2010		
	Aggregate Assets	Aggregate Liabilities	Our Risk Of Loss	Aggregate Assets	Aggregate Liabilities	Our Risk Of Loss
	(in 000's)					
LIHTC Funds	$1,329,885	$314,649	$10,917	$1,303,500	$302,749	$10,691
Other Real Estate Limited Partnerships and LLCs	39,322	38,699	8,042	51,166	38,699	20,246
Total	$1,369,207	$353,348	$18,959	$1,354,666	$341,448	$30,937

Low-Income Housing Partnerships

RJTCF does not consolidate the LIHTC fund VIEs which it determines we are not the primary beneficiary. Our risk of loss is limited to our investments in, advances to, and receivables due from these funds.

Other Real Estate Limited Partnerships and LLCs

As of December 31, 2010, we have a variable interest in several limited partnerships involved in various real estate activities in which one of our subsidiaries is the general partner. In addition, RJ Bank has a variable interest in several LLCs involved in foreclosure or obtaining deeds in lieu of foreclosure, as well as the disposal of the collateral associated with impaired syndicated loans. Given that we do not have the power to direct the activities that most significantly impact the economic performance of these partnerships or LLCs, we have determined that we are not the primary beneficiary of these VIEs. Accordingly, we do not consolidate these partnerships or LLCs. The carrying value of our investment in these partnerships or LLCs represents our risk of loss.

Entities evaluated but determined not to be VIEs

RJTCF has determined that five of the LIHTC Funds it sponsored are not VIEs. These funds are either: (1) held 99% by RJTCF (one of which typically holds interests in certain tax credit limited partnerships for less than 90 days, or until beneficial interest in the limited partnership or fund is sold to third-parties), or (2) are single investor LIHTC Funds in which RJTCF holds a variable interest, but the LIHTC Fund does not meet the VIE determination criteria.

See Note 12 for discussion of our commitments related to RJTCF.

NOTE 8 - BANK DEPOSITS:

Bank deposits include Negotiable Order of Withdrawal (“NOW”) accounts, demand deposits, savings and money market accounts and certificates of deposit. The following table presents a summary of bank deposits including the weighted-average rate at December 31, 2010 and September 30, 2010:

	December 31, 2010			September 30, 2010		
	Balance	Weighted-Average Rate(1)		Balance	Weighted-Average Rate(1)	
	($ in 000's)					
Bank Deposits:						
NOW Accounts	$4,643	0.01	%	$3,563	0.01	%
Demand Deposits (Non-Interest Bearing)	1,819	-		3,089	-	
Savings and Money Market Accounts(2)	6,458,125	0.12	%	6,855,490	0.12	%
Certificates of Deposit	217,809	2.90	%	217,576	2.94	%
Total Bank Deposits	$6,682,396	0.21	%	$7,079,718	0.21	%

(1) Weighted-average rate calculation is based on the actual deposit balances at December 31, 2010 and September 30, 2010, respectively.

(2) Bank deposits at September 30, 2010 included additional deposits received through the Raymond James Bank Deposit Program (“RJBDP”) associated with the point-in-time regulatory balance sheet composition requirements of RJ Bank. These deposits were redirected in October, 2010 to other RJBDP participating banks. Bank deposits at September 30, 2010 also excluded affiliate deposits of approximately $400 million associated with the point-in-time regulatory requirements. On October 1, 2010, the deposits from affiliates were withdrawn. See Note 22 page 130 of our 2010 Form 10-K for discussion of the September 30, 2010 point-in-time regulatory requirements.

RJ Bank’s Savings and Money Market Accounts in the table above consist primarily of deposits that are cash balances swept from the investment accounts maintained at RJ&A. These balances are held in Federal Deposit Insurance Corporation (“FDIC”) insured bank accounts through the RJBDP administered by RJ&A.

Scheduled maturities of certificates of deposit at December 31, 2010 and September 30, 2010 were as follows:

	December 31, 2010		September 30, 2010	
	Denominations Greater than or Equal to $100,000	Denominations Less than $100,000	Denominations Greater than or Equal to $100,000	Denominations Less than $100,000
	(in 000's)			
Three Months or Less	$6,370	$ 11,494	$6,378	$ 10,734
Over Three Through Six Months	4,762	11,101	5,098	10,921
Over Six Through Twelve Months	13,646	21,062	14,982	26,387
Over One Through Two Years	9,470	15,137	6,925	15,905

Over Two Through Three Years	12,866	15,117	16,084	14,621
Over Three Through Four Years	15,596	19,636	9,064	14,349
Over Four Through Five Years	25,649	35,903	29,806	36,322
Total	$88,359	$ 129,450	$88,337	$ 129,239

Interest expense on deposits is summarized as follows:

	Three Months Ended December 31,	
	2010	2009
	(in 000's)	
Certificates of Deposit	$1,587	$1,658
Money Market, Savings and NOW Accounts	1,830	2,603
Total Interest Expense on Deposits	$3,417	$4,261

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NOTE 9 – OTHER BORROWINGS:

The following table details the components of Other Borrowings as of December 31, 2010 and September 30, 2010:

	December 31, 2010	September 30, 2010
	(in 000's)	
Short-Term Other Borrowings:		
FHLB Advances (1)	$30,000	$2,445,000
Borrowings on Secured Lines of Credit (2)	-	62,000
Borrowings on Unsecured Lines of Credit (3)	-	50,000
Total Other Borrowings	$30,000	$2,557,000

(1) These borrowings at December 31, 2010 are comprised of several short-term fixed-rate advances, which will mature by the end of February 2011. As of September 30, 2010 these borrowings consisted of several short-term fixed-rate advances and one $2.4 billion overnight advance to meet point-in-time regulatory balance sheet composition requirements related to RJ Bank qualifying as a thrift institution. The overnight advance was repaid on October 1, 2010. See Note 22 pages 129 - 130 of our 2010 Form 10-K for further discussion of the point-in-time requirement.

The FHLB advances are secured by a blanket lien on RJ Bank's residential loan portfolio.

(2) Borrowings on secured lines of credit are day-to-day and are generally utilized to finance certain fixed income securities.

(3) Borrowings on certain unsecured lines of credit are day-to-day and are generally utilized for cash management purposes.

We maintain three unsecured settlement lines of credit available to our Argentine joint venture in the aggregate amount of $13.5 million. Of the aggregate amount, one settlement line for $9 million is guaranteed by RJF. There were no borrowings outstanding on these lines of credit as of either December 31, 2010 or September 30, 2010.

As of December 31, 2010, there were other collateralized financings outstanding in the amount of $166.8 million. These other collateralized financings are included in Securities Sold Under Agreements to Repurchase on the Condensed Consolidated Statements of Financial Condition. As of September 30, 2010, in addition to the $62 million of secured borrowings and $50 million in unsecured borrowings described above, there were other collateralized financings outstanding in the amount of $233.3 million which are included in Securities Sold Under Agreements to Repurchase on the Condensed Consolidated Statements of Financial Condition. These financings are collateralized by non-customer, RJ&A-owned securities.

NOTE 10 – DERIVATIVE FINANCIAL INSTRUMENTS:

We enter into interest rate swaps and futures contracts either as part of our fixed income business to facilitate customer transactions, to hedge a portion of our trading inventory, or for our own account. The majority of our

derivative positions are executed in the over-the-counter market with financial institutions. These positions are recorded at fair value with the related gain or loss and interest recorded in earnings within the Condensed Consolidated Statements of Income. The revenue related to the interest rate contracts includes realized and unrealized gains and losses on derivative instruments. Cash flows related to these fixed income interest rate contracts are included as Operating Activities (the "Trading Instruments, Net" line) on the Condensed Consolidated Statements of Cash Flows for the period.

We elect to net-by-counterparty the fair value of interest rate swap contracts entered into by our Fixed Income Trading group. Certain of these contracts contain a legally enforceable master netting arrangement that allows for netting of all individual swap receivables and payables with each counterparty, and therefore, the fair value of those swap contracts are netted by counterparty in the Condensed Consolidated Statements of Financial Condition. The credit support annex allows parties to the master agreement to mitigate their credit risk by requiring the party which is out of the money to post collateral. As we elect to net-by-counterparty the fair value of interest rate swap contracts, we also net-by-counterparty any collateral exchanged as part of the swap agreement. This cash collateral is recorded net-by-counterparty at the related fair value. The cash collateral included in the net fair value of all open derivative asset positions aggregates to a net liability of $11.2 million and a net asset of $10.6 million at December 31, 2010 and September 30, 2010, respectively. The cash collateral included in the net fair value of all open derivative liability positions aggregates to a net asset of $4.7 million and a net liability of $1.8 million at December 31, 2010 and September 30, 2010, respectively. Our maximum loss exposure under these interest rate swap contracts at December 31, 2010 is $23.4 million.

