

OUR



FOUR CORE PRINCIPLES

2004 ANNUAL REPORT

**RAYMOND JAMES<sup>®</sup>**  
FINANCIAL, INC.

# RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

## FINANCIAL HIGHLIGHTS

FOR THE YEAR	2004	2003	INCREASE
Total Revenues	\$ 1,829,776,000	\$ 1,497,571,000	22%
Net Revenues	\$ 1,781,259,000	\$ 1,451,960,000	23%
Net Income	\$ 127,575,000	\$ 86,317,000	48%
Net Income per Share – Diluted*	\$ 1.72	\$ 1.17	47%
<b>AT YEAR-END</b>			
Shareholders' Equity	\$ 1,065,213,000	\$ 924,735,000	15%
Shares Outstanding*	73,846,000	72,765,000	1%
Shareholders' Equity per Share*	\$ 14.42	\$ 12.71	13%

\* Gives effect to the three-for-two stock split paid in March 2004.

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 Raymond James Financial is a diversified financial services holding company whose subsidiaries engage primarily in investment and financial planning, including securities and insurance brokerage, investment banking, asset management, banking and cash management, and trust services. Through its four investment firms, Raymond James & Associates, Raymond James Financial Services, Raymond James Ltd. and Raymond James Investment Services, the firm has more than 5,100 financial advisors in 2,200 locations throughout the United States, Canada and abroad, providing service to over one million individual and institutional accounts. In addition, the firm's asset management subsidiaries currently manage more than \$22 billion for individuals, pension plans and municipalities. Established in 1962 and a public company since 1983, Raymond James Financial is listed on the New York Stock Exchange and its shares are owned by more than 13,000 individual and institutional investors.

## CORPORATE PROFILE

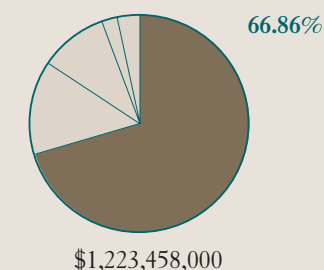
Our diverse range of businesses is the foundation for our firm's growth. While these businesses enable us to meet client needs through one of the most comprehensive ranges of financial services in our industry, they also sustain the long-term returns we provide our shareholders.

### BUSINESS DESCRIPTION

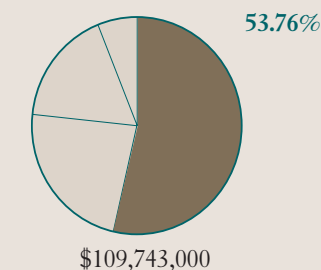
#### PRIVATE CLIENT GROUP

- Raymond James Financial Services – 3,809 independent contractor financial advisors in 1,565 offices in all 50 states.
- Raymond James & Associates – 861 employee financial advisors in 76 offices concentrated in the South, Mid-Atlantic and Midwest.
- Raymond James Ltd. – 259 financial advisors in 46 offices, all located in Canada.
- Raymond James Investment Services – Company owns 75% of this joint venture in the United Kingdom; 53 independent contractor financial advisors in 25 offices.
- Clearing services for 40 correspondent firms with nearly 622 financial advisors.

#### CONTRIBUTION TO REVENUES



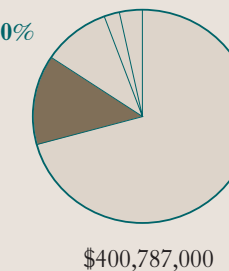
#### SHARE OF PRE-TAX EARNINGS



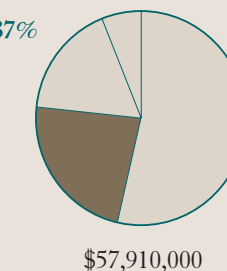
#### EQUITY & FIXED INCOME CAPITAL MARKETS

- Institutional Sales – Serves nearly 2,000 active accounts for U.S., Canadian and European institutions, pension funds and municipalities.
- Equity Investment Banking – Provides services ranging from public and private equity financing to merger and acquisition advice.
- Syndicate – Coordinates marketing, distribution, pricing and stabilization of lead- and co-managed equity underwritings.
- Equity Research – Publishes research on nearly 700 U.S. and Canadian companies.
- Equity Trading – Makes markets in more than 260 common stocks.
- Public Finance – Acts as financial advisor or underwriter to municipal agencies or political subdivisions, housing developers, and nonprofit healthcare institutions.
- Fixed Income Trading – Purchases and sells corporate, municipal, government agency and mortgage-backed bonds.
- Raymond James Tax Credit Funds – Syndicates real estate properties that qualify for low-income housing tax credits.

21.90%



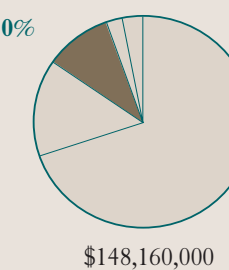
28.37%



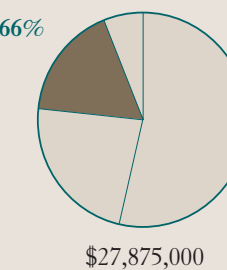
#### PROFESSIONAL ASSET MANAGEMENT

- Eagle Asset Management – \$8.8 billion managed for pension and profit sharing plans, retirement funds, foundations, and variable annuity and mutual fund portfolios.
- Heritage Asset Management – \$8.1 billion managed through 12 mutual fund objectives.
- Awad Asset Management – \$1.35 billion in small-cap equity portfolios.
- Asset Management Services – \$12.2 billion in wrap account assets, including \$3.5 billion in assets under management through agreements with 38 independent investment advisors and Awad Asset Management.
- Raymond James Trust Companies – \$950 million managed through personal trust services.
- Raymond James Capital – Manages a merchant banking fund making private equity investments in established businesses.
- Ballast Point Venture Partners – Manages a newly formed venture capital fund.

8.10%



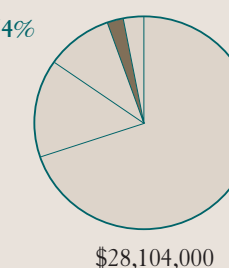
13.66%



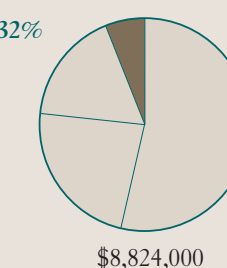
#### RAYMOND JAMES BANK

- Residential and consumer lending programs.
- FDIC-insured deposit accounts, including customized CDs and sweep accounts for cash portions of Raymond James brokerage accounts.
- Commercial lending, predominantly real estate related.
- Services nationwide through Raymond James financial advisors, in addition to access through raymondjamesbank.com, nationwide ATM networks, TeleDirect® toll-free telephone banking, VISA® debit cards and Raymond James Bank Client Service Desk.

1.54%



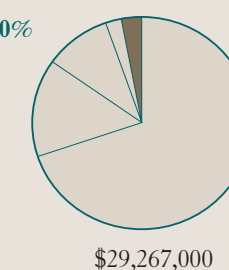
4.32%



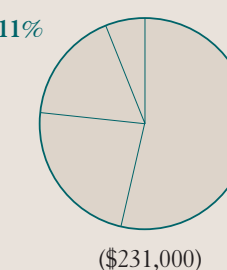
#### OTHER

- Company operates a securities lending program.
- The firm is a partner in several international joint ventures in emerging market countries.
- General corporate overhead expenses.

1.60%

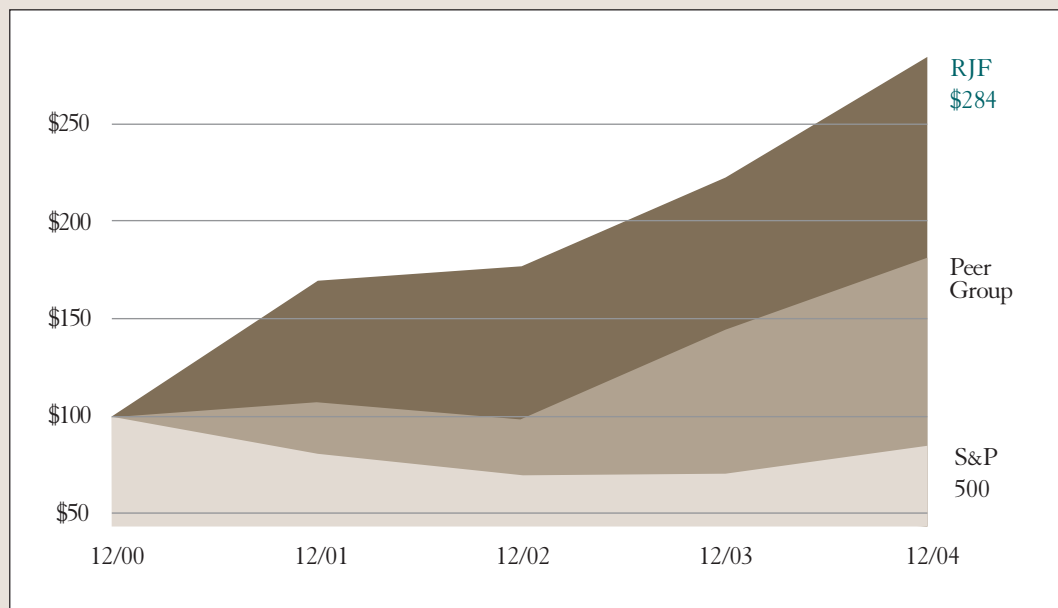


-0.11%



# MESSAGE FROM THE CHAIRMAN & CEO

## RELATIVE STOCK PERFORMANCE



## DEAR FELLOW SHAREHOLDERS,

Fortunately, fiscal 2004 looked a lot more like the last half of fiscal 2003 than the first half. In spite of nature's wrath descending on us here in Florida in the form of four hurricanes, which did impact results to some degree in the fourth quarter, Raymond James Financial established new record levels of net revenues and net income in the fiscal year that ended in September. Net revenues grew 23% to \$1.8 billion, impelling a 48% increase in net income to \$127.5 million.

Conjoined with the growth in revenues, good expense control resulted in an after-tax margin on net revenues of 7.2%, as contrasted to 5.9% last year. Consequently, diluted net income per share grew to \$1.72 from the \$1.17 recorded last year. Accordingly, the book value per share increased to \$14.42, up from \$12.71. Although we still have more to do to re-establish the after-tax rates of return on average equity (ROE) achieved in the 1990s, 2004's ROE was a more respectable 12.8%, up from 9.9% in the prior year. Our management's principal challenge is to improve this measure of corporate excellence in future years.

