RAYMOND JAMES FINANCIAL INC
Form 10-Q/A
May 11, 2011

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

FORM 10-Q/A
(Amendment No. 1)

(Mark one)

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

For the quarterly period ended March 31, 2011

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.

126,502,440 shares of Common Stock as of May 4, 2011

EXPLANATORY NOTE

Raymond James Financial, Inc. (the “Company”) is filing this Amendment No. 1 on Form 10-Q/A to the Company’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2011 (the “Report”) which was originally filed with the Securities and Exchange Commission on May 9, 2011, to replace an incorrect electronic file attachment, specifically the submissionpdf.pdf attachment, which accompanied such submission. Only the .pdf attachment was incorrect. Each of the .htm, as well as the XBRL attachments, attached to the original filing were correct. The submissionpdf.pdf document that was attached to the May 9, 2011 submission was inadvertently an earlier draft version of the document.

We are including, for clarification, the following attachments to this submission.

- Submissionpdf.pdf – the Amended, correct pdf file.
- The .htm files, as amended. Note that other than the title and date of the document and this Explanatory Note on page 2, there are no changes in the content of the .htm version from that as originally included with the May 9, 2011 submission.
- Each of the XBRL attachments as originally included with the May 9, 2011 submission. The content of these XBRL files did not change.
- Exhibit 99. This exhibit presents a comparison of the content of the submissionpdf.pdf file as originally submitted with the May 9, 2011 filing, compared to the Amended submissionpdf.pdf version. Any page which contained a change in content (e.g. we did not consider a change in format to be a change in content), is included in this exhibit and the change is marked in the attachment.

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

Form 10-Q/A for the Quarter Ended March 31, 2011

INDEX

PART I FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

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

	March 31, 2011	September 30, 2010
	($ in thousands)	
Assets:		
Cash and cash equivalents	$ 1,255,168	$ 2,943,239
Assets segregated pursuant to regulations and other segregated assets	2,406,869	3,430,715
Securities purchased under agreements to resell and other collateralized financings	390,376	344,652
Financial instruments, at fair value:		
Trading instruments	529,643	591,447
Available for sale securities	353,670	424,461
Private equity and other investments	307,457	321,079
Receivables:		
Brokerage clients, net	1,797,597	1,675,535
Stock borrowed	310,487	262,888
Bank loans, net	6,028,387	6,094,929
Brokers-dealers and clearing organizations	131,231	143,994
Other	494,434	442,856
Deposits with clearing organizations	76,523	76,488
Prepaid expenses and other assets	457,145	451,357
Investments in real estate partnerships - held by variable interest entities	326,770	280,890
Property and equipment, net	168,828	170,768
Deferred income taxes, net	187,019	165,208
Goodwill	62,575	62,575
Total Assets	$ 15,284,179	$ 17,883,081
Liabilities and equity:		
Trading instruments sold but not yet purchased, at fair value	$ 107,771	$ 131,038
Securities sold under agreements to repurchase	62,292	233,346
Payables:		
Brokerage clients	3,693,434	3,308,115
Stock loaned	609,971	698,668
Bank deposits	6,710,583	7,079,718
Brokers-dealers and clearing organizations	173,406	137,041
Trade and other	277,620	290,268
Other borrowings	-	2,557,000
Accrued compensation, commissions and benefits	366,349	418,591
Loans payable related to investments by variable interest entities in real estate partnerships	108,983	76,464

Corporate debt	354,362	355,964
Total Liabilities	12,464,771	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 130,243,288 at March 31, 2011 and 128,620,429 at September 30, 2010	1,264	1,244
Shares exchangeable into common stock; -0- at March 31, 2011 and 243,048 at September 30, 2010	-	3,119
Additional paid-in capital	538,019	476,359
Retained earnings	2,044,007	1,909,865
Treasury stock, at cost; 3,993,636 common shares at March 31, 2011 and 3,918,492 common shares at September 30, 2010	(85,431)	(81,574)
Accumulated other comprehensive income	9,931	(6,197)
Total equity attributable to Raymond James Financial, Inc.	2,507,790	2,302,816
Noncontrolling interests	311,618	294,052
Total Equity	2,819,408	2,596,868
Total Liabilities and Equity	$15,284,179	$ 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)