To mitigate interest rate risk in a significantly rising rate environment, during the year ended September 30, 2008, RJ Bank purchased three-year term interest rate caps, whose notional value is $1.5 billion, with high strike rates (more than 300 basis points higher than rates in effect as of their date of purchase). These interest rate caps will increase in value if interest rates rise and will entitle RJ Bank to cash flows if interest rates rise above strike rates. In addition, RJ Bank, in the ordinary course of business, enters into commitments to originate fixed-rate mortgage loans held for sale as well as to purchase and sell Small Business Administration ("SBA") loans. These derivative instruments are recorded at fair value with any changes in fair value recorded in earnings within the Condensed Consolidated Statements of Income for the period. Cash flows related to these derivative instruments are included in Operating Activities on the Condensed Consolidated Statements of Cash Flows. Our maximum loss exposure under these derivative instruments is insignificant to the condensed consolidated financial statements at December 31, 2010.

None of our derivatives are designated as fair value or cash flow hedges.

See the table below for the notional and fair value amounts of both the asset and liability derivatives at December 31, 2010 and September 30, 2010:

	Asset Derivatives					
	December 31, 2010			September 30, 2010		
	Balance Sheet Location	Notional Amount	Fair Value(1)	Balance Sheet Location	Notional Amount	Fair Value(1)
			(in 000's)			
Derivatives Not Designated As Hedging Instruments:						
Interest rate contracts:	Trading Instruments	$1,766,247	$86,275	Trading Instruments	$1,130,767	$102,490
	Other Assets	1,500,000	-	Other Assets	1,500,000	-

(1) The fair value in this table is presented on a gross basis before netting of cash collateral and by counterparty according to our legally enforceable master netting arrangements. The fair value in the Condensed Consolidated Statements of Financial Condition is presented net.

	Liabilities Derivatives					
	December 31, 2010			September 30, 2010		
	Balance Sheet Location	Notional Amount	Fair Value(1)	Balance Sheet Location	Notional Amount	Fair Value(1)
			(in 000's)			
Derivatives Not Designated As Hedging Instruments:						
Interest rate contracts:	Trading Instruments Sold	$1,559,297	$64,157	Trading Instruments Sold	$1,172,927	$86,039
Loan commitments:	Trade and Other Payables	11,889	3	Trade and Other Payables	15,523	105

(1) The fair value in this table is presented on a gross basis before netting of cash collateral and by counterparty according to our legally enforceable master netting arrangements. The fair value in the Condensed Consolidated Statements of Financial Condition is presented net.

See the table below for the impact of the derivatives not designated as hedging instruments on the Condensed Consolidated Statements of Income for the three months ended December 31, 2010 and 2009, respectively:

	Location of Gain (Loss) recognized on Derivatives in the Condensed Consolidated Statements of Income	Amount of Gain (Loss) on Derivatives recognized in Income Three Months Ended December 31, 2010	2009
		(in 000's)	
Derivatives Not Designated As Hedging Instruments:			
Interest rate contracts:	Net Trading Profits	$2,514	$1,853
	Other Revenues	-	(106)
Forward sale contracts:	Other Revenues	-	(339)
Loan commitments:	Other Expenses	103	38

We are exposed to credit losses in the event of nonperformance by the counterparties to our interest rate derivative agreements. We perform a credit evaluation of counterparties prior to entering into derivative transactions and we monitor their credit standings. Currently, we anticipate that all of the counterparties will be able to fully satisfy their obligations under those agreements. We may require collateral in the form of cash deposits from counterparties to support these obligations as established by the credit threshold specified by the agreement and/or as a result of monitoring the credit standing of the counterparties. We are also exposed to interest rate risk related to our interest rate derivative agreements. For the derivatives included in trading instruments and trading instruments sold on our Condensed Consolidated Statements of Financial Condition, we monitor exposure in our derivative agreements daily based on established limits with respect to a number of factors, including interest rate, spread, ratio, basis and volatility risks. These exposures are monitored both on a total portfolio basis and separately for each agreement for selected maturity periods.

NOTE 11 - INCOME TAXES:

For further discussion of income tax matters, see Note 16 pages 115 – 117 in our 2010 Form 10-K.

As of December 31, 2010 and September 30, 2010 our liability for unrecognized tax benefits was $4.6 million and $4.3 million, respectively. The total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate was $3.7 million and $3.4 million at December 31, 2010 and September 30, 2010, respectively. We anticipate that the unrecognized tax benefits will not change significantly over the next 12 months.

We recognize the accrual of interest and penalties related to income tax matters in interest expense and other expense, respectively. As of December 31, 2010 and September 30, 2010, accrued interest and penalties included in the unrecognized tax benefits liability were approximately $1.4 million for both periods.

We file U. S. federal income tax returns as well as returns with various state, local and foreign jurisdictions. With few exceptions, we are no longer subject to U.S. federal, state and local, or foreign income tax examination by tax authorities for years prior to fiscal year 2010 for federal tax returns, fiscal year 2006 for state and local tax returns and fiscal year 2002 for foreign tax returns. Our fiscal year 2010 as well as certain transactions occurring in fiscal year 2011 are currently being examined under the Internal Revenue Service (“IRS”) Compliance Assurance Program. This program accelerates the examination of key issues in an attempt to resolve them before the tax return is filed. Certain state and local returns are also currently under various stages of audit. The fiscal year 2010 IRS audit and state audits in process are expected to be completed in fiscal year 2011.

NOTE 12 – COMMITMENTS, CONTINGENCIES AND GUARANTEES:

Commitments and Contingencies

In December, 2010 we announced that we entered into a definitive merger agreement to acquire Howe Barnes Hoefer & Arnett, Inc. (“Howe Barnes”). Through this acquisition, we anticipate that we will expand both our Capital Markets presence in the community and regional bank and the thrift sector, and our Private Client Group. The transaction is expected to close on or about March 31, 2011 subject to regulatory approvals and other customary conditions. The effect of our acquisition of Howe Barnes will not have a material impact on our consolidated financial position or results of operations.

As of December 31, 2010, RJ Bank had not settled purchases of $1.7 million in syndicated loans. These loan purchases are expected to be settled within 90 days.

RJ Bank has committed $2 million to a small business investment company which provides capital and long-term loans to small businesses. As of December 31, 2010, we have invested $730,000 of the committed amount and the distributions received have been insignificant.

See Note 16 for additional information regarding RJ Bank's commitments to extend credit and other credit-related off-balance sheet financial instruments such as standby letters of credit and loan purchases.

In the normal course of business, we enter into underwriting commitments. As of December 31, 2010, RJ&A had no open transactions related to such commitments. Transactions relating to such commitments of RJ Ltd. that were recorded and open at December 31, 2010 were approximately $14 million in Canadian dollars ("CDN").

We utilize client marginable securities to satisfy deposits with clearing organizations. At December 31, 2010, we had client margin securities valued at $126.7 million pledged with a clearing organization to meet our requirement of $108.5 million.

We offer loans to financial advisors and certain key revenue producers primarily for recruiting or retention purposes. These commitments are contingent upon certain events occurring, including but not limited to the financial advisor joining us and meeting certain production requirements. In certain circumstances, we may make commitments prior to funding them. As of December 31, 2010, we made commitments of approximately $23 million that have not yet been funded.

We have committed a total of $62.3 million, in amounts ranging from $200,000 to $5 million, to 45 different independent venture capital or private equity partnerships. In addition, we have a commitment totaling $38.2 million to two additional private equity limited partnerships. As of December 31, 2010, we have invested $62.5 million of the committed amounts and have received $42.8 million in distributions. We also control the general partner in one internally sponsored private equity limited partnership to which we have committed and invested $6.5 million, and have received $4.5 million in distributions as of December 31, 2010.