As indicated in the segment reporting summary on the page entitled Corporate Profile, almost all of our major business units contributed to the improvement in results. The Private Client Group increased revenues 22% and pre-tax income 49%. Capital Markets, in which the increase in the Equity segment's results exceeded the Fixed Income segment's

decline, expanded revenues by 21% and pre-tax income by 54%. Asset Management grew revenues 20% and pre-tax income by 49%. Raymond James Bank experienced a small decline in revenues and its pre-tax income was depressed by reserves for losses established when the loan portfolio was expanded materially, which will increase future profits.

The Private Client Group, under the direction of President and COO Chet Helck, launched an advertising campaign directed to the industry's financial advisors, which describes the five options for affiliation with Raymond James under its AdvisorChoice<sup>SM</sup> program. These affiliation alternatives afford broad flexibility for advisors in terms of selecting the manner in which they can practice their profession.

Although it is often difficult to measure the impact of the cultural and visionary aspects of management on the bottom line in the short run, we are strong believers in the importance of values and mission fulfillment in the attainment of long-run financial objectives. Hence, we have dedicated this annual report to describing those core elements of our business plan.

Bulwarked by this foundation of precepts, our operating plan for the future is focused on improving our ROE through an effective deployment of excess capital, a re-engineering of the processes utilized in Operations and Information Technology to improve our effectiveness and efficiency, as well as our service to clients and financial advisors, elevating the quality and productivity of our sales force, and emphasizing the utilization of best practices throughout the firm.

Harvard Hill, managing partner of Houston Partners Venture Capital, has retired after serving 19 years on the Raymond James Financial Board. His prior experience in all facets of the retail securities business has been invaluable to us and we will miss his advice and counsel.

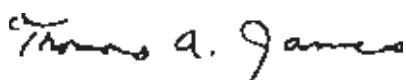
## 2004 SIGNIFICANT EVENTS, ACCOMPLISHMENTS AND UNDERTAKINGS

- Tower IV was completed and occupancy commenced in the second quarter.
- The Investment Banking Department of Equity Capital Markets completed a record 120 underwritings as a lead manager or co-manager, compared to 69 last year, which contributed to the record revenues and profits of ECM.
- Assets under discretionary management at Raymond James increased from \$19.2 billion at the first of the year to \$22.3 billion at fiscal year-end. In addition, non-managed account assets in fee-based compensation arrangements, not included above, grew from \$11.3 billion to \$15.2 billion during the year.
- We added Adelaide Alexander (Alex) Sink to the Raymond James Financial and the Raymond James Bank Boards. She has had a distinguished career in banking and was the president of the Florida Banking Group of Bank of America.
- While the fear that interest rates were about to increase dramatically, which has only recently begun, reduced revenues and pre-tax profits in Fixed Income, the department capitalized on market conditions to build a substantial High Yield Trading and Sales Group.
- While the non-financial advisor employee count has begun to climb again, it is still more than 10% below the highest level achieved in March 2001.
- Fueled by increasing rates and higher margin balances, net interest earnings have begun to grow again and accounted for 42% of pre-tax income in 2004.

- Raymond James Advisor Select<sup>SM</sup>, the new hybrid affiliation option that accommodates employee financial advisors who desire more independence, now has five offices with several others in process.
- Raymond James & Associates ramped up its training program with a 2005 goal of adding 150 new trainees.
- In conjunction with the Private Client Group and Compliance, Information Technology has developed a new compliance system, the Supervisory Alert System (SAS), which should enable branch managers, operations managers and headquarters compliance personnel to detect potential problems earlier or prevent their occurrence.
- Raymond James Ltd., our Canadian subsidiary, materially reduced Private Client Group losses, as its independent contractor recruiting effort is meeting with good success, and produced much higher operating profits in total in 2004 than it generated in 2003.
- Like many of our peers, we discovered that many of our clients were not afforded all the commission discounts to which they were entitled on mutual fund purchases. We were fined \$2.6 million by the SEC and NASD, and have made restitution related to the last five years of \$10.2 million to clients. We also implemented new software systems and procedures to deter recurrences in the future.
- The hurricanes that we encountered in 2004 provided a real test of our business continuity plan. Our experience indicates that our Detroit backup facility works but should be expanded over time.
- Operations and Information Technology both commissioned consulting studies to identify areas for improving effectiveness and are launching action plans to re-engineer their platforms, which will be implemented over the next several years.
- We recently became aware that *Forbes* has selected Raymond James Financial as one of the 100 best-managed companies in the United States. The list of those companies is included in the January 10, 2005, issue.
- In February, the Board of Directors authorized a three-for-two split, which incorporated a 17% dividend increase. At the December meeting, the Board raised the dividend rate again on the new shares from \$0.28 to \$0.32 per year.

Since the end of 2004, the equity market has continued to rally, which augurs well for the beginning of 2005. However, the Federal Reserve Board is continuing to raise short-term rates, as some inflation, especially in energy and food, has crept into the system. With these headwinds developing, I expect volatility and downside risk to increase in 2005. Nonetheless, I remain sanguine longer term as we continue to strengthen our platform, which should enable us to attain new records in the future.

Sincerely,



Thomas A. James  
Chairman and CEO  
December 23, 2004

## Q&A WITH THE PRESIDENT & COO



Raymond James is concerned about assuring our industry remains a trusted resource. Chet Helck, our president and COO, was re-elected this year to the board of the Securities Industry Association, a group whose mission is to build and maintain confidence in the securities markets, and he will chair that organization's Public Trust & Confidence Committee. Also in 2004, he was called upon to represent investors and our firm when he testified to the Senate Banking, Housing and Urban Affairs Committee regarding mutual fund reform. Here, he addresses issues directly related to the steps our firm is taking to continue building trust between clients and advisors.

### IN RECENT INTERVIEWS, YOU HAVE EMPHASIZED RAYMOND JAMES' HIGH STANDARDS OF PROFESSIONALISM. CAN YOU CITE SOME EXAMPLES OF WHAT THIS HAS MEANT TO THE FIRM'S INITIATIVES?

We have always held ourselves to client-oriented standards that have, in the short term, reduced earnings. Yet these standards have proven crucial to our continued long-term success. Whether you consider our long-standing resolution to provide advisors with no additional incentives to sell proprietary products with higher margins or our dedication to comprehensive client disclosure that adds costs, we believe we must hold ourselves to the highest standards of professionalism. By protecting clients' interests, we are convinced we will earn more business over the long run.

Over the past year, we have continued to push this commitment to an even higher level. One visible example of these efforts has been our willingness to raise the standards for advisors interested in affiliating with Raymond James. These not only include minimum production levels but also standards for practice management. Increasing the number of experienced advisors working with the firm is a key growth strategy for Raymond James. Needless to say, reducing the potential pool of advisors qualified to affiliate with Raymond James has made it more challenging to add to our family of over 5,100 professional advisors. These standards also apply to advisors already associated with the firm and has meant that, in some cases, we have terminated relationships with financial advisors.

Another effort has been our increasing levels of spending to support and recognize financial advisor education and training. We continue to spend millions of dollars on investment and financial planning education to ensure that our financial advisors are properly equipped to serve their clients' increasingly complex financial needs. This effort has included a focus on new criteria for recognition and compensation programs for our top performers.

We have also made significant investments in adding sales management and compliance professionals to assist with regulatory oversight and provide guidance to our financial advisors. This effort has been further enhanced by our development of state-of-the-art systems to provide advisors with an even more comprehensive analysis of their clients' portfolios and help ensure investments are suitable and consistent with client objectives.

A particularly exciting development that fully builds on our commitment to creating a professional environment for our financial advisors is our AdvisorChoice<sup>SM</sup> program.

## WHAT IS ADVISORCHOICE?

We have made considerable investments in our support staff, systems and array of products in order to be competitive with the best firms in the securities business. However, unlike most of our competitors, we believe that our industry's most successful and experienced advisors have varying preferences for compensation arrangements and business models. We have therefore developed an alternative to a "one-size-fits-all" approach.

AdvisorChoice is how we have packaged our platform of financial advisor affiliation and payout options. It leverages our versatile, full-service infrastructure and systems, and appeals to professional advisors who appreciate our consultative approach to meeting their career objectives. We believe we are the only securities firm that provides such a complete range of options including models for traditional branch employees, independent contractors, fee-only advisors, financial advisors in community banks or credit unions and "independent employees" who establish their own branches but maintain the benefits of being an employee.

In 2004, we have been aggressively promoting AdvisorChoice as a central part of our advisor recruiting advertising efforts and have seen an increase in brand recognition in our industry climb to more than 80%. By demonstrating that we see our financial advisors as our clients, and by providing them with the tools and autonomy they need to support their clients, we have found that we have increasingly appealed to more sophisticated and successful professionals who value the choice we offer and who are attracted to our culture of independence. Obviously, if we can continue to attract the best financial advisors with our commitment to a higher standard of professionalism, we should be able to consistently achieve and sustain our objectives of quality and growth.

## YOUR "VERSATILE, FULL-SERVICE INFRASTRUCTURE AND SYSTEMS" WERE PUT TO THE TEST WITH THE RECENT HURRICANE ACTIVITY.

Yes, we certainly tested our emergency business continuity plans, but it is a testament to the resilience of our associates, the thoroughness of our planning, and the stability of our procedures and systems that we weathered four serious storms without significant business disruptions. We also recognize that we were fortunate not to take a direct hit from any of the hurricanes in St. Petersburg, and have supported the Red Cross and Governor Jeb Bush's Hurricane Relief Fund in their efforts to help our fellow Floridians who were not as fortunate.

## THE PAST YEAR ALSO PRESENTED THE FIRM AND THE INDUSTRY WITH A MORE ACTIVE REGULATORY ENVIRONMENT.

It is true that our regulators have been more aggressive in overseeing our industry and have contributed to improved practices in many cases. In fact, earlier last year, we discovered that we had miscalculated mutual fund commission discounts for many of our clients and we were fined by our regulators and made restitution to our clients.

We remain committed to serving our clients' best interests and are therefore actively working with other industry leaders to ensure that rules and practices are designed to protect our clients and to support the public's trust and confidence in the industry.

If we have one concern with recent regulatory activity, it is that some dealings do not recognize the value of the services a financial advisor provides an investor. Our belief that financial advisors provide a valuable service to their clients is why I agreed to testify to this end on behalf of the industry in front of Congress earlier in the year. Our commitment to contributing to industry leadership on this subject is also why I recently accepted the chairmanship of the SIA's Public Trust & Confidence Committee.