	Three Months Ended March 31,		Six Months Ended March 31,	
	2011	2010	2011	2010
	($ in thousands, except per share amounts)			
Revenues:				
Securities commissions and fees	$563,710	$479,302	$ 1,097,849	$ 948,453
Investment banking	63,131	44,839	122,100	70,557
Investment advisory fees	52,441	42,218	104,657	86,193
Interest	96,811	93,275	201,197	184,647
Net trading profits	15,246	10,170	21,568	21,807
Financial service fees	41,291	39,286	83,079	76,068
Other	34,114	40,897	66,627	64,931
Total Revenues	866,744	749,987	1,697,077	1,452,656
Interest expense	14,687	15,548	31,191	31,250
Net Revenues	852,057	734,439	1,665,886	1,421,406
Non-interest expenses:				
Compensation, commissions and benefits	579,587	497,419	1,131,471	968,498
Communications and information processing	36,380	32,445	67,525	60,519
Occupancy and equipment costs	26,773	25,892	53,002	52,607
Clearance and floor brokerage	9,447	8,828	19,364	17,330
Business development	22,820	20,614	46,765	40,495
Investment sub-advisory fees	7,867	6,827	14,771	13,385
Bank loan loss provision	8,637	19,937	19,869	42,772
Other	36,308	28,269	62,135	64,479
Total Non-interest Expenses	727,819	640,231	1,414,902	1,260,085
Income including noncontrolling interests and before provision for income taxes	124,238	94,208	250,984	161,321
Provision for income taxes	45,320	34,028	94,111	60,513
Net income including noncontrolling interests	78,918	60,180	156,873	100,808
Net (loss) income attributable to noncontrolling interests	(1,999)	4,552	(5,767)	2,277
Net Income Attributable to Raymond James Financial, Inc.	$80,917	$55,628	$ 162,640	$ 98,531
Net Income per Common Share-Basic	$0.64	$0.45	$ 1.29	$ 0.79
Net Income per Common Share-Diluted	$0.64	$0.45	$ 1.29	$ 0.79
Weighted-Average Common Shares Outstanding-Basic	122,396	119,288	121,752	118,981
	123,265	119,580	122,238	119,234

Weighted-Average Common and Common Equivalent Shares Outstanding-Diluted				
Net income attributable to Raymond James Financial, Inc.	$80,917	$55,628	$ 162,640	$ 98,531
Other comprehensive income, net of tax: (1)				
Change in unrealized gain on available for sale securities and non-credit portion of other-than-temporary impairment losses	2,024	5,071	6,921	18,294
Change in currency translations	3,703	4,522	9,207	7,495
Total Comprehensive Income	$86,644	$65,221	$ 178,768	$ 124,320
Other-than-temporary impairment:				
Total other-than-temporary impairment, net	$(2,163)	$(1,858)	$ (1,384)	$ (17,378)
Portion of (recoveries) losses recognized in other comprehensive income (before taxes)	(1,056)	(581)	(4,014)	11,940
Net Impairment Losses Recognized in Other Revenue	$(3,219)	$(2,439)	$ (5,398)	$ (5,438)

(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)

	Six Months Ended March 31,	
	2011	2010
	($ in thousands)	
Common stock, par value $.01 per share:		
Balance, beginning of year	$ 1,244	$ 1,227
Issued (1)	20	3
Balance, end of period	1,264	1,230
Shares exchangeable into common stock:		
Balance, beginning of year	3,119	3,198
Exchanged (1)	(3,119)	(18)
Balance, end of period	-	3,180
Additional paid-in capital:		
Balance, beginning of year	476,359	416,662
Employee stock purchases	4,486	4,575
Exercise of stock options and vesting of restricted stock units, net of forfeitures	30,343	20,958
Restricted stock, stock option and restricted stock unit expense	23,960	10,802
Excess tax benefit from share-based payments	(236)	(564)
Other (1)	3,107	18
Balance, end of period	538,019	452,451
Retained earnings:		
Balance, beginning of year	1,909,865	1,737,591
Net income attributable to Raymond James Financial, Inc.	162,640	98,531
Cash dividends	(32,868)	(28,396)
Other	4,370	-
Balance, end of period	2,044,007	1,807,726
Treasury stock:		
Balance, beginning of year	(81,574)	(84,412)
Purchases/Surrenders	(6,659)	(3,363)
Exercise of stock options and vesting of restricted stock units, net of forfeitures	2,802	(931)
Balance, end of period	(85,431)	(88,706)
Accumulated other comprehensive income: (2)		
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 (3)	6,921	18,294
Net change in currency transactions	9,207	7,495
Balance, end of period	9,931	(16,014)
Total equity attributable to Raymond James Financial, Inc.	$ 2,507,790	$ 2,159,867
Noncontrolling interests:		

Balance, beginning of year	$ 294,052	$ 200,676
Net (loss) income attributable to noncontrolling interests	(5,767)	2,277
Capital contributions	18,052	34,170
Distributions	(3,225)	(1,102)
Other	8,506	(72)
Balance, end of period	311,618	235,949
Total Equity	$ 2,819,408	$ 2,395,816

(1) During the three months ended March 31, 2011, approximately 243,000 exchangeable shares were exchanged for common stock on a one-for-one basis.