We are the general partner in EIF Funds. These limited partnerships invest in the merchant banking and private equity activities of ours and other unaffiliated venture capital limited partnerships. The EIF Funds were established as compensation and retention measures for certain of our qualified key employees. At December 31, 2010, the funds have unfunded commitments of $731,000. See Note 7 for additional information regarding our consolidation of the EIF Funds.

We have committed to lend to RJTCF, or guarantee obligations in connection with RJTCF's low-income housing development/rehabilitation and syndication activities, aggregating up to $125 million upon request, subject to certain limitations as well as annual review and renewal. RJTCF borrows in order to invest in partnerships which purchase and develop properties qualifying for tax credits ("project partnerships"). These investments in project partnerships are then sold to various tax credit funds, which have third-party investors, and for which RJTCF serves as the managing member or general partner. RJTCF typically sells these investments within 90 days of their acquisition, and the proceeds from the sales are used to repay RJTCF's borrowings.

RJTCF may make short-term loans or advances to project partnerships on behalf of the tax credit funds in which it serves as managing member or general partner. At December 31, 2010, cash funded to invest in either loans or investments in project partnerships was $31.1 million.

At December 31, 2010, the approximate market values of collateral received that we can repledge, were (in 000's):

	Sources of Collateral
Securities Purchased Under Agreements to Resell and Other Collateralized Financings	$455,406
Securities Received in Securities Borrowed vs. Cash Transactions	179,255
Collateral Received for Margin Loans	1,203,741
Total	$1,838,402

Certain collateral was repledged. At December 31, 2010, the approximate market values of this portion of collateral and financial instruments that we own and pledged, were (in 000's):

	Uses of Collateral and Trading Securities
Securities Sold Under Agreements to Repurchase	$175,837
Securities Delivered in Securities Loaned vs. Cash Transactions	481,743
Collateral Used for Cash Loans	28
Collateral Used for Deposits at Clearing Organizations	138,067
Total	$795,675

As a result of the extensive regulation of the financial services industry, our broker-dealer and investment advisory subsidiaries are subject to regular reviews and inspections by regulatory authorities and self-regulatory organizations, which can result in the imposition of sanctions for regulatory violations, ranging from non-monetary censure to fines and, in serious cases, temporary or permanent suspension from conducting business. In addition, from time to time regulatory agencies and self-regulatory organizations institute investigations into industry practices, which can also result in the imposition of such sanctions.

Guarantees

RJ Bank provides to its affiliate, Raymond James Capital Services, Inc. ("RJ Cap Services"), on behalf of certain corporate borrowers, a guarantee of payment in the event of the borrower's default for exposure under interest rate swaps entered into with RJ Cap Services. At December 31, 2010, the current exposure under these guarantees was $3.1 million, which was underwritten as part of the larger corporate credit relationship. The outstanding interest rate swaps at December 31, 2010 have maturities ranging from July 2013 through October 2016. The estimated total potential exposure under these guarantees is $6.9 million at December 31, 2010.

We guarantee interest rate swap obligations of RJ Cap Services. See Note 10 for additional information regarding our interest rate swaps.

We have from time to time authorized performance guarantees for the completion of trades with counterparties in Argentina. At December 31, 2010, there were no outstanding performance guarantees in Argentina.

In March 2008, we guaranteed an $8 million settlement line of credit that was requested by the Capital Markets Board ("CMB") from our Turkish joint venture. While our Turkish joint venture ceased operations in December 2008, the CMB has not released the line of credit. The issuing bank has instituted an action seeking payment of its fees on the underlying letter of credit and to confirm that the guarantee remains in effect.

We guarantee the existing mortgage debt of RJ&A of approximately $55.2 million.

RJTCF issues certain guarantees to various third-parties related to project partnerships whose interests have been sold to one or more of the funds in which RJTCF is the managing member or general partner. In some instances, RJTCF is not the primary guarantor of these obligations which aggregate to a cumulative maximum obligation of approximately $2.2 million as of December 31, 2010.

RJF has guaranteed RJTCF's performance to various third-parties on certain obligation arising from RJTCF's sale and/or transfer of units in one of its fund offerings ("Fund 34"). Under such arrangements, RJTCF has provided either: (1) certain specific performance guarantees including a provision whereby in certain circumstances, RJTCF will refund a portion of the investors' capital contribution or (2) a guaranteed return on their investment. Under the performance guarantees, the circumstances resulting in a payment to third-parties depend upon the quantity and timing of the qualification of tax credits by the underlying projects within Fund 34. Based upon its most recent projections and performance of Fund 34, RJTCF does not anticipate that any refunds will be paid to any of these third-parties under these performance guarantees. The maximum exposure to loss represents the undiscounted future payments due to investors for the return on and of their investment, and approximates $51.6 million as of December 31, 2010. Under the guarantee of returns, should the underlying LIHTC project partnerships held by Fund 34 fail to deliver a certain amount of tax credits and other tax benefits over the next ten years, RJTCF is obligated to provide the investor with a specified return. A $43.4 million financing asset is included in Prepaid Expenses and Other Assets, and an offsetting $43.4 million liability is included in Trade and Other Payables, on our Condensed Consolidated Statements of Financial Condition as of December 31, 2010. The maximum exposure to loss under this guarantee represents the undiscounted future payments due to investors for the return on and of their investment, and approximates $57.1 million at December 31, 2010. Based upon the most recent projections and the performance of Fund 34, we do not anticipate that any such payments to investors will be required. See Note 7 for the impact of this guarantee on the VIE determinations associated with this LIHTC fund.

Legal Matter Contingencies

In connection with Auction Rate Securities ("ARS"), our principal broker-dealers, RJ&A and Raymond James Financial Services, Inc. ("RJFS"), have been subject to on-going investigations, with which they have been cooperating fully, by the Securities Exchange Commission, the New York Attorney General's Office and Florida's Office of Financial Regulation. We believe we have meritorious defenses, and therefore, any action by a regulatory authority to compel us to repurchase the outstanding ARS held by our clients would likely be vigorously contested by us. We, in conjunction with other industry participants, continue to actively seek a solution to ARS' illiquidity. If we were to consider resolving pending claims, inquiries or investigations by offering to repurchase all or a significant portion of the approximately $550 million of ARS held by our customers at December 31, 2010, we would have to have the cash or borrowing power to do so. Further, there could be a market loss if the underlying securities' value is less than par and any such loss could adversely affect our results of operations. At this time, we are unable to estimate the amount of any loss related to the ARS matter.

We are a defendant or co-defendant in various lawsuits and arbitrations incidental to our securities business as well as other corporate litigation. We are contesting the allegations in these cases and believe that there are meritorious defenses in each of these lawsuits and arbitrations. In view of the number and diversity of claims against us, the number of jurisdictions in which litigation is pending and the inherent difficulty of predicting the outcome of litigation and other claims, we cannot state with certainty what the eventual outcome of pending litigation or other claims will be. In the opinion of our management, based on current available information, review with outside legal counsel, and consideration of amounts provided for in the accompanying condensed consolidated financial statements with respect to these matters, ultimate resolution of these matters will not have a material adverse impact on our financial position or results of operations. However, resolution of one or more of these matters may have a material effect on the results of operations in any future period, depending upon the ultimate resolution of those matters and upon the level of income for such period.

For further information on our accounting policies regarding legal reserves, see Note 1 page 89 of our 2010 Form 10-K.

NOTE 13 – INTEREST INCOME AND INTEREST EXPENSE:

The components of interest income and interest expense are as follows:

	Three Months Ended December 31,	
	2010	2009
	(in 000's)	
Interest Income:		
Margin Balances	$12,759	$11,048
Assets Segregated Pursuant to Regulations and Other Segregated Assets	1,986	1,757
Bank Loans, Net of Unearned Income	74,204	64,856
Available for Sale Securities	3,556	4,914
Trading Instruments	5,328	3,958
Stock Borrow	1,596	1,765
Interest Income of VIEs	-	6
Other	4,957	3,068
Total Interest Income	104,386	91,372
Interest Expense:		
Brokerage Client Liabilities	895	965
Retail Bank Deposits	3,417	4,261
Stock Loan	509	549
Borrowed Funds	1,370	1,533
Senior Notes	6,523	6,522
Interest Expense of VIEs	1,555	1,113
Other	2,235	759
Total Interest Expense	16,504	15,702
Net Interest Income	87,882	75,670
Less: Provision for Loan Losses	(11,232)	(22,835)

Net Interest Income after Provision for Loan Losses	$76,650	$52,835

NOTE 14 – SHARE-BASED COMPENSATION:

At December 31, 2010 we had multiple stock-based compensation plans for our employees, Board of Directors and non-employees. On our 2010 Form 10-K, the accounting policies and other information relating to the employee and Board of Director share-based compensation plans are outlined in Note 20, pages 121-125 while Note 21, pages 125-128 discusses our non-employees. For purposes of this report we have combined our presentation of both our employee and Board of Director share-based compensation plans with our non-employee share-based compensation plans, both of which are described below.