# RAYMOND JAMES FINANCIAL, INC.

## BOARD OF DIRECTORS



The following constitutes the proposed Raymond James Financial Board of Directors (except where indicated), subject to election at the annual shareholders' meeting on February 17, 2005.

*Front:*

**THOMAS A. JAMES**  
Chairman of the Board and CEO  
Raymond James Financial and  
Raymond James & Associates

**CHET HELCK**  
President and COO  
Raymond James Financial

**ADELAIDE ALEXANDER (ALEX) SINK**  
Former Florida Banking Group President  
Bank of America

*Center:*

**DR. PAUL MARSHALL**  
Professor of Management Practice  
Harvard Graduate School  
of Business Administration

**ANGELA M. BIEVER**  
General Manager  
New Business Initiatives,  
Intel Corp.

**KENNETH A. SHIELDS**  
Chairman and CEO  
Raymond James Ltd.

**FRANCIS S. GODBOLD**  
Vice Chairman  
Raymond James Financial

*Back:*

**H. WILLIAM HABERMEYER JR.**  
President and CEO  
Progress Energy Florida

**WICK SIMMONS**  
Former Chairman and CEO  
NASDAQ Stock Market

**JONATHAN A. BULKLEY**  
Bulkley Consulting, LLC  
Emerging markets, capital markets  
development consulting

**HARVARD H. HILL JR.**  
Managing General Partner  
Houston Partners Venture Capital  
(Retired in December 2004)

## OPERATING COMMITTEE

**RICHARD G. AVERITT III**  
Chairman and CEO  
Raymond James Financial Services

**TIMOTHY EITEL**  
Chief Information Officer  
Raymond James Financial

**CHET HELCK**  
President and COO  
Raymond James Financial

**THOMAS A. JAMES**  
Chairman of the Board and CEO  
Raymond James Financial

**JEFFREY P. JULIEN**  
Senior Vice President,  
Finance and Chief Financial Officer  
Raymond James Financial

**RICHARD K. RIESS**  
Executive Vice President, Asset Management  
Raymond James Financial

**VAN C. SAYLER**  
Senior Vice President, Fixed Income  
Raymond James & Associates

**THOMAS R. TREMAINE**  
Executive Vice President, Operations and Administration  
Raymond James & Associates

**JEFFREY E. TROCIN**  
Executive Vice President, Equity Capital Markets  
Raymond James & Associates

**DENNIS W. ZANK**  
President  
Raymond James & Associates

## RAYMOND JAMES FINANCIAL AND SUBSIDIARY EXECUTIVE OFFICERS

**JENNIFER C. ACKART**  
Controller and Chief Accounting Officer  
Raymond James Financial

**BARRY S. AUGENBRAUN**  
Senior Vice President and Corporate Secretary  
Raymond James Financial

**RICHARD G. AVERITT III**  
Chairman and CEO  
Raymond James Financial Services

**FRANCIS S. GODBOLD**  
Vice Chairman  
Raymond James Financial

**CHET HELCK**  
President and COO  
Raymond James Financial

**THOMAS A. JAMES**  
Chairman of the Board and CEO  
Raymond James Financial

**JEFFREY P. JULIEN**  
Senior Vice President, Finance, and  
Chief Financial Officer  
Raymond James Financial

**RICHARD K. RIESS**  
Executive Vice President, Asset Management  
Raymond James Financial

**VAN C. SAYLER**  
Senior Vice President, Fixed Income  
Raymond James & Associates

**JEFFREY E. TROCIN**  
Executive Vice President, Equity Capital Markets  
Raymond James & Associates

**DENNIS W. ZANK**  
President  
Raymond James & Associates

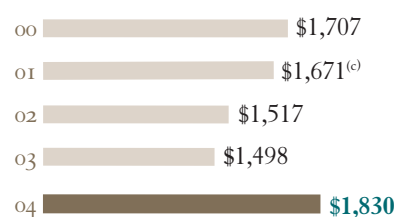
# 10-YEAR FINANCIAL SUMMARY

FOR THE YEAR	1995	1996	1997	1998
Total Revenues	\$ 554,070,000	\$ 721,752,000	\$ 927,607,000 <sup>(b)</sup>	\$1,082,907,000
Net Revenues	\$ 489,312,000	\$ 638,281,000	\$ 826,266,000 <sup>(b)</sup>	\$ 951,898,000
Net Income	\$ 46,141,000	\$ 65,978,000	\$ 98,915,000 <sup>(b)</sup>	\$ 92,704,000
Net Income Per Share <sup>(a)</sup>				
Basic	\$ .66	\$ .94	\$ 1.39 <sup>(b)</sup>	\$ 1.28
Diluted	\$ .65	\$ .92	\$ 1.36 <sup>(b)</sup>	\$ 1.24
Cash Dividends Per Share <sup>(a)</sup>	\$ .11	\$ .11	\$ .14	\$ .16

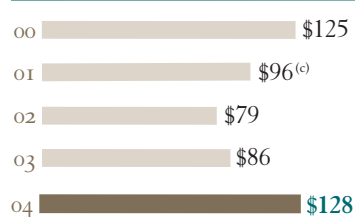
## AT YEAR-END

Shareholders' Equity	\$ 266,193,000	\$ 326,632,000	\$ 423,276,000	\$ 509,898,000
Shares Outstanding <sup>(a)</sup>	69,573,000	70,518,000	71,542,000	72,402,000
Shareholders' Equity Per Share <sup>(a)</sup>	\$ 3.83	\$ 4.63	\$ 5.91	\$ 7.04
Stock Price <sup>(a)</sup>	\$ 6.45	\$ 7.19	\$ 15.75	\$ 13.42

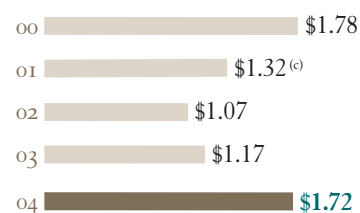
### REVENUES (in millions)



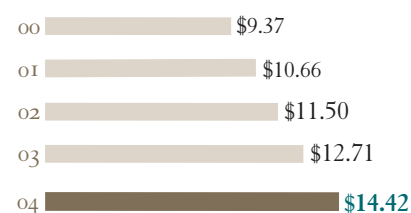
### NET INCOME (in millions)



### NET INCOME PER SHARE<sup>(a)</sup> (diluted)



### SHAREHOLDERS' EQUITY PER SHARE<sup>(a)</sup>



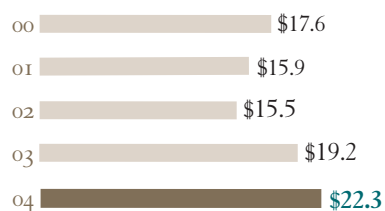
<sup>(a)</sup> Gives effect to all stock splits.

<sup>(b)</sup> Amounts include the \$30.6 million gain from the sale of Liberty Investment Management, Inc. Excluding this gain, revenues were \$896,961,000, net income was \$80,126,000, and basic and diluted net income per share would have been \$1.13 and \$1.11, respectively.

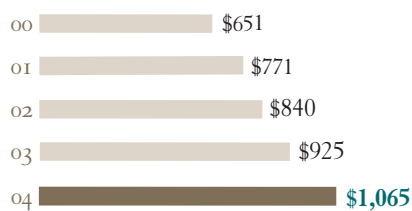
<sup>(c)</sup> Includes revenues of \$65 million from Raymond James Ltd., which was acquired as of January 1, 2001. Inclusive of amortization of goodwill, expense related to an employee retention fund, amortization of a non-compete agreement and interest, the acquisition had a negative impact of \$.06 per share diluted.

1999	2000	2001 <sup>(c)</sup>	2002	2003	2004
\$ 1,232,206,000	\$ 1,707,441,000	\$ 1,670,990,000 <sup>(c)</sup>	\$ 1,517,423,000	\$ 1,497,571,000	\$ 1,829,776,000
\$ 1,082,712,000	\$ 1,478,789,000	\$ 1,442,639,000 <sup>(c)</sup>	\$ 1,441,088,000	\$ 1,451,960,000	\$ 1,781,259,000
\$ 85,090,000	\$ 125,195,000	\$ 96,410,000 <sup>(c)</sup>	\$ 79,303,000	\$ 86,317,000	\$ 127,575,000
\$ 1.19	\$ 1.80	\$ 1.35 <sup>(c)</sup>	\$ 1.09	\$ 1.19	\$ 1.74
\$ 1.17	\$ 1.78	\$ 1.32 <sup>(c)</sup>	\$ 1.07	\$ 1.17	\$ 1.72
\$ .19	\$ .20	\$ .24	\$ .24	\$ .24	\$ .26
\$ 558,486,000	\$ 650,518,000	\$ 770,876,000	\$ 839,636,000	\$ 924,735,000	\$ 1,065,213,000
70,863,000	69,431,000	72,321,000	73,011,000	72,765,000	\$ 73,864,000
\$ 7.88	\$ 9.37	\$ 10.66	\$ 11.50	\$ 12.71	\$ 14.42
\$ 12.71	\$ 21.96	\$ 18.10	\$ 17.65	\$ 23.96	\$ 23.85

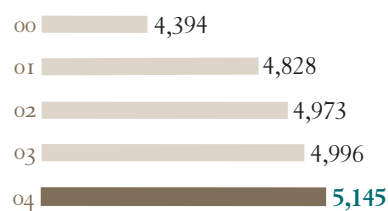
**FINANCIAL ASSETS UNDER MANAGEMENT** *(in billions)*



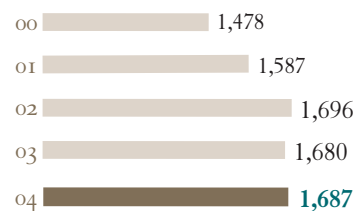
**SHAREHOLDERS' EQUITY** *(in millions)*



**FINANCIAL ADVISORS** *(includes institutional)*



**BRANCH OFFICES** *(does not include satellite offices)*





## OUR VISION

Our vision is to be a premier financial services firm – providing the highest level of value to clients.

From pioneering asset management solutions to ground-breaking research and exceptional professional advisory services, serving the diverse needs of clients throughout our businesses has often meant finding innovative solutions beyond industry standards. That revolutionary vision started more than 40 years ago when Raymond James was founded on the understanding that clients, whether individuals or businesses, have unique objectives. We continue to build our firm around discovering and creating personalized strategies designed to attain their goals in an environment where advisors and associates have the resources to provide extraordinary value.