(2) 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.

(3) 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)

	Six Months Ended March 31, 2011	2010
	(in thousands)	
Cash flows from operating activities:		
Net income attributable to Raymond James Financial, Inc.	$ 162,640	$ 98,531
Net (loss) income attributable to noncontrolling interests	(5,767)	2,277
Net income including noncontrolling interests	156,873	100,808
Adjustments to reconcile net income including noncontrolling interests to net cash provided by (used in) operating activities:		
Depreciation and amortization	19,802	23,898
Deferred Income taxes	(25,848)	(38,322)
Premium and discount amortization on available for sale securities and unrealized/realized gain on other investments	(1,669)	(12,511)
Provisions for loan losses, legal proceedings, bad debts and other accruals	30,020	59,543
Stock-based compensation expense	27,041	24,181
Other	(1,317)	173
Net change in:		
Assets segregated pursuant to regulations and other segregated assets	1,025,583	56,667
Securities purchased under agreements to resell and other collateralized financings, net of securities sold under agreements to repurchase	(216,778)	(102,460)
Stock loaned, net of stock borrowed	(136,296)	522,145
Brokerage client receivables and other accounts receivable, net	(157,246)	(103,106)
Trading instruments, net	86,277	(117,682)
Prepaid expenses and other assets	11,120	(38,674)
Brokerage client payables and other accounts payable	390,655	(467,573)
Accrued compensation, commissions and benefits	(54,660)	(51,067)
Purchase and origination of loans held for sale, net of proceeds from sale of securitizations and loans held for sale	(19,511)	91,944
Excess tax benefits from stock-based payment arrangements	(1,069)	(206)
Net cash provided by (used in) operating activities	1,132,977	(52,242)
Cash flows from investing activities:		
Additions to property and equipment	(15,974)	(13,244)
Decrease in loans, net	24,523	247,292
Redemption of Federal Home Loan Bank stock, net	4,777	-
Sales (Purchases) of private equity and other investments, net	14,328	(14,306)
Decrease in securities purchased under agreements to resell	-	2,000,000
Purchases of available for sale securities	(1,832)	-
Available for sale securities maturations and repayments	66,615	76,810
Sales of available for sale securities	11,444	-
Investments in real estate partnerships held by variable interest entities, net of other investing activity	(2,326)	(4,316)
Net cash provided by investing activities	101,555	2,292,236
Cash flows from financing activities:		
Proceeds from borrowed funds, net	-	70

Repayments of borrowings, net	(2,558,602)	(931,516)
Repayments of borrowings by variable interest entities which are real estate partnerships	(11,859)	(8,512)
Proceeds from capital contributed to variable interest entities which are real estate partnerships	17,528	34,382
Exercise of stock options and employee stock purchases	37,202	10,263
Decrease in bank deposits	(369,135)	(2,691,928)
Purchase of treasury stock	(6,916)	(3,363)
Dividends on common stock	(32,868)	(28,396)
Excess tax benefits from stock-based payment arrangements	1,069	206
Net cash used in financing activities	(2,923,581)	(3,618,794)
Currency adjustment:		
Effect of exchange rate changes on cash	978	1,701
Net decrease in cash and cash equivalents	(1,688,071)	(1,377,099)
Cash and cash equivalents at beginning of year	2,943,239	2,306,085
Cash and Cash Equivalents at End of Period	$ 1,255,168	$ 928,986
Supplemental disclosures of cash flow information:		
Cash paid for interest	$ 32,565	$ 30,053
Cash paid for income taxes	$ 118,750	$ 110,258
Non-cash transfers of loans to other real estate owned	$ 9,936	$ 24,489

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

7

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
March 31, 2011

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 entity (“VIE”) 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 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 VIE’s 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 where we determined we are no longer the primary beneficiary, and consolidated two other LIHTC funds where 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 allowance 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 March 31, 2011, the outstanding balance of these loans is $224 million, with a related allowance for doubtful accounts of $9.3 million, which are included within 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 $1.9 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:

	March 31, 2011	September 30, 2010	
	(in thousands)		
Cash and cash equivalents:			
Cash in banks	$1,249,472	$ 2,939,963	(1)
Money market investments	5,696	3,276	
Total cash and cash equivalents (2)	1,255,168	2,943,239	
Cash and securities segregated pursuant to federal regulations and other segregated assets (3)	2,406,869	3,430,715	(1)
Deposits with clearing organizations (4)	76,523	76,488	
	$3,738,560	$ 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 $425 million of RJF Parent Company cash and cash equivalents (invested on behalf of the RJF Parent Company by one of its subsidiaries) as of March 31, 2011. 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 are presented below:

March 31, 2011	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 March 31, 2011
			(in thousands)		
Assets:					
Trading instruments:					
Municipal and provincial obligations	$2,048	$ 147,694	$ 5,688	$ -	$ 155,430
Corporate obligations	8,421	52,315	-	-	60,736
Government and agency obligations	20,556	21,555	-	-	42,111
Agency mortgage-backed securities (“MBS”) and collateralized mortgage obligations (“CMOs”)	209	165,011	-	-	165,220
Non-agency CMOs and asset-backed securities (“ABS”)	18,047	5,801	3,921	-	27,769
Total debt securities	49,281	392,376	9,609	-	451,266
Derivative contracts	-	74,659	-	(55,851)	18,808
Equity securities	50,669	372	1,925	-	52,966
Other securities	694	5,909	-	-	6,603
Total trading instruments	100,644	473,316	11,534	(55,851)	529,643
Available for sale securities:					
Agency MBS and CMOs	-	178,513	-	-	178,513
Non-agency CMOs	-	174,346	800	-	175,146
Other securities	11	-	-	-	11
Total available for sale securities	11	352,859	800	-	353,670
Private equity and other investments:					
Private equity investments	-	-	157,046 (3)	-	157,046
Other investments	149,519	847	45	-	150,411
Total private equity and other investments	149,519	847	157,091	-	307,457
Other assets	-	-	25	-	25
Total	$250,174	$ 827,022	$ 169,450	$ (55,851)	$ 1,190,795
Liabilities:					
Trading instruments sold but not yet purchased:					
Municipal and provincial obligations	$ -	$ 869	$ -	$ -	$ 869
Corporate obligations	65	8,017	-	-	8,082

Government obligations	71,438	-	-	-	71,438
Agency MBS and CMOs	4	1,034	-	-	1,038
Total debt securities	71,507	9,920	-	-	81,427
Derivative contracts	-	54,961	-	(48,428)	6,533
Equity securities	19,670	141	-	-	19,811
Total trading instruments sold but not yet purchased	91,177	65,022	-	(48,428)	107,771
Other liabilities	-	16	42	-	58
Total	$91,177	$ 65,038	$ 42	$ (48,428)	$ 107,829

(1) We had no significant transfers of financial instruments between Level 1 and Level 2 during the period ended March 31, 2011. 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 $85.7 million in private equity investments of which the weighted-average portion we own is approximately 21%. 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 $67.9 million of that total as of March 31, 2011.

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 thousands)		
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 are presented below:

Level 3 Financial Assets at Fair Value

Three Months Ended March 31, 2011	Fair Value, December 31, 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, March 31, 2011	Change in Unrealized Gains (Losses) Related to Financial Instruments Held at March 31, 2011
				(in thousands)				
Assets:								
Trading instruments:								
Municipal and provincial obligations	$ 6,076	$ (388)	$ -	$ -	$ -	$ -	$ 5,688	$ (388)
Non-agency CMOs and ABS	3,643	877	-	(599)	-	-	3,921	1,092
Equity securities	3,225	-	-	(1,300)	-	-	1,925	-
Available for sale securities:								
Non-agency CMOs	1,098	121	(101)	(318)	-	-	800	(81)
Private equity and other investments:								
Private equity investments	159,586	(478)	-	(2,062)	-	-	157,046	(3,293)
Other investments	45	-	-	-	-	-	45	-
Other assets	25	-	-	-	-	-	25	-
Liabilities:								
Other liabilities	$ (46)	$ -	$ -	$ -	$ (3)	$ 7	$ (42)	$ -