Fixed Stock Option Plans

Expense and income tax benefits related to our stock option compensation plans available for grants to employees, members of our Board of Directors and independent contractor financial advisors are presented below:

	Three Months Ended December 31,	
	2010	2009
	(in 000's)	
Total share-based expense	$5,125	$4,089
Income tax benefits related to share-based expense	982	401

For the three months ended December 31, 2010 we reversed $387,000 of excess tax benefits related to our stock option plan. During the three months ended December 31, 2010, we granted 240,700 stock options to employees and 45,000 stock options to our independent contractor financial advisors. During the three months ended December 31, 2010, no stock options were granted to outside directors.

Unrecognized pre-tax expense for stock option awards granted to employees, directors and independent contractor financial advisors, net of estimated forfeitures, and the remaining period over which the expense will be recognized as of December 31, 2010 are presented below:

	Unrecognized Pre-Tax Expense (in 000's)	Remaining Weighted Average Period (in years)
Employees and Directors	$ 16,637	3.4
Independent Contractor Financial Advisors	1,257	2.8

The weighted average grant-date fair value of stock option awards granted to employees and directors for the three months ended December 31, 2010 is $9.63.

The fair value of each option grant awarded to our independent contractor financial advisors is estimated on the date of grant and periodically revalued using the Black-Scholes option pricing model. The weighted-average fair value for unvested options granted to independent contractor financial advisors for the three months ended December 31, 2010 is $9.22.

Restricted Stock Plan

During the three months ended December 31, 2010, our Board of Directors approved the granting of restricted stock unit awards rather than restricted stock awards in connection with the 2005 Restricted Stock Plan after reviewing certain income tax consequences to retirement eligible participants associated with restricted stock awards. Our intention is to issue restricted stock units rather than restricted stock awards under this plan in the future.

During the three months ended December 31, 2010, we granted 98,258 shares of restricted stock, and 466,017 restricted stock units to employees. There were no shares of restricted stock or restricted stock units granted to independent contractor financial advisors. Restricted stock grants under the 2005 Restricted Stock Plan are limited to 2,000,000 shares per fiscal year.

Expense and income tax benefits related to our restricted stock plans available for grants to employees, members of our Board of Directors and independent contractor financial advisors are presented below:

	Three Months Ended December 31,	
	2010	2009
	(in 000's)	
Total share-based expense	$5,111	$5,124
Income tax benefits related to share-based expense	1,919	1,924

Unrecognized pre-tax expense for restricted stock shares and restricted stock units granted to employees, directors and independent contractor financial advisors, net of estimated forfeitures, and the remaining period over which the expense will be recognized as of December 31, 2010 are presented below:

	Unrecognized Pre-Tax Expense (in 000's)	Remaining Weighted Average Period (in years)
Employees and Directors	$ 45,927	3.4
Independent Contractor Financial Advisors	2,039	2.6

The weighted average grant-date fair value of restricted stock share and unit awards granted to employees and directors for the three months ended December 31, 2010 is $28.67.

The fair value of each restricted stock share awarded to our independent contractor financial advisors is valued on the date of grant and periodically revalued at the current stock price. The weighted-average fair value for unvested restricted stock awards granted to independent contractor financial advisors for the three months ended December 31, 2010 is $32.70.

Stock Bonus Plan

During the three months ended December 31, 2010, our Board of Directors approved the granting of restricted stock unit awards rather than restricted stock awards in connection with the 2007 Stock Bonus Plan after reviewing certain income tax consequences to retirement eligible participants associated with restricted stock awards. Our intention is to issue restricted stock units rather than restricted stock awards under this plan in the future.

During the three months ended December 31, 2010, we granted 387,421 restricted stock units to employees as part of our stock bonus plan. Restricted stock units granted under the 2007 stock bonus plan are limited to 750,000 shares per fiscal year.

Expense and income tax benefits related to our stock plan available for grants to employees, members of our Board of Directors and independent contractor financial advisors are presented below:

	Three Months Ended December 31,	
	2010	2009
	(in 000's)	
Total share-based expense	$5,342	$3,441
Income tax benefits related to share-based expense	2,006	1,292

Unrecognized pre-tax expense for share-based awards granted to employees, net of estimated forfeitures, and the remaining period over which the expense will be recognized as of December 31, 2010 is $13.8 million and 2.3 years, respectively. The weighted average grant-date fair value of restricted stock share and unit awards granted to employees for the three months ended December 31, 2010 is $31.26.

NOTE 15 - REGULATIONS AND CAPITAL REQUIREMENTS:

For a discussion of the various regulations and capital requirements applicable to certain of our businesses and subsidiaries, see Note 22 pages 128 - 130 of our 2010 Form 10-K.

The net capital position of RJ&A at December 31, 2010 and September 30, 2010 was as follows:

	December 31, 2010	September 30, 2010
	($ in 000's)	
Raymond James & Associates, Inc.:		
(Alternative Method Elected)		
Net Capital as a Percent of Aggregate		
Debit Items	25.00 %	17.37 %
Net Capital	$361,814	$253,341
Less: Required Net Capital	(28,950)	(29,169)
Excess Net Capital	$332,864	$224,172

The net capital position of RJFS at December 31, 2010 and September 30, 2010 was as follows:

	December 31, 2010	September 30, 2010
	(in 000's)	
Raymond James Financial Services, Inc.:		
(Alternative Method Elected)		
Net Capital	$12,439	$14,540
Less: Required Net Capital	(250)	(250)
Excess Net Capital	$12,189	$14,290

The Risk Adjusted Capital of our Canadian broker-dealer subsidiary RJ Ltd. at December 31, 2010 and September 30, 2010 was as follows (in Canadian dollars):

	December 31, 2010	September 30, 2010
	(in 000’s)	
Raymond James Ltd.:		
Risk Adjusted Capital before minimum	$57,640	$52,022
Less: Required Minimum Capital	(250)	(250)
Risk Adjusted Capital	$57,390	$51,772

At December 31, 2010, our other active domestic and international broker-dealers are in compliance with and met all net capital requirements.

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As of the most recent notification from the OTS, RJ Bank was categorized as “well capitalized” under the regulatory framework for prompt corrective action. To be categorized as “well capitalized”, RJ Bank must maintain minimum total risk-based, Tier I risk-based, and Tier I leverage ratios as set forth in the table below. There are no conditions or events since that notification that management believes have changed RJ Bank's category.

	Actual			Requirement for capital adequacy purposes			To be well capitalized under prompt corrective action provisions		
	Amount	Ratio		Amount	Ratio		Amount	Ratio	
				($ in 000's)					
As of December 31, 2010:									
Total Capital (to Risk-Weighted Assets)	$933,216	13.2	%	$563,875	8.0	%	$704,844	10.0	%
Tier I Capital (to Risk-Weighted Assets)	844,613	12.0	%	281,938	4.0	%	422,906	6.0	%
Tier I Capital (to Adjusted Assets)	844,613	11.1	%	304,091	4.0	%	380,114	5.0	%
As of September 30, 2010 :									
Total Capital (to Risk-Weighted Assets)	$985,961	13.0	%	$608,096	8.0	%	$760,120	10.0	%
Tier I Capital (to Risk-Weighted Assets)	890,442	11.7	%	304,048	4.0	%	456,072	6.0	%
Tier I Capital (to Adjusted Assets)	890,442	8.2	%	434,193	4.0	%	542,741	5.0	%

NOTE 16 - FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK:

For a discussion of our financial instruments with off-balance sheet risk, see Note 23 pages 130 - 132 of our 2010 Form 10-K.