Our commitment to quality helped our Private Client Group realize a positive recruiting year, strengthening the foundation for reaching a growing number of investors with superior investment and financial planning services. The total number of financial advisors grew by nearly 120 in 2004 despite our ongoing efforts to disassociate those who do not meet our high standards.

Capital Markets continued to meet the needs of institutional investors, as well as private and public companies and municipalities. A brisk fiscal 2004 for our equity groups in the United States and Canada brought record results, including 49% growth in investment banking revenues and 120 lead- and co-managed new issues.

Our Asset Management Group also enjoyed a robust year serving the needs of institutional, individual and mutual fund investors. Part of that success is due to Heritage Asset Management's diversified sources of sales – both within and outside of the Raymond James network. Outside sales have grown 50% over the past three years, which is significant for a proprietary fund family and evidence of our commitment to select only the

best among in-house and external sub-advisors. Increasing Asset Management Services' distribution within the Private Client Group and institutional sales by Eagle Asset Management were also sources of considerable new assets.

### QUALITY MANAGEMENT

In 2004, Chairman and CEO Tom James was named Florida Free Enterpriser of the Year by the Florida Council on Economic Education, recognizing him for outstanding business and community leadership. That leadership will also be acknowledged on a larger scale during fiscal 2005 when Raymond James is slated to receive recognition as one of *Forbes* magazine's "Best Managed Companies in America."

Contributing to our long-term success is an approach that supports our vision to be a different kind of financial services firm. To distinguish this publicly, we begin the new year with an advertising campaign designed to communicate our brand and define the elements that differentiate Raymond James from our competitors. Featuring investor profiles that underscore our commitment to the unique needs of investors, the campaign highlights our culture of independence and features the compelling tag line: "Individual solutions from independent advisors." Along with cable television commercials airing on CNBC, CNN and Fox News, this effort marks our first national print advertising campaign, as debuted in publications such as *BusinessWeek*, *Forbes* and *Architectural Digest*.

National advertising helps improve our name recognition, but equally important it enhances public understanding of our long-standing focus on financial planning and lends credibility to our affiliated advisors and the practices they manage in locations across the country.



Raymond James Private Client Group assisted a growing number of investors this year. The sales force at Canadian broker/dealer Raymond James Ltd. realized impressive 23% growth, in step with that subsidiary's aggressive expansion goals. Here, Raymond James Ltd. President Peter Bailey (seated center) joins (from left to right) Financial Advisor Randy Yozipovic, Branch Manager Mike Irwin and Financial Advisor Lili Kostic of the Calgary office, where 10 new advisors were added in 2004.



## OUR MISSION

Our mission is to assist clients in meeting their financial objectives.

Our mission begins with an unquestionable focus on meeting client needs. Since our founding in 1962, we have never wavered from our fundamental conviction that distinctively serving the varied needs of individuals, families, businesses, municipalities and institutions would ultimately serve the best interests of our firm. Today, our mission underscores the foundation of trust among our firm, our advisors and their clients that is evidenced by 1.3 million client accounts representing more than \$120 billion in assets.

No matter how positive the economic environment, we would be ill-equipped to effectively fulfill our mission if we were not ever-mindful of the reason we are in business: to enhance our clients' financial well-being. The motivation behind every decision we make, product or service we recommend, account we open, and financial plan we develop revolves around people ... from our clients to the more than 10,000 advisors and associates who contribute to our success each year.

What we understood at our founding, and understand even better today in our vast and competitive industry, is that we must help build loyalty between clients and their Raymond James advisors. By doing so, clients come to appreciate the values that are the basis of these relationships – whether the unbiased advice of a private client financial advisor, the insight of a capital markets associate or the performance of a professional money manager.

Our extensive client service program has resulted in high client satisfaction rankings for our firm among our competitors. In conjunction with our commitment to provide superior client service, we stress the need for rigorous due diligence, investment diversification, customized financial planning and utilization of professional asset management. Formalized in 1990 under the banner of Service 1st<sup>SM</sup>, this approach to service

represents our philosophical commitment to, and the focal point of, our long-range mission.

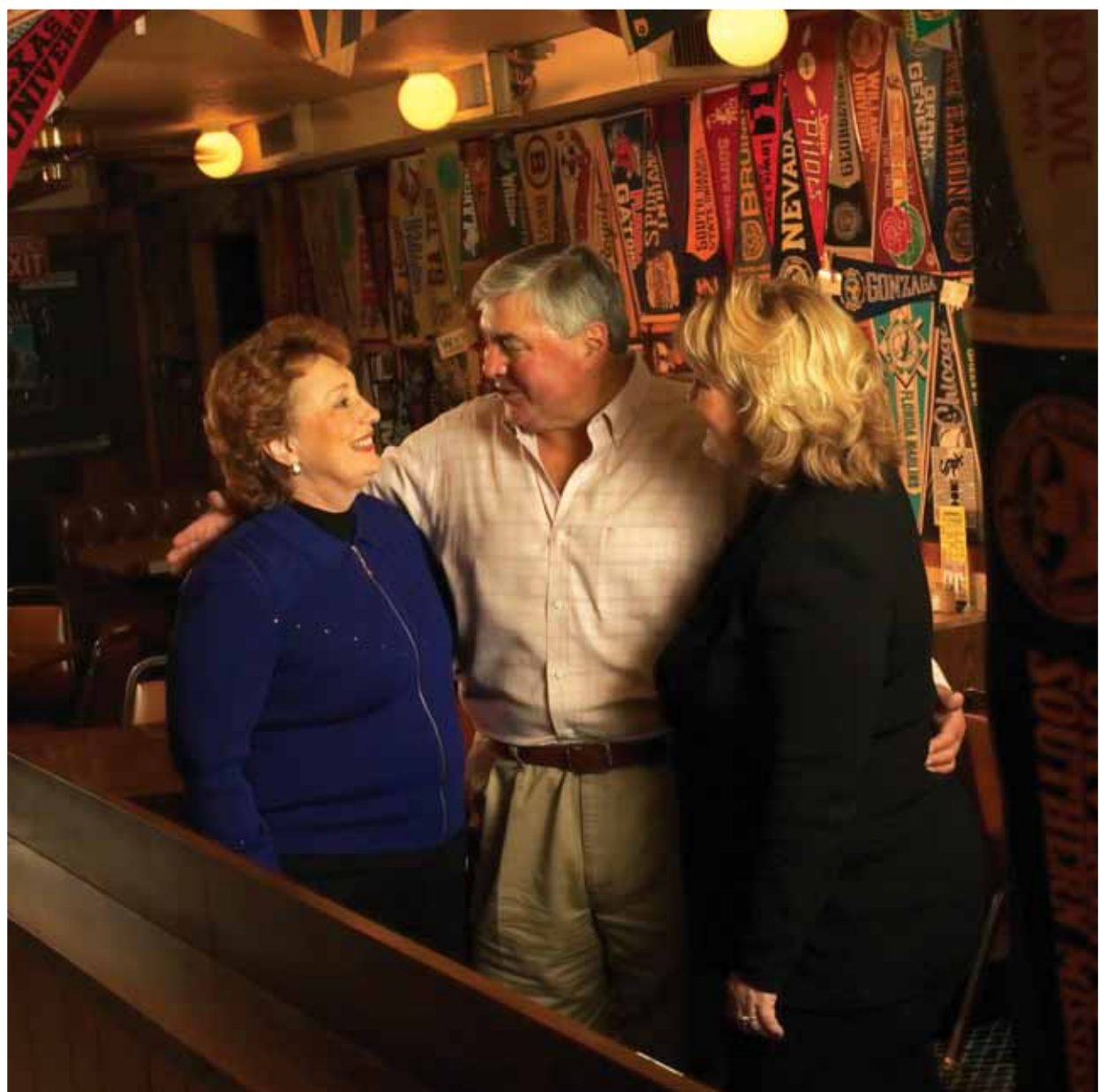
### THE RAYMOND JAMES PLEDGE

We, the associates of Raymond James, commit our energies, intellect and knowledge to attaining the financial objectives of our clients by providing the highest possible level of service and delivering superior investment alternatives. We believe that putting the financial well-being of our clients first ultimately serves the best interests of our shareholders, our communities and ourselves.

Remaining responsive to the needs of our clients in a financial environment characterized by constant change is our continuing challenge.

Such high standards for service delivery require equally high standards of the people who work with us. We therefore seek to affiliate only advisors and associates with exemplary integrity and ethics, who are driven to excel and have the potential to produce targeted results. These individuals, with the diverse experience and perspectives they offer, are dedicated to the belief that their principal mission is to help clients achieve their objectives.

While each advisor and associate is accountable for his or her performance, so too is the firm. Our challenge is to convert what could otherwise be viewed as rhetoric into tangible actions. As one example of how we accomplish this, Chairman and CEO Tom James annually presents advisors with objectives and strategies that they are challenged with incorporating into their business and marketing plans. In addition, individual meetings, small group discussions and large-scale symposiums are planned throughout the year to help us further advance our service approach. In 2004, more than 4,000 advisors and associates participated in these events.



Two of the nearly 600 female financial advisors affiliated with our firm, CERTIFIED FINANCIAL PLANNER™ professional Judith McGee and her daughter, Linette Dobbins, have been named among the top 100 female financial advisors in the country by *Research* magazine. Their approach to managing the personal, family and business assets of clients – clients like Steve Stanich, second-generation owner of historic Stanich’s Hamburgers in Portland – epitomize the professionalism, knowledge and integrity clients expect from our advisors.



## OUR PURPOSE

Our purpose is to offer advisors and their clients the choices they need to meet their specific goals.

Whether offering a multitude of services for clients, affiliating advisors in the way that best suits their practices, or constantly reviewing our core businesses and exploring new opportunities, fulfilling our purpose involves ensuring that choice is a constant.

For the individual investors served by our Private Client Group, that includes providing one of the most comprehensive ranges of investment alternatives in the industry – from traditional equities and mutual funds to complete banking services, insurance, and sophisticated asset management tools – and never offering incentives to advisors to promote proprietary products.

In 2004, we expanded several programs targeted specifically to the needs of higher-net-worth individuals, including institutional-style asset management programs – the Eagle High Net Worth Program and Raymond James Consulting Services. These programs have helped increase assets under management to more than \$22 billion within the firm's asset management subsidiaries. The Municipal Fixed Income Department also enhanced services for investors of significant wealth with a proprietary portfolio evaluation and reporting system that has successfully attracted large municipal accounts to Raymond James.