12

Level 3 Financial Assets at Fair Value

Six Months Ended March 31, 2011	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, March 31, 2011	Change in Unrealized Gains (Losses) Related to Financial Instruments Held at March 31, 2011
	(in thousands)							
Assets:								
Trading instruments:								
Municipal and provincial obligations	$ 6,275	$ (582)	$ -	$ (5)	$ -	$ -	$ 5,688	$ (777)
Non-agency CMOs and ABS	3,930	740	-	(749)	-	-	3,921	1,144
Equity securities	3,025	-	-	(1,100)	-	-	1,925	-
Available for sale securities:								
Non-agency CMOs	1,011	121	66	(398)	-	-	800	(81)
Private equity and other investments:								
Private equity investments	161,230	(403)	-	(3,781)	-	-	157,046	(3,298)
Other investments	45	-	-	-	-	-	45	-
Other assets	-	-	-	-	25	-	25	-
Liabilities:								
Other liabilities	$ (46)	$ -	$ -	$ -	$ (3)	$ 7	$ (42)	$ -

Level 3 Financial Assets at Fair Value

Three Months Ended March 31, 2010	Fair Value, December 31, 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, March 31, 2010	Change in Unrealized Gains (Losses) Related to Financial Instruments Held at March 31, 2010

(in thousands)

Assets:								
Trading instruments:								
Municipal and provincial obligations	$5,323	$ 258	$ -	$ -	$-	$-	$ 5,581	$ 258
Non-agency CMOs and ABS	9,176	(156)	-	(2,875)	-	-	6,145	414
Derivative contracts	-	13	-	-	-	-	13	13
Other securities	1,460	110	-	4	-	-	1,574	110
Available for sale securities:								
Non-agency CMOs	2,621	(1,772)	858	(84)	-	-	1,623	(1,772)
Private equity and other investments:								
Private equity investments	144,967	12,376 (1)	-	454	-	-	157,797	12,376
Other investments	223	(1)	-	-	-	-	222	(1)
Liabilities:								
Derivative contracts	$(117)	$ 79	$ -	$ -	$-	$-	$ (38)	$ 79
Other liabilities	(46)	-	-	-	-	-	(46)	-

(1) Primarily results from the write-up of a private equity investment. Since we only own a portion of these investments, only $1.8 million of the gain is included in net income attributable to RJF (after noncontrolling interests).

13

Level 3 Financial Assets at Fair Value

Six Months Ended March 31, 2010	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, March 31, 2010		Change in Unrealized Gains (Losses) Related to Financial Instruments Held at March 31, 2010	
	(in thousands)											
Assets:												
Trading instruments:												
Municipal and provincial obligations	$5,316	$ 265		$ -	$ -		$-	$-	$ 5,581		$ 265	
Non-agency CMOs and ABS	10,915	(496	)	-	(4,274	)	-	-	6,145		(12	)
Derivative contracts	222	(209	)	-	-		-	-	13		(75	)
Other securities	919	634		-	21		-	-	1,574		633	
Available for sale securities:												
Non-agency CMOs	2,596	(2,324	)	1,569	(218	)	-	-	1,623		(2,324	)
Private equity and other investments:												
Private equity investments	142,671	12,073	(1)	-	3,053		-	-	157,797		12,073	
Other investments	227	(5	)	-	-		-	-	222		(5	)
Liabilities:												
Derivative contracts	$-	$ (38	)	$ -	$ -		$-	$-	$ (38	)	$ (38	)
Other liabilities	(59)	13		-	-		-	-	(46	)	(7	)

(1) Primarily results from the write-up of a private equity investment. Since we only own a portion of these investments, only $1.8 million of the gain is included in net income attributable to RJF (after noncontrolling interests).

As of March 31, 2011, 7.8% of our assets and 0.9% 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 March 31, 2011 represent 14.2% of our assets measured at fair value. As of March 31, 2010, 9.6% and 1.0% 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 March 31, 2010 represented 11.8% of all our assets measured at fair value.

Gains and losses (realized and unrealized) included in revenues are reported in net trading profits and other revenues in our Condensed Consolidated Statements of Income as follows:

For the Three Months Ended March 31, 2011	Net Trading Profits	Other Revenues
	(in thousands)	
Total gains (losses) included in revenues	$489	$(357)
Change in unrealized gains (losses) relating to assets still held at reporting date	705	(3,374)

For the Six Months Ended March 31, 2011	Net Trading Profits	Other Revenues
	(in thousands)	
Total gains (losses) included in revenues	$158	$(282)
Change in unrealized gains (losses) relating to assets still held at reporting date	367	(3,379)

For the Three Months Ended March 31, 2010	Net Trading Profits	Other Revenues
	(in thousands)	
Total gains included in revenues	$211	$10,696
Change in unrealized gains relating to assets still held at reporting date	$781	$10,696

For the Six Months Ended March 31, 2010	Net Trading Profits	Other Revenues
	(in thousands)	
Total gains included in revenues	$398	$9,516
Change in unrealized gains relating to assets still held at reporting date	$881	$9,630

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.