RJ Bank has outstanding at any time, a significant number of commitments to extend credit and other credit-related off-balance sheet financial instruments such as standby letters of credit and loan purchase commitments, which extend over varying periods of time. These arrangements are subject to strict credit control assessments and each customer’s credit worthiness is evaluated on a case-by-case basis. Fixed-rate commitments are also subject to market risk resulting from fluctuations in interest rates and RJ Bank’s exposure is limited to the replacement value of those commitments. A summary of commitments to extend credit and other credit-related off-balance sheet financial instruments outstanding at December 31, 2010 is as follows (in 000’s):

	December 31, 2010
Standby Letters of Credit(1)	$224,021

Open End Consumer Lines of Credit	31,929
Commercial Lines of Credit	1,843,096
Unfunded Loan Commitments - Variable Rate(1)	61,515
Unfunded Loan Commitments – Fixed Rate	5,359

(1) Generally, these standby letters of credit are underwritten as part of a larger corporate credit relationship.

Because many lending commitments expire without being funded in whole or part, the contract amounts are not estimates of our actual future credit exposure or future liquidity requirements. We maintain a reserve to provide for potential losses related to the unfunded lending commitments. See Note 6 for further discussion of this reserve for unfunded lending commitments.

RJ Ltd. is subject to foreign exchange risk primarily due to financial instruments held that are denominated in U.S. dollars that may be impacted by fluctuation in foreign exchange rates. In order to mitigate this risk, RJ Ltd. enters into forward foreign exchange contracts. The fair value of these contracts is not significant. As of December 31, 2010, forward contracts outstanding to buy and sell U.S. dollars totaled CDN $5.3 million and CDN $1.6 million, respectively.

NOTE 17 – EARNINGS PER SHARE:

The following table presents the computation of basic and diluted earnings per share:

	Three Months Ended December 31,	
	2010	2009
	(in 000's, except per share amounts)	
Income for basic earnings per common share:		
Net income attributable to RJF	$81,723	$42,903
Less allocation of earnings and dividends to participating securities(1)	2,885	1,789
Net income attributable to RJF common shareholders	$78,838	$41,114
Income for diluted earnings per common share:		
Net income attributable to RJF	$81,723	$42,903
Less allocation of earnings and dividends to participating securities(1)	2,878	1,787
Net income attributable to RJF common shareholders	$78,845	$41,116
Common shares:		
Average common shares in basic computation	121,155	118,763
Dilutive effect of outstanding stock options and certain restricted stock units	379	220
Average common shares used in diluted computation	121,534	118,983
Earnings per common share:		
Basic	$0.65	$0.35
Diluted	$0.65	$0.35
Stock options and certain restricted stock units excluded from weighted-average diluted common shares because their effect would be antidilutive	3,652	3,840

(1) Represents dividends paid during the period to participating securities plus an allocation of undistributed earnings to participating securities. Participating securities represent unvested restricted stock and certain restricted stock units and amounted to weighted average shares of 4.5 million and 5.3 million for the three months ended December 31, 2010 and 2009, respectively. Dividends paid to participating securities amounted to $469,000 and $547,000 during the three months ended December 31, 2010 and 2009, respectively. Undistributed earnings are allocated to participating securities based upon their right to share in earnings if all earnings for the period had been distributed.

NOTE 18 – SEGMENT ANALYSIS:

We currently operate through the following eight business segments: Private Client Group; Capital Markets; Asset Management; RJ Bank; Emerging Markets; Securities Lending (formerly named "Stock Loan/Borrow"); Proprietary Capital and various corporate activities combined in the "Other" segment. The business segments are based upon factors such as the services provided and the distribution channels served and are consistent with how we assess performance and determine how to allocate our resources throughout our subsidiaries. For a further discussion of our business segments, see Note 25 pages 133 - 135 of our 2010 Form 10-K

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

	Three Months Ended December 31,	
	2010	2009
	(in 000's)	
Revenues:		
Private Client Group	$519,431	$453,931
Capital Markets	173,026	133,773
Asset Management	55,587	49,998
RJ Bank	77,441	68,922
Emerging Markets	8,589	3,718
Securities Lending	1,750	1,875
Proprietary Capital	670	(35)
Other	3,403	1,758
Intersegment Eliminations	(9,564)	(11,271)
Total Revenues(1)	$830,333	$702,669
Income (Loss) Excluding Noncontrolling Interests and Before Provision for Income Taxes:		
Private Client Group	$55,740	$31,712
Capital Markets	24,646	11,394
Asset Management	15,594	12,066
RJ Bank	46,464	24,637
Emerging Markets	321	(1,412)
Securities Lending	524	687
Proprietary Capital	(142)	(812)
Other	(12,633)	(8,884)
Pre-Tax Income Excluding Noncontrolling Interests	130,514	69,388
Add: Net Loss Attributable to Noncontrolling Interests	(3,768)	(2,275)
Income Including Noncontrolling Interests and Before Provision for Income Taxes	$126,746	$67,113

(1) No individual client accounted for more than ten percent of total revenues in the three months ended December 31, 2010 or 2009.

Net Interest Income (Expense):		
Private Client Group	$15,589	$12,783
Capital Markets	1,517	883
Asset Management	28	24

RJ Bank	74,353	65,611
Emerging Markets	134	(1)
Securities Lending	1,087	1,216
Proprietary Capital	200	1
Other	(5,026)	(4,847)
Net Interest Income	$87,882	$75,670

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The following table presents our total assets on a segment basis:

	December 31, 2010	September 30, 2010
	(in 000's)	
Total Assets:		
Private Client Group (1)	$4,294,058	$4,053,054
Capital Markets (2)	1,514,628	1,791,618
Asset Management	57,604	62,850
RJ Bank	7,570,337	10,818,240
Emerging Markets	42,677	27,538
Securities Lending	499,535	680,326
Proprietary Capital	165,439	167,010
Other	705,560	282,445
Total	$14,849,838	$17,883,081

(1) Includes $46 million of goodwill.

(2) Includes $17 million of goodwill.

We have operations in the United States, Canada, Europe and joint ventures in Latin America. Substantially all long-lived assets are located in the United States. Revenues and income before provision for income taxes and excluding noncontrolling interests, classified by major geographic areas in which they are earned, are as follows:

	Three Months Ended December 31, 2010	2009
	(in 000's)	
Revenues:		
United States	$711,822	$627,148
Canada	91,276	57,527
Europe	18,149	14,240
Other	9,086	3,754
Total	$830,333	$702,669
Pre-Tax Income Excluding Noncontrolling Interests:		
United States	$116,774	$69,671
Canada	12,546	1,560
Europe	566	(472)
Other	628	(1,371)
Total	$130,514	$69,388

Our total assets, classified by major geographic area in which they are held, were as follows:

	December 31, 2010	September 30, 2010
	(in 000's)	
Total Assets:		
United States(1)	$13,365,220	$16,369,401
Canada(2)	1,387,818	1,443,943
Europe	35,686	28,057
Other	61,114	41,680
Total	$14,849,838	$17,883,081

(1) Includes $30 million of goodwill.

(2) Includes $33 million of goodwill.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following Management's Discussion and Analysis ("MD&A") is intended to help the reader understand our results of operations and our financial condition. Management's Discussion and Analysis is provided as a supplement to, and should be read in conjunction with, our unaudited condensed consolidated financial statements and unaudited accompanying notes to the condensed consolidated financial statements.

Factors Affecting "Forward-Looking Statements"

From time to time, Raymond James Financial, Inc. ("RJF"), together with its subsidiaries hereinafter collectively referred to as "our", "we" or "us", may publish "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities and Exchange Act of 1934, as amended, or make oral statements that constitute forward-looking statements. These forward-looking statements may relate to such matters as anticipated financial performance, future revenues or earnings, business prospects, allowance for loan loss levels at Raymond James Bank, FSB ("RJ Bank"), projected ventures, new products, anticipated market performance, recruiting efforts, regulatory approvals, auction rate securities ("ARS"), and other matters. The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements. In order to comply with the terms of the safe harbor, we caution readers that a variety of factors could cause our actual results to differ materially from the anticipated results or other expectations expressed in our forward-looking statements. These risks and uncertainties, many of which are beyond our control, are discussed in the section entitled "Risk Factors" of Item 1A of Part I included in our Annual Report on Form 10-K for the year ended September 30, 2010, as filed with the United States of America ("U.S.") Securities and Exchange Commission (the "2010 Form 10-K") and in Item 1A of Part II of this report on Form 10-Q. We do not undertake any obligation to publicly update or revise any forward-looking statements.