This year also marked the launch of AdvisorChoice<sup>SM</sup>, a broad spectrum of opportunities for advisors who are searching for more control of their careers. Emphasizing our commitment to enabling financial advisors to operate their practices in the way that best fits their clients' and their own needs, and to move among affiliation options as those needs change, the campaign resulted in a significant increase in recruitment leads.

Our Capital Markets Group has further added to the support and insight offered through a broad range

of resources. In many ways, our Equity Research Group is an integral part of Raymond James' capital markets effort. By identifying potentially attractive opportunities, this group strives to assist advisors and their clients in making the most appropriate investment choices based on each client's objectives and overall tolerance for risk. In fact, our analysts are regularly recognized individually and collectively for consistently posting extraordinary results compared to major indices. Our *Analysts' Best Picks*, which is comprised of a select group of stocks expected to achieve strong price performance over a one-year period, has enjoyed excellent results every year it has been released. The 2004 list marked a 22.4% gain versus the S&P 500's 10.6% gain in the same period. Due to overwhelming interest, the Structured Equity Products Group and Syndicate Department completed their offering of an equity linked note this year that represents an equal dollar weighted investment in the stocks on this list. Raymond James intends to offer this opportunity again in 2005.

Raymond James Public Finance – with offices in Atlanta, Birmingham, Boston, Chicago, Orlando, New York, San Antonio and St. Petersburg – also affords wide-ranging perspective and breadth of services. With more than \$50 billion in transactions, our firm is ranked among the largest public finance underwriters in the country. This year, we continued to reinforce our commitment to the financial challenges facing hospitals and healthcare systems by completing a firm record \$107 million tax-exempt private placement for Miami's Mount Sinai Medical Center. This culmination of a successful two-year financial restructuring will help south Florida's largest private not-for-profit teaching hospital solidify its capital base for state-of-the-art facilities, equipment and technology.



Included in the range of choices we provide clients are the advisory and transaction services available to companies seeking to raise growth capital, such as BioMed Realty Trust. BioMed's \$465 million initial public offering represented the largest lead-managed offering in our history. Above, Head of Raymond James Real Estate Investment Banking Vivek Seth (second from right) tours the San Diego Science Center, a BioMed facility acquired with the proceeds from the IPO, with BioMed Chairman and CEO Alan Gold, CFO John Wilson and General Counsel Gary Kreitzer.



## OUR CULTURE

Our culture provides the work environment necessary to fulfilling our mission, and is grounded on values such as integrity, education, professionalism and commitment.

Success may be momentarily achieved without values, but it will not last. We therefore conduct operations with integrity, supported by the belief that diversification, risk management and a conservative, long-term focus is the best approach for both individual investors and our business.

Led by an executive management team that combines progressive thinking with well-reasoned action, Raymond James has remained independent, even as the industry has generally consolidated into relatively few large conglomerates. Despite our independent course, Raymond James by all measures has continued to grow both in assets and in physical terms. As other firms cut employees to remain competitive during the recent equity market downturn, our conservative business practices and low debt ratio enabled us not only to avoid severe measures, but also to continue with the construction of a fourth office tower on our St. Petersburg headquarters campus.

While integrity is a crucial part of every segment of our business, it is of special importance for financial advisors who work directly with individual investors, who may have more limited understanding of the complexities of the financial markets. As such, educating both our advisors and their clients about the intricacies of investing and financial planning strategies is critically important.

In keeping with this long-standing focus on education, the Raymond James Institute of Finance (RJIF) provides instruction to help cultivate the expertise and professionalism of our advisors. More than a third of advisors participated in programs offered by RJIF, and many more received training through regional and national conferences offered by our firm.

To further supplement training and help advisors make well-informed recommendations, many internal departments offer in-person training. One example is our Alternative Investments Group, which regularly

schedules informational sessions to ensure that the various investments it supports are offered only to qualified investors.

We also appreciate that while the advice of a professional financial advisor is critical to investment success for individuals, equally important is a thorough understanding of the investment process. More than a decade ago, we introduced *Your Rights & Responsibilities as an Investor*, a document that thoroughly explains investors' rights and obligations, what they should expect from their advisor and the firm, and the risks and potential rewards of investing. A version of this document is now being adopted by firms throughout our industry.

To enhance the level of support they provide advisors, associates participate in classes at our own Raymond James University, with curriculum ranging from client service methodology and management development to general industry topics. In 2004, there were more than 10,000 instances of participation in classroom-based and live e-learning training sessions alone.

Our cultural focus also encompasses a corporate commitment to support the communities in which we live and work. With emphasis on educational programs, individuals in need and the arts, Raymond James donated more than \$1.5 million to organizations in 2004, including major gifts to help fund several local and statewide education foundations, and to aid hurricane victims. During our annual United Way campaign, associates pledged more than \$1 million, which was augmented with a company match of nearly \$900,000. Many departments and branch offices have established their own charitable funds for such worthwhile endeavors as providing gifts for children at the holidays or support for coworkers who are facing difficult circumstances, and an even a greater number of associates are involved with individual charities in their communities, donating both time and money to causes in which they believe.



We encourage all advisors and associates to be involved with charitable endeavors. Debra Burts (center), an associate who works at the Raymond James Detroit Operations Center, meets with Resource Coordinator Wendy Culpepper (left) and Director Marie Schoenlein (right) from the Dominican Literacy Center in Detroit, where she tutors adult learners. This endeavor supports Raymond James' focus on both education and the importance of providing sustainable resources and skills.

## SELECTED FINANCIAL DATA

	YEAR ENDED				
	SEPT. 24, 2004	SEPT. 26, 2003	SEPT. 27, 2002	SEPT. 28, 2001	SEPT. 29, 2000
(in 000s, except per share data)					
<b>OPERATING RESULTS:</b>					
Gross Revenues	\$ 1,829,776	\$ 1,497,571	\$ 1,517,423	\$ 1,670,990	\$ 1,707,441
Net Revenues	\$ 1,781,259	\$ 1,451,960	\$ 1,441,088	\$ 1,442,639	\$ 1,478,789
Net Income	\$ 127,575	\$ 86,317	\$ 79,303	\$ 96,410	\$ 125,195
Net Income per share - Basic: <sup>(a)</sup>	\$ 1.74	\$ 1.19	\$ 1.09	\$ 1.35	\$ 1.80
Net Income per share - Diluted: <sup>(a)</sup>	\$ 1.72	\$ 1.17	\$ 1.07	\$ 1.32	\$ 1.78
Weighted Average Common Shares Outstanding - Basic: <sup>(a)</sup>	73,395	72,824	73,011	71,495	69,437
Weighted Average Common and Common Equivalent Shares Outstanding - Diluted: <sup>(a)</sup>	74,402	73,749	74,444	73,199	70,301
Cash Dividends Declared per Share <sup>(a)</sup>	\$ .26	\$ .24	\$ .24	\$ .24	\$ .20
<b>FINANCIAL CONDITION:</b>					
Total Assets	\$ 7,621,846	\$ 6,911,638	\$ 6,040,303	\$ 6,372,054	\$ 6,308,816
Long-Term Debt	\$ 129,973	\$ 167,013	\$ 147,153	\$ 147,879	\$ 98,555
Shareholders' Equity	\$ 1,065,213	\$ 924,735	\$ 839,636	\$ 770,876	\$ 650,518
Shares Outstanding <sup>(a)</sup>	73,846	72,765	73,011	72,321	69,431
Equity Per Share <sup>(a)</sup> at End of Period	\$ 14.42	\$ 12.71	\$ 11.50	\$ 10.66	\$ 9.37

<sup>(a)</sup> Gives effect to the three-for-two stock split paid March 24, 2004.

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

## OVERVIEW

The Company's overall financial results continue to be highly and directly correlated to the direction of the equity markets. Each of the Company's three largest business segments has significant operating leverage that is generally evident when the equity markets rise. While these markets were strong for only a little more than half of fiscal 2004, the Company achieved record revenues and earnings as a result of organizational and operational improvements undertaken during the market downturn in 2001-2003.

There were several factors that depressed investor activity during the last half of fiscal 2004. The anticipation of rising interest rates dampened the demand for fixed income products, and the Federal Reserve commenced a series of rate hikes during the fourth fiscal quarter. The demanding regulatory environment remained in the spotlight and focused on the financial services industry, resulting in an increase in the cost of compliance and also impacting public trust and confidence. Finally, there was uncertainty over the then-upcoming presidential election and the various economic policies which might be endorsed.

## RESULTS OF OPERATIONS - TOTAL COMPANY

The following table presents segment and consolidated financial information for the Company for the years indicated:

	YEAR ENDED		
	SEPT. 24, 2004 (000s)	SEPT. 26, 2003 (000s)	SEPT. 27, 2002 (000s)
<b>Total Company</b>			
Revenues	\$1,829,776	\$1,497,571	\$1,517,423
Pre-tax earnings	204,121	138,275	131,516
Private Client Group			
Revenues	1,223,458	994,815	991,158
Pre-Tax Earnings	109,743	73,440	72,494
Capital Markets			
Revenues	400,787	330,966	332,346
Pre-Tax Earnings	57,910	37,532	38,032
Asset Management			
Revenues	148,160	123,647	129,731
Pre-Tax Earnings	27,875	18,730	20,257
RJBank			
Revenues	28,104	28,699	31,056
Pre-Tax Earnings	8,824	10,182	7,188
Other			
Revenues	29,267	19,444	33,132
Pre-Tax Earnings	(231)	(1,609)	(6,455)

**YEAR ENDED SEPTEMBER 24, 2004  
COMPARED WITH THE YEAR ENDED  
SEPTEMBER 26, 2003 - TOTAL COMPANY**

Total revenues increased 22% to a record \$1.83 billion, as each of the Company's three largest segments contributed to the growth. Net revenues rose 23%, as interest expense grew only 6%. Scattered throughout several segments, net interest earnings continue to be an important source of profits to the Company (see the

chart below). Significantly, the upward trend of the equity markets during most of fiscal 2004 led many individual investors to return to the market, which in turn led to a steady rise in margin debits throughout the year. These balances are the Company's best interest spread product, as the risk is well controlled and they are funded by relatively low cost client funds awaiting investment. Margin loan growth was largely responsible for the overall 5% improvement in net interest income.