	Fair Value Measurements			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
March 31, 2011:	(in thousands)			
Assets at fair value on a nonrecurring basis:				
Bank loans, net (1)	$-	$ 5,140	$ 46,963	$52,103
OREO (2)	-	6,879	-	6,879
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 six months ended March 31, 2011 resulted in $13.7 million in additional provision for loan losses as well as $1.7 in other losses during the six month period.

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 March 31, 2011, 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 are as follows:

	March 31, 2011		September 30, 2010	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
	(in thousands)			
Financial assets:				
Bank loans, net	$6,028,387	$6,046,336	$6,094,929	$6,099,106
Financial liabilities:				
Bank deposits	6,710,583	6,716,986	7,079,718	7,088,297
Other borrowings	-	-	2,557,000	2,557,613
Corporate debt	354,362	411,931	355,964	421,132

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

	March 31, 2011		September 30, 2010	
	Trading Instruments	Instruments Sold but Not Yet Purchased	Trading Instruments	Instruments Sold but Not Yet Purchased
	(in thousands)			
Municipal and provincial obligations	$155,430	$ 869	$168,353	$ 296
Corporate obligations	60,736	8,082	38,471	693
Government and agency obligations	42,111	71,438	36,894	99,631
Agency MBS and CMOs	165,220	1,038	278,578	105
Non-Agency CMOs and ABS	27,769	-	8,297	-
Total debt securities	451,266	81,427	530,593	100,725
Derivative contracts	18,808	6,533	26,367	1,649
Equity securities	52,966	19,811	31,644	28,664
Other securities	6,603	-	2,843	-
Total	$529,643	$ 107,771	$591,447	$ 131,038

Auction rate securities totaling $7.5 million and $9.1 million at March 31, 2011 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 March 31, 2011 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 $11.4 million from the sale of available for sale securities during the six month period ended March 31, 2011, which resulted in total losses of $209,000. There were no proceeds from the sale of available for sale securities for the six month period ended March 31, 2010.

The amortized cost and estimated fair values of available for sale securities are as follows:

	March 31, 2011			
	Cost Basis	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(in thousands)			
Available for sale securities:				
Agency MBS and CMOs	$178,255	$ 419	$ (161)	$178,513
Non-agency CMOs (1)	215,033	13	(39,900)	175,146
Total RJ Bank available for sale securities	393,288	432	(40,061)	353,659
Other securities	3	8	-	11
Total available for sale securities	$393,291	$ 440	$ (40,061)	$353,670

	September 30, 2010			
	Cost Basis	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(in thousands)			
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 March 31, 2011, the non-credit portion of other-than-temporary impairment (“OTTI”) recorded in accumulated other comprehensive income (“AOCI”) was $32.1 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 are as follows:

	March 31, 2011				
	Within One Year	After One but within Five Years	After Five but within Ten Years	After Ten Years	Total
	(in thousands)				
Agency MBS & CMOs:					
Amortized cost	$-	$ -	$ 61,985	$ 116,270	$178,255
Carrying value	-	-	62,142	116,371	178,513
Weighted-average yield	-	-	0.39 %	0.65 %	0.55 %

Non-agency CMOs:					
Amortized cost	$-	$ -	$ -	$ 215,033	$215,033
Carrying value	-	-	-	175,146	175,146
Weighted-average yield	-	-	-	4.85 %	4.85 %
Total available for sale securities:					
Amortized cost	$-	$ -	$ 61,985	$ 331,303	$393,288
Carrying value	-	-	62,142	291,517	353,659
Weighted-average yield	-	-	0.39 %	3.17 %	2.69 %

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, are as follows:

	March 31, 2011					
	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 thousands)					
Agency MBS and CMOs	$42,280	$(80)	$18,794	$(81)	$61,074	$(161)
Non-agency CMOs	-	-	173,578	(39,900)	173,578	(39,900)
Total impaired securities	$42,280	$(80)	$192,372	$(39,981)	$234,652	$(40,061)

	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 thousands)					
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 March 31, 2011, of the 42 U.S. government-sponsored enterprise MBS in an unrealized loss position, 26 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 March 31, 2011 and including subsequent ratings changes, $13 million of the non-agency CMOs were rated AAA by two rating agencies, and $162.1 million were rated less than AAA by at least one rating agency. At March 31, 2011, all but one of the 25 non-agency CMOs were in a continuous unrealized loss position for 12 months or more. The remaining non-agency CMO was in an unrealized gain position at March 31, 2011. 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 March 31, 2011 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 are as follows:

	March 31, 2011	
	Range	Weighted Average (1)
Default rate	2.7% - 34.4%	15.1%
Loss severity	12.9% - 60.3%	41.7%
Prepayment rate	1.7% - 34.7%	12.8%

(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 of OTTI related to credit losses recognized in earnings on available for sale securities are as follows:

	Three Months Ended March 31,		Six Months Ended March 31,	
	2011	2010	2011	2010
	(in thousands)			
Amount related to credit losses on securities we held at the beginning of the period	$20,995	$17,430	$ 18,816	$ 17,762
Additions to the amount related to credit loss for which an OTTI was not previously recognized	213	184	213	1,789
Decreases to the amount related to credit loss for securities sold during the period	(6,744)	-	(6,744)	-
Additional increases to the amount related to credit loss for which an OTTI was previously recognized	3,006	2,255	5,185	3,649
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	$17,470	$19,869	$ 17,470	$ 19,869

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 previous 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 September 30, 2010 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 percentages 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 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 total loan portfolio:

	March 31, 2011		September 30, 2010	
	Balance	%	Balance	%
	($ in thousands)			
Loans held for sale, net (1)	$8,117	-	$6,114	-
Loans held for investment, net: (1)				
Commercial loans	3,499,757	56 %	3,232,723	52 %
CRE construction loans	61,498	1 %	65,512	1 %
CRE loans	799,569	13 %	937,669	15 %
Residential mortgage loans	1,843,006	30 %	2,015,331	32 %
Consumer loans	5,873	-	23,940	-
Total loans held for investment	6,209,703		6,275,175	
Net unearned income and deferred expenses	(43,318)		(39,276)	
Total loans held for investment, net	6,166,385		6,235,899	
Total loans held for sale and investment	6,174,502	100 %	6,242,013	100 %
Allowance for loan losses	(146,115)		(147,084)	
Bank loans, net	$6,028,387		$6,094,929	

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

RJ Bank's net gain from the sale of loans held for sale was $315,000 and $129,000, which was recorded in Other Revenues on our Condensed Consolidated Statements of Income, for the three month periods ended March 31, 2011 and 2010, respectively. The net gain from the sale of loans held for sale was $574,000 and $240,000 for the six month periods ended March 31, 2011 and 2010, respectively.

There were no significant sales or purchases of any loans held for investment during the three or six months ended March 31, 2011.

The following table shows the contractual maturities of RJ Bank's loan portfolio at March 31, 2011, 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 thousands)			
Loans held for sale	$-	$ -	$ 7,404	$7,404
Loans held for investment				
Commercial loans	69,999	2,493,467	936,291	3,499,757
CRE construction loans	41,921	19,577	-	61,498
CRE loans	316,008	443,318	40,243	799,569
Residential mortgage loans	1,063	12,180	1,829,763	1,843,006
Consumer loans	5,821	-	52	5,873
Total loans held for investment	434,812	2,968,542	2,806,349	6,209,703
Total loans	$434,812	$ 2,968,542	$ 2,813,753	$6,217,107

(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:

	March 31, 2011	September 30, 2010
	(in thousands)	
Nonaccrual loans:		
CRE loans	$44,315	$ 67,071
Residential mortgage loans:		
First mortgage loans (1)	83,729	80,754
Home equity loans/lines	88	71
Total nonaccrual loans	128,132	147,896
Accruing loans which are 90 days past due:		
CRE loans	-	830
Residential mortgage loans:		
First mortgage loans	4,608	5,098
Home equity loans/lines	90	159
Total accruing loans which are 90 days past due	4,698	6,087
Total nonperforming loans	132,830	153,983
Real estate owned and other repossessed assets, net:		
CRE	11,162	19,486
Residential:		
First mortgage	8,793	8,439
Home equity	13	-

Total	19,968		27,925	
Total nonperforming assets, net	$152,798	$	181,908	
Total nonperforming assets as a % of total loans, net and other real estate owned, net	2.53	%	2.97	%

(1) Of the total residential first mortgage nonaccrual loans, there are loans totaling $72.9 million and $68.7 million as of March 31, 2011 and September 30, 2010, respectively, for which a charge-off had previously been recorded.

The table of nonperforming assets above excludes $9.2 million and $8.2 million of residential troubled debt restructurings, which were returned to accrual status in accordance with our policy as of March 31, 2011 and September 30, 2010, respectively.