Executive Overview

Results in the investment businesses in which we operate are highly correlated to the direction of the U.S. equity markets specifically and more generally to the overall strength of economic conditions. Overall market conditions, interest rates, economic, political and regulatory trends, and industry competition are among the factors which could affect us and which are unpredictable and beyond our control. These factors may affect the financial decisions made by investors, including their level of participation in the financial markets. They may also impact the level of underwriting activity, trading profits and asset valuations. In turn, these decisions may affect our business results.

Quarter ended December 31, 2010 compared with the quarter ended December 31, 2009

Our overall financial results reflected a continued trend of improvement during the December 31, 2010 quarter as compared to the prior year quarter. Our net revenues improved by $127 million, or 18%, to a record quarterly level of $814 million. Non-interest expenses increased $67 million, or 11%, to $687 million, driven primarily by higher compensation costs resulting from the increase in commission and investment banking revenues, partially offset by a $12 million, or 51%, decrease in the bank loan loss provision. We generated record net income of $82 million, a 90% improvement over the prior year quarter.

Our financial results during the quarter were most significantly impacted by:

- A $24 million, or 76%, increase in the pre-tax income of our Private Client Group ("PCG") segment. This increase resulted from a combination of favorable factors including the improvement in the equity markets and the realization of the benefits of our active recruiting over the past two years evidenced by increasing financial advisor

productivity.

- A $22 million, or 89%, increase in the pre-tax income generated by RJ Bank. This increase resulted from an $8 million increase in net interest income ($6 million arising from a one-time adjustment) and a significantly lower loan loss provision resulting from improved credit quality. Loan production was at increased levels but was more than offset by loan repayments.

- A $13 million, or 116%, increase in the pre-tax income of our Capital Markets segment. The increase resulted from significant underwriting fee and merger and acquisition fee increases which drove improved equity capital market segment activity in both the U.S. and in our Canadian operations. The quarter was also positively impacted by commissions on trading of equity securities included in our annual analyst Best Picks issued in December along with certain products related thereto. Offsetting these positive factors, fixed income trading profits declined significantly as a result of the difficult municipal bond markets in late November and December.

- A $4 million, or 29%, increase in pre-tax income generated by our asset management segment. This increase resulted primarily from the increase in our assets under management arising from both increased valuations in the equity markets and the net inflows of client assets.

During December, 2010 we announced our agreement to acquire Howe Barnes Hoefer and Arnett, Inc. The acquisition, which is expected to close on or about March 31, 2011, subject to regulatory approvals and other customary conditions, reflects our growth strategy to expand our already significant capital markets reach while adding to our private client presence in key markets. The effect of our acquisition of Howe Barnes will not have a material impact on our consolidated financial position.

As we anticipated, regulations that will arise under the Dodd-Frank Wall Street Reform & Consumer Protection Act ("Dodd-Frank") are still being written by various regulatory agencies. We are closely monitoring this rule writing process and while the exact impact of new rules on our business is still uncertain, our expectation remains that the legislation will not have a significant impact on our operations. We do anticipate an increase in compliance costs once any new rules have been written and implemented. There has been no change in our expectations regarding how this new legislation will impact the regulation and oversight of RJ Bank by the Federal Reserve Board. We continue to anticipate a change in our federal bank regulator to become effective in mid-2011, to be followed by the conversion of RJ Bank to a commercial bank, at which time we will become a bank holding company.

The balance of ARS held by our clients of approximately $550 million as of December 31, 2010 (and further reduced to approximately $440 million as of January 31, 2011) continues to decline through redemptions and refinancings by certain issuers. Refer to the update of this matter in Item 1 of this Form 10-Q.

Segments

We currently operate through the following eight business segments: PCG; Capital Markets; Asset Management; RJ Bank; Emerging Markets; Securities Lending (formerly named "Stock Loan/Borrow"); Proprietary Capital and certain corporate activities in the Other segment.

The following table presents our consolidated and segment gross revenues and pre-tax income excluding noncontrolling interests for the periods indicated:

	Three Months Ended December 31,		
	2010	2009	% Change
	($ in 000's)		
Total Company			
Revenues	$830,333	$702,669	18%
Pre-tax Income Excluding Noncontrolling Interests	130,514	69,388	88%
Private Client Group			
Revenues	$519,431	$453,931	14%
Pre-tax Income	55,740	31,712	76%
Capital Markets			
Revenues	173,026	133,773	29%
Pre-tax Income	24,646	11,394	116%
Asset Management			
Revenues	55,587	49,998	11%
Pre-tax Income	15,594	12,066	29%
RJ Bank			
Revenues	77,441	68,922	12%
Pre-tax Income	46,464	24,637	89%
Emerging Markets			
Revenues	8,589	3,718	131%
Pre-tax Income (Loss)	321	(1,412)	123%
Securities Lending			
Revenues	1,750	1,875	(7%)
Pre-tax Income	524	687	(24%)
Proprietary Capital			
Revenues	670	(35)	NM
Pre-tax Loss	(142)	(812)	83%
Other			
Revenues	3,403	1,758	94%
Pre-tax Loss	(12,633)	(8,884)	(42%)

Intersegment Eliminations						
Revenues	(9,564	)	(11,271	)	15	%
Pre-tax Income	-		-		-	

Results of Operations

Net Interest Analysis

We have certain assets and liabilities that are subject to changes in interest rates; these changes in interest rates have an impact on our overall financial performance. Given the relationship of our interest sensitive assets to liabilities, an increase in short-term interest rates would result in an increase in our net earnings (we currently have more assets than liabilities with a yield that would be affected by a change in short-term interest rates). The amount of benefit would be dependent upon a variety of factors, including but not limited to the change in balances, the rapidity and magnitude of the increase in rates, and the interest rates paid on client cash balances.

The following table presents average balance data and interest income and expense data, as well as the related net interest income:

	Three Months Ended December 31,					
	2010			2009		
	Average Balance	Interest Inc./Exp.	Average Yield/ Cost	Average Balance	Interest Inc./Exp.	Average Yield/ Cost
	($ in 000's)					
Interest-Earning Assets:						
Margin Balances	$1,467,233	$12,759	3.45 %	$1,282,519	$11,048	3.42 %
Assets Segregated Pursuant to Regulations and Other Segregated Assets	1,778,326	1,986	0.44 %	1,858,836	1,757	0.38 %
Bank Loans, Net of Unearned Income (1)	6,174,819	74,204	4.43 %	6,664,544	64,856	3.84 %
Available for Sale Securities	454,091	3,556	3.13 %	583,849	4,914	3.37 %
Trading Instruments		5,328			3,958	
Stock Borrow		1,596			1,765	
Interest-Earning Assets of Variable Interest Entities		-			6	
Other		4,957			3,068	
Total Interest Income		$104,386			$91,372	
Interest-Bearing Liabilities:						
Brokerage Client Liabilities	$2,994,490	$895	0.12 %	$3,104,284	$965	0.12 %
Bank Deposits (1)	6,544,998	3,417	0.20 %	7,769,360	4,261	0.22 %
Stock Loan		509			549	
Borrowed Funds		1,370			1,533	
Senior Notes	299,956	6,523	8.60 %	299,950	6,522	8.60 %
Interest-Expense of Variable Interest Entities		1,555			1,113	
Other		2,235			759	
Total Interest Expense		16,504			15,702	
Net Interest Income		$87,882			$75,670	

(1) See Results of Operations – RJ Bank in this MD&A for further information.

Net interest income increased $12 million, or 16%, as compared to the same quarter in the prior year. Net interest income is earned primarily by our PCG and RJ Bank segments, which are discussed separately below.

RJ Bank's net interest income increased $9 million, or 13%. Of this increase, approximately $6 million resulted from a one-time interest accrual adjustment. The remaining net improvement of approximately $3 million resulted from an increase in the average yield on the total loan portfolio, partially offset by a decline in average interest earning assets. Refer to the discussion of the specific components of RJ Bank's net interest income in the RJ Bank section of this MD&A.