	YEAR ENDED		
	SEPT. 24, 2004 (000s)	SEPT. 26, 2003 (000s)	SEPT. 27, 2002 (000s)
<b>INTEREST REVENUE:</b>			
Margin Balances:			
Average Balance	\$1,006,007	\$ 887,376	\$ 978,163
Average Rate	4.0%	4.1%	4.8%
Interest Revenue - Margin Balances	39,750	36,614	46,854
Assets Segregated Pursuant to Federal Regulations:			
Average Balance	2,288,593	2,244,959	1,981,562
Average Rate	1.1%	1.2%	1.8%
Interest Revenue - Segregated Assets	24,832	27,164	36,172
Stock Borrowed:			
Average Balance	1,291,636	908,275	1,246,681
Average Rate	1.1%	1.2%	1.7%
Interest Revenue - Stock Borrowed	14,625	10,531	21,386
Raymond James Bank, FSB interest income	27,318	26,743	29,837
Other Interest Revenue	28,239	26,655	25,554
<b>Total Interest Revenue</b>	<b>\$ 134,764</b>	<b>\$ 127,707</b>	<b>\$ 159,803</b>
<b>INTEREST EXPENSE:</b>			
Client Interest Program:			
Average Balance	\$2,715,667	\$2,667,517	\$ 2,522,479
Average Rate	0.4%	0.6%	1.3%
Interest Expense - Client Interest Program	11,659	15,685	33,977
Stock Loaned:			
Average Balance	1,387,818	954,394	1,343,782
Average Rate	0.9%	0.9%	1.4%
Interest Expense - Stock Loaned	12,406	8,817	19,311
Raymond James Bank, FSB income expense	9,863	10,469	15,859
Other Interest Expense	14,589	10,640	7,188
<b>Total Interest Expense</b>	<b>\$ 48,517</b>	<b>\$ 45,611</b>	<b>\$ 76,335</b>
<b>Net Interest Income</b>	<b>\$ 86,247</b>	<b>\$ 82,096</b>	<b>\$ 83,468</b>

Overall, non-interest expenses grew by 20%, primarily in the variable expense categories related to higher commission and transaction volumes. As a result, net income rose 48% to a record \$127.6 million, or \$1.72 per diluted share.

## YEAR ENDED SEPTEMBER 26, 2003 COMPARED WITH THE YEAR ENDED SEPTEMBER 27, 2002 - TOTAL COMPANY

Total revenues declined \$19.9 million, or 1%, for fiscal year 2003; however, taking into consideration the decrease in interest expense, net revenues (total revenues less interest expense) actually increased by \$10.9 million, or 1%. Both interest revenue and interest expense were down, resulting in a decline of \$1.4 million in net interest income. The decrease was primarily due to declining interest rates, combined with lower margin and stock borrowed/loaned balances, net of increased cash deposited with the Company by brokerage clients (see chart on previous page). The decline in margin balances was attributed to the economic environment and the poor performance of the securities markets through the first half of fiscal year 2003, which resulted in customers generally not committing new investment funds to the securities market and a tendency to reduce risk by employing less margin borrowing. The equity market conditions also led to a continued decline in the security lending business, as the sluggish securities market resulted in depressed demand for securities.

The modest decline in net interest income was offset by increases in financial service fees and other revenue of \$9.1 million and \$9.7 million, respectively. The increase in financial service fees was driven by increased fees from the addition of IRA, Passport and Freedom accounts (the latter two being wrap fee accounts which generate transaction processing fees for trades executed), as well as higher money market processing fees driven by the increase in the Company's money market assets in the current year. The increase in earnings was attributable primarily to the first quarter gain of \$5.3 million from the sale of RJ Ltd.'s shares of TSX (formerly its Toronto Stock Exchange seats) and an increase of \$2.7 million in mutual fund networking fees, which is due to an increased number of accounts with networked mutual fund companies which pay the Company to include their fund positions and activity on the brokerage statements, thus eliminating the need for the mutual fund companies to send confirmations and statements to their clients.

Net income increased \$7 million, or 9%, to \$86.3 million, or \$1.17 per diluted share, from \$79.3 million, or \$1.07 per diluted share for the prior fiscal year. The increase in earnings was primarily attributable to a decrease in net litigation reserve expense in the current year, as the increase in compensation expense offset the increase in net revenues.

## RESULTS OF OPERATIONS - PRIVATE CLIENT GROUP

The following table presents consolidated financial information for the Private Client Group segment for the years indicated:

	YEAR ENDED				
	SEPT. 24, 2004 (000s)	% INCR. (DECR.)	SEPT. 26, 2003 (000s)	% INCR. (DECR.)	SEPT. 27, 2002 (000s)
<b>REVENUES:</b>					
Securities Commissions and Fees	\$1,016,001	25%	\$ 811,655	1%	\$803,160
Interest	74,839	3%	72,371	(21%)	91,371
Financial Service Fees	74,076	10%	67,172	12%	59,716
Other	58,542	34%	43,617	18%	36,911
<b>Total Revenue</b>	<b>1,223,458</b>	<b>23%</b>	<b>994,815</b>	<b>0%</b>	<b>991,158</b>
Interest Expense	13,730	(16%)	16,375	(49%)	32,067
<b>Net Revenues</b>	<b>1,209,728</b>	<b>24%</b>	<b>978,440</b>	<b>2%</b>	<b>959,091</b>
<b>NON-INTEREST EXPENSES:</b>					
Sales Commissions	735,194	27%	578,786	2%	565,125
Admin & Incentive Comp and Benefit Costs	187,469	16%	161,784	4%	155,018
Communications and Information Processing	39,968	5%	37,978	(12%)	43,390
Occupancy and Equipment	48,685	14%	42,637	2%	41,790
Business Development	37,798	19%	31,707	2%	31,093
Clearance and Other	50,871	(2%)	52,108	4%	50,181
<b>Total Non-Interest Expenses</b>	<b>1,099,985</b>	<b>22%</b>	<b>905,000</b>	<b>2%</b>	<b>886,597</b>
<b>Pre-Tax Earnings</b>	<b>\$ 109,743</b>	<b>49%</b>	<b>\$ 73,440</b>	<b>1%</b>	<b>\$ 72,494</b>

## YEAR ENDED SEPTEMBER 24, 2004 COMPARED WITH THE YEAR ENDED SEPTEMBER 26, 2003 – PRIVATE CLIENT GROUP

The 25% increase in Private Client Group commission revenues was attributable to the combination of several factors. First, there was a modest net increase in financial advisor headcount of 118, or 2.5%, to 4,929 in our wholly-owned subsidiaries. More important, the process of upgrading the sales force by terminating lower producers continued in earnest. Thus, the overall composition of the sales force was improved from the prior year. Finally, there were seven-and-one-half months of strong market activity during 2004 as compared to approximately six strong months in 2003. The aforementioned improved quality of the sales force amplified the effect on revenues of the longer duration of good market conditions.

The improved interest spread was due to the steady rise in margin debits throughout the year. The increase in financial service fees was a result of the increased number of transaction fees from trades in fee-based accounts and a higher amount of IRA fees as the number of such accounts grew. Other revenues increased due to higher mutual fund networking fees and greater meeting sponsorship revenues.

Administrative compensation costs reflect increased home office staffing in the domestic independent contractor subsidiary and higher incentive compensation accruals as profits were significantly improved. Business development expenses rose due primarily to the cost of promoting the AdvisorChoice™ platform.

As is the case in all of the Company's major businesses, there is significant operating leverage in the Private Client Group, particularly with increases in financial advisor average production. Accordingly, the 24% increase in net revenues led to a surge in pre-tax income of 49%.

## YEAR ENDED SEPTEMBER 26, 2003 COMPARED WITH THE YEAR ENDED SEPTEMBER 27, 2002 - PRIVATE CLIENT GROUP

Private Client Group total revenues increased by approximately \$3.7 million for fiscal year 2003, with net revenues increasing by \$19.4 million. The increase in net revenues was attributed to the modest increase in commissions and the gains in financial service fees and other, offset by a decrease in net interest income. The increase in commission revenue was primarily attributable to improved market conditions in the second half of fiscal 2003, which resulted in retail investors, who had been reluctant to invest during fiscal year 2002 and the first half of fiscal 2003, returning to the securities market with a renewed interest in both equity and fixed income products. Additionally, in the second half of fiscal 2003 there were two consecutive quarters of increased assets in fee-based accounts. As the individual fee-based accounts are billed on beginning-of-quarter balances, this increase in assets resulted in increased revenue only for the fourth quarter of 2003. In addition, there was an increase in commissions from investment banking activity, which was due to an increase in the number and dollar volume of lead and co-managed public equity offerings in fiscal 2003 (for more information on investment banking activities see the "Results of Operations - Capital Markets" beginning on the next page). The increase in financial service fees was attributable to the aforementioned increase in fees from additional IRA, Passport and Freedom accounts, as well as the increased fees received by the broker/dealer subsidiaries for the distribution of money market accounts and mutual funds. The increase in other revenue was primarily due to an increase in service fees received from mutual fund companies which serve to partially reimburse the Company for its processing costs related to items such as statement preparation and tax reporting. The decrease in net interest income of \$3.3 million was attributable to declining interest rates, as well as declining average margin balances and segregated assets, offset by declining payables under the client interest program.

Pre-tax earnings for the Private Client Group were consistent with the prior year, reflecting the increase in net revenues offset by an increase in sales commission expense and other compensation expenses of \$13.7 million and \$6.8 million, respectively. Commission expense increased due to the increase in independent

contractor revenue, on which there is a higher payout to financial advisors than to employee financial advisors. The higher payout is used to offset the independent contractor financial advisors' responsibility to cover their own branch operating expenses, which are paid by the Company in the employee model.