As of March 31, 2011 and September 30, 2010, RJ Bank had commitments to lend an additional $500,000 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 $2.1 million and $3.7 million for the three and six months ended March 31, 2011 and $2.5 million and $5 million for the three and six months ended March 31, 2010. The interest income recognized on nonperforming loans was $116,000 and $417,000 for the three and six months ended March 31, 2011 and $372,000 and $557,000 for the three and six months ended March 31, 2010.

The following table presents an analysis of the payment status of loans held for investment as of March 31, 2011:

	30-59 Days	60-89 Days	90 Days or More	Total Past Due	Current	Total Loans Held for Investment (1)
			(in thousands)			
Commercial loans	$-	$-	$-	$-	$3,461,854	$ 3,461,854
CRE construction loans	-	-	-	-	61,132	61,132
CRE loans	81	-	12,164	12,245	783,956	796,201
Residential mortgage loans:						
First mortgage loans	7,175	5,976	65,337	78,488	1,730,734	1,809,222
Home equity loans/lines	37	-	177	214	31,887	32,101
Consumer loans	-	-	-	-	5,875	5,875
Total loans held for Investment, net	$7,293	$5,976	$77,678	$90,947	$6,075,438	$ 6,166,385

(1) Net of unearned income and deferred expenses.

The following table provides a summary of RJ Bank's impaired loans:

	March 31, 2011			September 30, 2010		
	Gross Recorded Investment	Unpaid Principal Balance	Allowance for Losses	Gross Recorded Investment	Unpaid Principal Balance	Allowance For Losses
			(in thousands)			
Impaired loans with allowance for loan losses: (1)						
CRE loans	$39,281	$ 55,713	$ 14,490	$60,598	$ 85,652	$ 8,469
Residential mortgage loans:						
First mortgage loans	14,394	16,327	2,926	12,434	13,659	2,782

Home equity loans/lines	143	143	27	144	144	30
Total	53,818	72,183	17,443	73,176	99,455	11,281
Impaired loans without allowance for loan losses: (2)						
CRE loans	5,034	7,925	-	6,473	17,309	-
Residential – first mortgage loans	5,554	8,855	-	3,552	5,355	-
Total	10,588	16,780	-	10,025	22,664	-
Total impaired loans	$64,406	$ 88,963	$ 17,443	$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 table above includes $37.8 million and $27.8 million in troubled debt restructurings at March 31, 2011 and September 30, 2010, respectively.

22

The average balance of the impaired loans and the related interest income recognized in the Condensed Consolidated Statements of Income are as follows:

	Three Months Ended March 31,		Six Months Ended March 31,	
	2011	2010	2011	2010
	(in thousands)			
Average impaired loan balance:				
CRE loans	$46,923	$48,337	$ 46,998	$ 54,443
Residential mortgage loans:				
First mortgage loans	20,139	6,154	18,607	4,836
Home equity loans/lines	143	128	144	128
Total	$67,205	$54,619	$ 65,749	$ 59,407
Interest income recognized:				
CRE loans	$-	$-	$ -	$ -
Residential mortgage loans:				
First mortgage loans	70	24	136	51
Home equity loans/lines	1	1	2	2
Total	$71	$25	$ 138	$ 53

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 their continuance on RJ Bank's books as an asset, without establishment of a specific valuation allowance or charge-off, is not warranted. RJ Bank does 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 held for investment loan portfolio as of March 31, 2011 is presented in the following table:

	Commercial	CRE Construction	CRE	Residential Mortgage First Mortgage	Residential Mortgage Home Equity	Consumer	Total
				(in thousands)			
Pass	$3,355,722	$ 42,656	$623,652	$1,688,123	$31,335	$5,873	$5,747,361
Special mention	38,522	18,842	63,698	30,807	167	-	152,036
Substandard	105,513	-	101,660	92,263	311	-	299,747
Doubtful	-	-	10,559	-	-	-	10,559
Total	$3,499,757	$ 61,498	$799,569	$1,811,193	$31,813	$5,873	$6,209,703

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 by portfolio segment were as follows:

		Loans Held for Investment					
	Loans Held for Sale	Commercial	CRE Construction	CRE	Residential Mortgage	Consumer	Total
				(in thousands)			
Three Months Ended March 31, 2011:							
Balance at beginning of period:	$48	$59,978	$ 2,672	$48,606	$ 34,698	$22	$146,024
Provision for loan losses	(44)	4,800	73	(1,122)	4,894	36	8,637
Net charge-offs:							