Net interest income in the PCG segment increased approximately $3 million, resulting primarily from increased client margin balances and slightly higher interest rates.

Results of Operations - Private Client Group

The following table presents consolidated financial information for our PCG segment for the periods indicated:

	Three Months Ended December 31,		
	2010	% Change	2009
		($ in 000's)	
Revenues:			
Securities Commissions and Fees	$430,931	14 %	$378,517
Interest	18,231	24 %	14,658
Financial Service Fees	38,758	9 %	35,645
Other	31,511	25 %	25,111
Total Revenues	519,431	14 %	453,931
Interest Expense	2,642	41 %	1,875
Net Revenues	516,789	14 %	452,056
Non-Interest Expenses:			
Sales Commissions	314,939	13 %	278,059
Admin & Incentive Comp and Benefit Costs	81,870	17 %	70,079
Communications and Information Processing	15,546	19 %	13,091
Occupancy and Equipment	18,783	(6 %)	19,881
Business Development	13,806	1 %	13,735
Clearance and Other	16,177	(37 %)	25,590
Total Non-Interest Expenses	461,121	10 %	420,435
Income Before Taxes and Including Noncontrolling Interests	55,668	76 %	31,621
Noncontrolling Interests	(72)		(91)
Pre-tax Income Excluding Noncontrolling Interests	$55,740	76 %	$31,712
Margin on Net Revenues	10.8 %		7.0 %

Through our PCG segment, we provide securities transaction and financial planning services to client accounts through branch office systems of our broker-dealer subsidiaries located throughout the United States, Canada, and the United Kingdom. Our financial advisors offer a broad range of investments and services, including both third-party and proprietary products, and a variety of financial planning services. We charge sales commissions or asset-based fees for investment services we provide to our PCG clients based on established schedules. Our financial advisors offer a number of professionally managed load mutual funds, as well as a selection of no-load funds. The cost of owning mutual funds typically includes commissions, management fees, operating expenses and distribution fees. Net interest revenue in the PCG segment is generated by customer balances, predominately the earnings on margin loans and assets segregated pursuant to regulations, less interest paid on customer cash balances ("Client Interest Program"). The PCG segment earns a fee (in lieu of interest revenue) from the Raymond James Bank Deposit Program ("RJBDP") a program where clients' cash deposits in their brokerage accounts are re-deposited through a third-party service into interest bearing deposit accounts at a number of banks. The RJBDP program enables clients to obtain up to $2.5 million in individual FDIC deposit insurance coverage ($5 million for joint accounts) in addition to competitive rates for their cash balances.

The success of the PCG segment is dependent upon the quality of our products, services and our financial advisors and support personnel including our ability to attract, retain, and motivate a sufficient number of these associates. We

face competition for qualified associates from major financial services companies, including other brokerage firms, insurance companies, banking institutions, and discount brokerage firms. We currently offer several affiliation alternatives for financial advisors ranging from the traditional branch setting, under which the financial advisors are our employees and we incur the costs associated with running the branch, to the independent contractor model, under which the independent contractor financial advisor is responsible for all of their own direct costs. Accordingly, the independent contractor financial advisors are paid a larger percentage of commissions. By offering alternative models to potential and existing financial advisors, we are able to effectively compete with a wide variety of other brokerage firms for qualified financial advisors, as financial advisors can choose the model that best suits their practice and profile.

The following table presents a summary of PCG financial advisors as of the periods indicated:

	Employee	Independent Contractors	December 31, 2010 Total	December 31, 2009 Total
Private Client Group - Financial Advisors:				
Raymond James & Associates (“RJ&A”)	1,273	-	1,273	1,266
Raymond James Financial Services, Inc.(“RJFS”)	-	3,216	3,216	3,262
Raymond James Limited (“RJ Ltd.”)	195	247	442	440
Raymond James Investment Services Limited (“RJIS”)	-	149	149	116
Total Financial Advisors	1,468	3,612	5,080	5,084

PCG pre-tax results increased $24 million, or 76%, as compared to the same quarter in the prior year on an increase of $65 million, or 14%, in net revenues. PCG’s margins increased to 10.8% of net revenues, a 54% improvement over the prior year quarter.

Securities commissions and fees increased $52 million, or 14%, resulting from a number of favorable factors. Equity market conditions were improved as compared to the prior year quarter. Many existing clients re-entered the markets during the quarter and asset values increased, favorably impacting transaction based commissions and fees arising from client assets under administration. Additionally, we realized benefits in the form of increased commission and fee revenue from the recruiting of successful financial advisors during fiscal 2008 and 2009. An indicator of the favorable combination of these two factors is evidenced in part by a 19% increase in independent contractor financial advisor productivity and a 17% increase in employee financial advisor productivity, as compared to the prior year quarter. Total financial advisors were slightly less than prior year comparable period. Recruiting results in the past 12 months were not significant as the recruiting market dynamics were not consistent with our profitability objectives.

The portion of commission and fee revenues that we consider recurring increased to 58% as compared to 57% in the prior year quarter. Assets in fee-based accounts grew to $69 billion from $58 billion last year. Recurring commission and fee revenues also include trails from mutual funds, variable annuities and insurance products.

PCG interest revenues increased by nearly $4 million, or 24%, resulting from an increase in client margin balances and a slightly increased interest rate earned on customer reserve balances (segregated assets). The client margin balances increased to approximately $1.5 billion, or 12%, as compared to the prior year period. Interest rates applicable to these margin balances were slightly higher than in the comparable prior period.

Other revenues increased by approximately $6 million, or 25%, primarily resulting from increases in marketing support fees, omnibus fees and networking fees, all of which are earned from mutual fund companies whose products we distribute. We are in the process of changing our data sharing arrangements with many mutual fund companies from a network to an omnibus arrangement. The fees earned from omnibus arrangements are greater than those under networking arrangements in order to compensate for the additional reporting requirements performed by the broker-dealers under omnibus arrangements.

Sales commission expense increased by $37 million, or 13%, resulting from the 14% increase in commission revenues. Other expenses were well controlled during the quarter. Administrative and incentive compensation expenses increased nearly $12 million, or 17%. The increase primarily results from inflationary increases in salaries

and benefits, as well as increases in incentive compensation related to the higher level of profitability. Clearance and other expenses decreased by $9 million, or 37%, as compared to the prior year quarter. The prior year quarter included a nonrecurring expense associated with a Financial Industry Regulatory Authority (“FINRA”) arbitrator’s panel decision against us. Non-interest expenses, excluding sales commission expense, reflected a net increase of 3% as compared to the prior year quarter.

Results of Operations – Capital Markets

The following table presents consolidated financial information for our Capital Markets segment for the periods indicated:

	Three Months Ended December 31, 2010	% Change	2009
		($ in 000's)	
Revenues:			
Institutional Sales Commissions:			
Equity	$68,089	29 %	$52,724
Fixed Income	35,652	(8 %)	38,916
Underwriting Fees	40,065	148 %	16,160
Mergers & Acquisitions Fees	16,895	77 %	9,530
Private Placement Fees	140	NM	50
Trading Profits	4,169	(57 %)	9,750
Interest	5,497	42 %	3,860
Other	2,519	(9 %)	2,783
Total Revenues	173,026	29 %	133,773
Interest Expense	3,980	34 %	2,977
Net Revenues	169,046	29 %	130,796
Non-Interest Expenses:			
Sales Commissions	37,670	11 %	33,837
Admin & Incentive Compensation and Benefit Costs	79,754	35 %	58,964
Communications and Information Processing	10,362	16 %	8,948
Occupancy and Equipment	5,242	8 %	4,841
Business Development	7,740	24 %	6,255
Clearance and Other	8,725	(7 %)	9,410
Total Non-Interest Expenses	149,493	22 %	122,255
Income Before Taxes and Including Noncontrolling Interests	19,553	129 %	8,541
Noncontrolling Interests	(5,093)		(2,853)
Pre-tax Income Excluding Noncontrolling Interests	$24,646	116 %	$11,394

The Capital Markets segment consists primarily of equity and fixed income products and services. The activities include institutional sales and trading in the U.S., Canada, and Europe; management of and participation in underwritings; financial advisory services including private placements and merger and acquisition services; public finance activities; and the syndication and related management of investment partnerships designed to yield returns in the form of low-income housing tax credits to institutions. We provide securities brokerage services to institutions with an emphasis on the sale of U.S. and Canadian equities and fixed income products. Institutional sales commissions are driven primarily through trade volume, resulting from a combination of general market activity and by the Capital Markets group’s ability to find attractive investment opportunities and promote those opportunities to potential and existing clients. Revenues from investment banking activities are driven principally by the number and the dollar value of the transactions with which we are involved. This segment also includes trading of taxable and tax-exempt fixed income products, as well as equity securities in the OTC and Canadian markets. This trading involves the purchase of securities from, and the sale of securities to, our clients as well as other dealers who may be

purchasing or selling securities for their own account or acting as agent for their clients. Profits and losses related to this trading activity are primarily derived from the spreads between bid and ask prices, as well as market trends for the individual securities during the period we hold them.