## RESULTS OF OPERATIONS - CAPITAL MARKETS

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

	YEAR ENDED				
	SEPT. 24, 2004 (000s)	% INCR. (DECR.)	SEPT. 26, 2003 (000s)	% INCR. (DECR.)	SEPT. 27, 2002 (000s)
<b>REVENUES:</b>					
Institutional Sales Commissions:					
Equity	\$ 174,464	59%	\$ 109,417	(13%)	\$ 125,928
Fixed Income	77,102	(30%)	109,841	10%	100,144
Underwriting Fees	53,142	65%	32,057	15%	27,773
Mergers & Acquisitions Fees	21,928	11%	19,676	(31%)	28,698
Private Placement Fees	9,958	28%	7,758	27%	6,085
Trading Profits	20,579	22%	16,929	(13%)	19,469
Raymond James Tax Credit Funds	20,513	26%	16,333	86%	8,771
Other	23,101	22%	18,955	22%	15,478
Total Revenue	400,787	21%	330,966	0%	332,346
Interest Expense	11,543	24%	9,312	19%	7,800
<b>Net Revenues</b>	<b>389,244</b>	<b>21%</b>	<b>321,654</b>	<b>(1%)</b>	<b>324,546</b>
<b>NON-INTEREST EXPENSES:</b>					
Sales Commissions	90,184	1%	89,227	(7%)	95,926
Admin & Incentive Comp and Benefit Costs	177,168	35%	131,713	2%	128,588
Communications and Information Processing	23,447	4%	22,485	1%	22,331
Occupancy and Equipment	12,252	(5%)	12,837	(2%)	13,155
Business Development	17,957	18%	15,259	10%	13,904
Clearance and Other	10,326	(18%)	12,601	0%	12,610
<b>Total Non-Interest Expense</b>	<b>331,334</b>	<b>17%</b>	<b>284,122</b>	<b>(1%)</b>	<b>286,514</b>
<b>Pre-Tax Earnings</b>	<b>\$ 57,910</b>	<b>54%</b>	<b>\$ 37,532</b>	<b>(1%)</b>	<b>\$ 38,032</b>

## YEAR ENDED SEPTEMBER 24, 2004 COMPARED WITH THE YEAR ENDED SEPTEMBER 26, 2003 – CAPITAL MARKETS

Despite a significant decline in fixed income sales volume, the unprecedented activity levels of the Equity Capital Markets operations propelled this segment to record revenues and profits. Most notably, the Company was lead or co-manager for 120 public offerings for the year, nearly double the number in 2003, as market conditions were conducive for several of the industries on which these efforts are focused. This deal flow was a major contributing factor to the increase in institutional equity sales commissions. The decline in fixed income commissions reflects investors' hesitancy to commit funds while anticipating a rising interest rate environment. The rise in interest expense represents the financing costs of the higher average fixed income inventory balances.

Commission expense was nearly flat despite the 15% rise in commission revenues as equity commissions carry a lower payout than fixed income. The increase in administrative expense is primarily attributable to higher profit-based incentive compensation in equity capital markets departments. The operating leverage in this segment was dramatic as the average production of institutional equity salesmen, sales traders and investment bankers rose sharply. As a result, record profits of \$57.9 million were 54% higher than in the prior year.

## YEAR ENDED SEPTEMBER 26, 2003 COMPARED WITH THE YEAR ENDED SEPTEMBER 27, 2002 - CAPITAL MARKETS

Although net revenues for the Capital Markets segment were down slightly from the prior year, the fixed income portion of this segment continued to perform well in 2003. Institutional sales commissions excluding underwriting sales credits (which declined) remained strong and were up by 3% over the prior year,

driven by increases in sales of over-the-counter equity and a variety of fixed income securities. Also, the Company has continued to grow its business in the syndication of investment partnerships designed to yield returns in the form of low-income housing tax credits, which resulted in an increase in revenue of \$7.6 million in 2003. Equity investment banking, however, experienced mixed results in the current year. The number of U.S. lead and co-managed underwritings increased to 58 from 50 in the prior year, while the dollar volume of these transactions increased to \$8.7 billion from \$7.0 billion. As a result, underwriting fees increased by \$4.3 million. The increase in underwriting transactions, however, did not translate into an equivalent increase in underwriting sales commissions as the Company acted as the lead manager on fewer deals in the current year. Additionally, investment banking was negatively affected by lower merger and acquisition fees, which declined \$9 million due to the combination of one large transaction in Canada during the prior year and a general decline in the Company's merger and acquisition activity. Volatility in interest rates resulted in a 13% decrease in trading profits in 2003, driven primarily by declines in taxable fixed-income products.

Pre-tax earnings for the Capital Markets segment were down slightly from the prior year due to the \$2.9 million decrease in net revenues offset by a \$2.4 million reduction in expenses. The primary contributor to the reduction in expenses was compensation, with sales commissions decreasing by \$6.7 million and administrative and other compensation increasing by \$3.1 million. The decline in commission expense is due to lower underwriting sales credits, while the increase in other compensation was primarily attributed to concentrated efforts to grow the public finance department, as well as the formation of a structured finance department in fiscal 2003.

## RESULTS OF OPERATIONS - ASSET MANAGEMENT

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

	YEAR ENDED				
	SEPT. 24, 2004 (000s)	% INCR. (DECR.)	SEPT. 26, 2003 (000s)	% INCR. (DECR.)	SEPT. 27, 2002 (000s)
<b>REVENUES:</b>					
Investment Advisory Fees	\$ 128,696	23%	\$ 105,015	(6%)	\$ 111,979
Other	19,464	4%	18,632	5%	17,752
<b>Total Revenue</b>	<b>148,160</b>	<b>20%</b>	<b>123,647</b>	<b>(5%)</b>	<b>129,731</b>
<b>EXPENSES:</b>					
Admin & Incentive Comp and Benefit Costs	54,776	25%	43,970	(2%)	44,753
Communications and Information Processing	14,284	12%	12,721	(2%)	13,015
Occupancy and Equipment	3,502	11%	3,150	(14%)	3,642
Business Development	5,493	5%	5,250	(1%)	5,298
Other	42,230	6%	39,826	(7%)	42,766
<b>Total Expenses</b>	<b>120,285</b>	<b>15%</b>	<b>104,917</b>	<b>(4%)</b>	<b>109,474</b>
<b>Pre-Tax Earnings</b>	<b>\$ 27,875</b>	<b>49%</b>	<b>\$ 18,730</b>	<b>(8%)</b>	<b>\$ 20,257</b>

The following table presents assets under management as of the dates indicated:

	SEPT. 24, 2004 (000s)	% INCR. (DECR.)	SEPT. 26, 2003 (000s)	% INCR. (DECR.)	SEPT. 27, 2002 (000s)
<b>ASSETS UNDER MANAGEMENT:</b>					
Eagle Asset Mgmt., Inc.					
Retail	\$ 3,761,898	23%	\$ 3,051,468	17%	\$ 2,610,024
Institutional	5,080,713	22%	4,149,000	60%	2,594,790
Total Eagle	8,842,611	23%	7,200,468	38%	5,204,814
Heritage Family of Mutual Funds					
Money Market	6,071,532	(7%)	6,516,443	7%	6,078,062
Other	1,983,580	22%	1,629,363	36%	1,199,958
Total Heritage	8,055,112	(1%)	8,145,806	12%	7,278,020
Raymond James Consulting Services	4,810,935	32%	3,653,276	22%	3,000,303
Awad Asset Management	1,349,040	50%	901,224	34%	673,549
Freedom Accounts	988,010	108%	475,465	218%	149,420
<b>TOTAL ASSETS UNDER MANAGEMENT</b>	<b>24,045,708</b>	<b>18%</b>	<b>20,376,239</b>	<b>25%</b>	<b>16,306,106</b>
Less: Asset Managed for Related Parties	1,728,788	52%	1,134,555	33%	851,830
<b>THIRD PARTY ASSETS UNDER MANAGEMENT</b>	<b>\$22,316,920</b>	<b>16%</b>	<b>\$ 19,241,684</b>	<b>24%</b>	<b>\$15,454,276</b>

YEAR ENDED SEPTEMBER 24, 2004  
COMPARED WITH THE YEAR ENDED  
SEPTEMBER 26, 2003 - ASSET  
MANAGEMENT

Investment advisory fees rose at a rate higher than that of assets under management primarily because the increase in assets consisted entirely of equity accounts, which bear a higher management fee than fixed income and money market assets. In addition, the Company earned approximately \$930,000 more in performance fees from managed hedge funds than in the prior year. Money market fund balances were the only category that declined, as investors gained confidence in the equity markets and shifted some of these funds accordingly.

The increase in administrative expense relates primarily to performance based and profit-based incentive compensation accruals. Once again, operating leverage was evident as a solid increase in revenues led to a significant rise in pretax income.

YEAR ENDED SEPTEMBER 26, 2003  
COMPARED WITH THE YEAR ENDED  
SEPTEMBER 27, 2002 - ASSET  
MANAGEMENT

Revenues for the Asset Management segment declined \$6.1 million. Slightly more than half of the Company's assets under management are billed based on beginning-of-quarter balances; the average beginning of the quarter balances for those assets was \$936 million lower during fiscal year 2003 than during fiscal year 2002. The remaining assets under management are billed based on average daily balances. The average balance for those assets increased \$617 million for the year ended September 26, 2003, as compared to the year ended September 27, 2002. The combined effect of the changes in assets under management resulted in the decrease in investment advisory fees of \$7 million, or 6%. Nearly all of the portfolio managers at Eagle Asset Management continued to outperform their benchmark averages, resulting in positive net sales. Additionally, Heritage's funds continued to perform well during fiscal 2003. For the year ended September 2003, assets under management increased 24%, which is comprised of both positive net sales and market appreciation. The overall segment's pre-tax income declined at a slower rate than revenues due to cost control measures implemented in the current year, which have held compensation flat and reduced operating expenses.

## RESULTS OF OPERATIONS – RJBANK

The following table presents consolidated financial information for RJBank for the years indicated:

	YEAR ENDED				
	SEPT. 24, 2004 (000s)	% INCR. (DECR.)	SEPT. 26, 2003 (000s)	% INCR. (DECR.)	SEPT. 27, 2002 (000s)
<b>INTEREST INCOME AND EXPENSE:</b>					
Interest Income	\$27,318	2%	\$ 26,743	(10%)	\$ 29,837
Interest Expense	9,863	(6%)	10,469	(34%)	15,859
<b>Net Interest Income</b>	17,455	7%	16,274	16%	13,978
Other Income	786	(60%)	1,956	60%	1,219
<b>Net Revenues</b>	18,241	0%	18,230	20%	15,197
<b>NON-INTEREST EXPENSE:</b>					
Employee Compensation and Benefits	4,686	11%	4,237	16%	3,650
Communications and Information Processing	758	55%	488	(15%)	575
Occupancy and Equipment	347	(18%)	422	(8%)	459
Other	3,626	25%	2,901	(13%)	3,325
<b>Total Non-Interest Expense</b>	9,417	17%	8,048	0%	8,009
<b>Pre-Tax Earnings</b>	\$ 8,824	(13%)	\$ 10,182	42%	\$ 7,188

### YEAR ENDED SEPTEMBER 24, 2004 COMPARED WITH THE YEAR ENDED SEPTEMBER 26, 2003 - RJBANK

The improvement in net interest income was a result of further progress in loan growth as a percentage of total assets. The decline in other income reflects the slowdown of refinancing activity, which led to fewer mortgage originations and thus lower fees from the subsequent sales of originated fixed rate loans.