Capital Markets pre-tax income increased $13 million, or 116%, over the same quarter in the prior year, on an increase of $38 million, or 29%, in net revenues.

Revenue increases primarily resulted from a $24 million, or 148%, increase in underwriting fees, a $12 million, or 13%, increase in institutional sales commissions, and a $7 million, or 77%, increase in merger and acquisition fees, all of which were partially offset by a nearly $6 million, or 57%, reduction in trading profits. The number of lead-managed underwritings arising from our U.S. and Canadian operations during the quarter were up 140% and 133%, respectively. This increase in activity reflects the improved equity markets, especially in natural resources in Canada, where we had several large underwritings. Merger and acquisition fee activity increased in our business services, energy and technology sectors. The improved equity market conditions as compared to the prior year period were also conducive to generating increased equity market commissions. A portion of the increase in equity commissions came at the expense of fixed income securities, where commissions decreased as compared to the prior year period. Partially offsetting these positive trends was a decrease in trading profits, primarily led by a decrease associated with municipal bonds. Municipal bond market activity was adversely affected by increased supply resulting from the pending December 31, 2010 statutory expiration of the Build America Bond (BAB) program, coupled with decreased demand due to concerns about the financial health of many municipalities.

Non-interest expenses increased $27 million, or 22%, primarily resulting from compensation related costs. Sales commissions increased $4 million, or 11%, which correlates closely with the 13% increase in institutional sales commission revenue. Incentive compensation expense increased $21 million, resulting from the improved financial performance over the quarter as compared to the prior quarter and a smaller reversal of incentive compensation over-accruals related to year-end bonuses as compared to the prior year quarter.

Noncontrolling interests represent the impact of consolidating certain low-income housing tax credit funds and impact Other Revenue, Interest Expense, and Other Expenses in this segment (See Note 7 of the Notes to Condensed Consolidated Financial Statements for further details).

Results of Operations - Asset Management

The following table presents consolidated financial information for our Asset Management segment for the periods indicated:

	Three Months Ended December 31,		
	2010	% Change	2009
		($ in 000's)	
Revenues:			
Investment Advisory Fees	$45,727	14 %	$40,201
Other	9,860	1 %	9,797
Total Revenues	55,587	11 %	49,998
Expenses:			
Admin & Incentive Comp and Benefit Costs	19,492	11 %	17,553
Communications and Information Processing	3,710	(19 %)	4,597
Occupancy and Equipment	1,009	2 %	990
Business Development	1,857	31 %	1,413
Investment Sub-Advisory Fees	6,383	4 %	6,121
Other	6,466	1 %	6,389

Total Expenses	38,917	5	%	37,063
Income Before Taxes And Including Noncontrolling Interests	16,670	29	%	12,935
Noncontrolling Interests	1,076			869
Pre-tax Income Excluding Noncontrolling Interests	$15,594	29	%	$12,066

The following table presents assets under management and a portion of our non-managed fee-based assets at the dates indicated:

	December 31, 2010	September 30, 2010	December 31, 2009
		(in 000's)	
Assets Under Management:			
Eagle Asset Management, Inc.	$17,545,897	$15,566,954	$14,406,828
Eagle Money Market Funds	-	-	2,747,226
Raymond James Consulting Services	8,791,409	8,458,178	8,024,506
Unified Managed Accounts	978,071	734,750	414,690
Freedom Accounts & Other Managed Programs	9,628,069	8,791,332	7,800,988
Total Assets Under Management	36,943,446	33,551,214	33,394,238
Less: Assets Managed for Affiliated Entities	(3,580,258)	(3,544,197)	(3,137,973)
Net Assets Under Management	$33,363,188	$30,007,017	$30,256,265
Non-Managed Fee-based Assets:			
Passport	$24,005,653	$22,707,602	$20,556,250
Ambassador	11,654,777	10,479,432	8,328,755
Other Non-Managed Fee-based Assets	2,177,458	2,022,785	1,800,653
Total	$37,837,888	$35,209,819	$30,685,658

The Asset Management segment includes the operations of Eagle Asset Management, Inc. (“Eagle”), the Eagle Family of Funds, the asset management operations of RJ&A (“AMS”), Raymond James Trust, and other fee-based programs. The majority of the revenue for this segment is generated by the investment advisory fees related to asset management services for individual investment portfolios, mutual funds and managed programs. These fees are computed based on balances either at the beginning of the quarter, the end of the quarter, or average assets. Traditionally about 70% of our investment advisory fees recorded in a quarter are billed based on balances at the beginning of the quarter, 15% are based on balances at the end of the quarter and the remaining 15% are computed based on average assets throughout the quarter. Asset balances are impacted by both the performance of the market and the new sales and redemptions of client accounts/funds. Increasing markets positively impact revenues from investment advisory fees as existing accounts increase in value, and individuals and institutions typically commit incremental funds in rising markets.

Investment advisory fees increased over $5 million, or 14%, from the prior year quarter, generated by increased assets under management. Assets under management increased as a combined result of market appreciation and net inflows of new client assets (approximately $2 billion). Included in Investment advisory fees are performance fees of $3.2 million and $3.6 million at December 31, 2010 and December 31, 2009, respectively.

Expenses increased nearly $2 million, or 5%, primarily resulting from increases in compensation expense which were highly correlated with the increase in revenues. Non-compensation expenses were flat with increased business development expenses offset by decreases in communications and information processing expense which resulted from an expense reduction as a result of the utilization of a third-party transfer agent.

Results of Operations - RJ Bank

The following table presents consolidated financial information for RJ Bank for the periods indicated:

	Three Months Ended December 31,		
	2010	% Change	2009
		($ in 000's)	
Revenues:			
Interest Income	$78,312	11 %	$70,535
Interest Expense	3,959	(20 %)	4,924
Net Interest Income	74,353	13 %	65,611
Other (Loss)	(871)	46 %	(1,613)
Net Revenues	73,482	15 %	63,998
Non-Interest Expenses			
Employee Compensation and Benefits	3,734	37 %	2,732
Communications and Information Processing	444	(7 %)	475
Occupancy and Equipment	182	(6 %)	194
Provision for Loan Losses	11,232	(51 %)	22,835
Other	11,426	(13 %)	13,125
Total Non-Interest Expenses	27,018	(31 %)	39,361
Pre-tax Income	$46,464	89 %	$24,637

The tables below present certain credit quality trends for RJ Bank's loan portfolio:

	Three Months Ended December 31,	
	2010	2009
	(in 000's)	
Net Loan Charge-offs:		
Commercial Real Estate ("CRE") Loans	$(6,349)	$(14,597)
Residential Mortgage Loans	(5,943)	(9,346)
Total	$(12,292)	$(23,943)

	December 31, 2010	September 30, 2010
	(in 000's)	
Allowance for Loan Losses:		
Loans Held for Sale	$48	$23
Loans Held for Investment:		
Commercial Loans	59,978	60,464
CRE Construction Loans	2,672	4,473
CRE Loans	48,606	47,771

Residential Mortgage Loans	34,698	34,297
Consumer Loans	22	56
Total	$ 146,024	$ 147,084

	December 31, 2010	September 30, 2010
	(in 000's)	
Nonperforming Assets:		
Nonperforming Loans:		
CRE Loans	$48,611	$67,901
Residential Mortgage Loans:		
First Mortgage Loans	87,804	85,852
Home Equity Loans/Lines	247	