The increase in other expense encompasses a \$1.4 million higher provision for loan losses due to the increased levels of purchased whole loan pools and outstanding commercial loan balances.

RJBank's policy is to maintain a substantially duration-matched portfolio of assets and liabilities. As

the vast majority of liabilities are floating rate demand deposits, certain asset purchases are hedged through entering into interest rate swap contracts. Interest spreads have been negatively impacted by the effect of interest rate swaps which were put in place several years ago to hedge fixed rate assets against interest rate increases; substantially all of these contracts expire by the end of calendar 2005.

The combination of the factors discussed above resulted in a 13% decline in pre-tax income. As mentioned in previous years, current results are negatively impacted during periods of significant net loan growth as a provision for loan losses is recorded in the period of origination or purchase, while the benefit of the higher interest earnings is recognized over subsequent periods.

**YEAR ENDED SEPTEMBER 26, 2003  
COMPARED WITH THE YEAR ENDED  
SEPTEMBER 27, 2002 - RJBANK**

Interest rates continued to fall during 2003, which resulted in lower mortgage rates and continued refinancings. Heavy prepayments due to refinancings affected both the residential loan portfolio and mortgage-backed securities. As a result, portfolio loans and investments continued to be replaced with lower yielding assets. However, RJBank increased its loans as a percent of total assets from 54% at September 2002 to 62% at September 2003. Loans produce a higher yield than mortgage-backed securities, which allowed RJBank to reduce the impact of the decline in interest rates. Additionally, interest rates began to stabilize in the second half of fiscal 2003, resulting in an increase in interest spreads to an average of 1.65% for fiscal 2003

versus 1.46% for fiscal 2002. Non-interest income increased by approximately 60% in the current year due to income from the sale of originated fixed-rate mortgage loans, which increased 116% over the prior year. RJBank controlled non-interest expenses during fiscal 2003, with those expenses increasing at a rate significantly below the 20% increase in net revenues. The only significant increase in non-interest expense in 2003 was employee compensation, which increased due to an increase in staffing to meet the demands of heavier volume in retail lending and to further develop the commercial lending department. Net revenues per employee, however, increased by 20% over the prior year. The combination of managing loan runoff, the stabilization of interest rates, increases in fee income from loans sold and the emphasis on cost control resulted in a \$3 million increase in pre-tax earnings in fiscal 2003.

**RESULTS OF OPERATIONS - OTHER**

The following table presents consolidated financial information for the Other segment for the years indicated:

	YEAR ENDED				
	SEPT. 24, 2004 (000s)	% INCR. (DECR.)	SEPT. 26, 2003 (000s)	% INCR. (DECR.)	SEPT. 27, 2002 (000s)
<b>INTEREST INCOME AND EXPENSE:</b>					
Interest Income	\$18,154	43%	\$12,661	(50%)	\$25,246
Interest Expense	13,378	42%	9,447	(57%)	21,821
<b>Net Interest Income</b>	4,776	49%	3,214	(6%)	3,425
Other Income	11,113	64%	6,783	(14%)	7,886
<b>Net Revenues</b>	15,889	59%	9,997	(12%)	11,311
Other Expense	16,120	39%	11,606	(35%)	17,766
<b>Pre-Tax (Loss) Earnings</b>	\$(231)	86%	\$(1,609)	(75%)	\$(6,455)

## YEAR ENDED SEPTEMBER 24, 2004 COMPARED WITH THE YEAR ENDED SEPTEMBER 26, 2003 - OTHER

Net interest income improved as securities lending balances were much higher than in the prior year and the balance of free cash was also higher, enough so that the parent company's term loan (\$50 million balance at payoff) was repaid in August 2004, more than a year ahead of maturity. Other income reflects the improved performance of the Company's consolidated joint ventures in emerging markets, particularly in Turkey.

## YEAR ENDED SEPTEMBER 26, 2003 COMPARED WITH THE YEAR ENDED SEPTEMBER 27, 2002 - OTHER

Net interest income was relatively flat with the prior year. The overall decrease in gross interest income and interest expense is attributable to a sluggish equity market, which depressed demand for securities lending activity, as evidenced by the decline in the average balance of stocks borrowed/loaned. Additionally, the average interest rates earned/charged on stock borrowed/loaned transactions declined by 0.50%, contributing further to fiscal 2003's reduction in gross interest income and expense. Other income decreased by 14% due to a decline in income from the Company's international joint ventures, offset by 2003's gain of \$5.3 million on the sale of RJ Ltd.'s shares of TSX (formerly its Toronto Stock Exchange seats).

## CRITICAL ACCOUNTING POLICIES

The following is a summary of the Company's critical accounting policies. For a full description of these and other accounting policies, see Note 1 of the Notes to the Consolidated Financial Statements. The Company believes that of its significant accounting policies, those described below involve a high degree of judgment and complexity. These critical accounting policies require estimates and assumptions that affect the amounts of assets, liabilities, revenues and expenses reported in the consolidated financial statements. Due to their nature, estimates involve judgment based upon

available information. Actual results or amounts could differ from estimates and the difference could have a material impact on the consolidated financial statements. Therefore, understanding these policies is important in understanding the reported results of operations and the financial position of the Company.

### Valuation of Securities and Other Assets

"Trading Account Securities" and "Available for Sale Securities" are reflected in the consolidated statement of financial condition at fair value or amounts that approximate fair value. In accordance with SFAS 115, "Accounting for Certain Investments in Debt and Equity Securities," unrealized gains and losses related to these financial instruments are reflected in net earnings or other comprehensive income, depending on the underlying purpose of the instrument. The following table presents the company's trading and available for sale securities segregated into cash (i.e., non-derivative) trading instruments, derivative contracts, and available for sale securities:

### SEPTEMBER 24, 2004

	FINANCIAL INSTRUMENTS OWNED (000s)	FINANCIAL INSTRUMENTS SOLD BUT NOT YET PURCHASED (000s)
Trading Account Securities:		
Cash Trading Instruments	\$ 315,294	\$ 113,355
Derivative Contracts	14,567	8,926
Available for Sale Securities	208,022	-
Total	\$ 537,883	\$ 122,281

## CASH TRADING INSTRUMENTS AND AVAILABLE FOR SALE SECURITIES

When available, the Company uses prices from independent sources such as listed market prices or broker/dealer price quotations to derive the fair value of the instruments. For investments in illiquid or privately held securities that do not have readily determinable fair

values, the Company uses estimated fair values as determined by management. The following table presents the carrying value of cash trading and available for sale securities for which fair value is measured based on quoted prices or other independent sources versus those for which fair value is determined by management:

SEPTEMBER 24, 2004		
	FINANCIAL INSTRUMENTS OWNED (000s)	FINANCIAL INSTRUMENTS SOLD BUT NOT YET PURCHASED (000s)
Fair Value Based on		
Quoted Prices and		
Independent Sources	\$ 506,323	\$ 122,281
Fair Value Determined		
By Management	31,560	-
Total	\$ 537,883	\$ 122,281

#### Derivative Contracts

Fair value for derivative contracts, consisting primarily of interest rate swaps, are obtained from pricing models that consider current market and contractual prices for the underlying financial instruments or commodities, as well as time value and yield curve or volatility factors underlying the positions.

#### Investment in Leveraged Leases

The Company is the lessor in two leveraged commercial aircraft transactions with two major domestic airlines (Delta and Continental). The Company's combined equity investments represented 21% of the aggregate purchase prices; the remaining 79% was funded by public debt issued in the form of equipment trust certificates. The residual values of the aircrafts at the end of an average lease term of 20 years are projected to be an average of 10% of the original cost. The leases expire in September 2013 and June 2016, respectively.

The Company's ability to realize its expected return is dependent upon the airlines' ability to fulfill their

lease obligations. In the event that the airlines default on their lease commitments and the Company is unable to re-lease or sell the planes with adequate terms, the Company would suffer a loss of some or all of its investment. In the fourth quarter of fiscal 2004, the Company recorded a \$4 million charge related to its investment in the leveraged lease of an aircraft to Delta Airlines. Although Delta has not defaulted on its obligations under this lease, Delta's financial condition has continued to deteriorate. If the situation worsens, additional charges may be recorded in future periods to further write down the remaining investment balance for this lease of \$6.8 million.

#### Goodwill

Intangible assets consist predominantly of goodwill related to the acquisitions of Roney & Co. (now part of RJA) and Goepel McDermid, Inc. (now called Raymond James Ltd). This goodwill, totaling \$63 million, was allocated to the reporting units within the Private Client Group and Capital Markets segments pursuant to SFAS No. 142, "Goodwill and Other Intangible Assets." Goodwill represents the excess cost of a business acquisition over the fair value of the net assets acquired. In accordance with SFAS No. 142, indefinite-life intangible assets and goodwill are not amortized.

The Company reviews its goodwill on at least an annual basis in order to determine whether its value is impaired. Goodwill is impaired when the carrying amount of the reporting unit exceeds the implied fair value of the reporting unit. When available, the Company uses recent, comparable transactions to estimate the fair value of the respective reporting units. The company calculates an estimated fair value based on multiples of revenues, earnings, and book value of comparable transactions. However, when such comparable transactions are not available or have become outdated, the Company uses discounted cash flow scenarios to estimate the fair value of the reporting units. As of September 24, 2004, goodwill had been allocated to the Private Client Group of RJA, and both the Private Client Group and Capital Markets segments of RJ Ltd. As of the most recent impairment test, the

Company determined that the carrying value of the goodwill for each reporting unit had not been impaired. However, changes in current circumstances or business conditions could result in an impairment of goodwill. As required, the Company will continue to perform impairment testing on an annual basis or when an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount.

### Reserves

The Company records reserves related to legal proceedings in "other payables." Such reserves are established and maintained in accordance with SFAS No. 5, "Accounting for Contingencies," and Financial Interpretation No. 14. The determination of these reserve amounts requires significant judgment on the part of management. Management considers many factors including, but not limited to: the amount of the claim; the amount of the loss in the client's account; the basis and validity of the claim; the possibility of wrongdoing on the part of an associate of the Company; previous results in similar cases; and legal precedents and case law. Each legal proceeding is reviewed with counsel in each accounting period and the reserve is adjusted as deemed appropriate by management. Lastly, each case is reviewed to determine if it is probable that insurance coverage will apply, in which case the reserve is reduced accordingly. Any change in the reserve amount is recorded in the consolidated financial statements and is recognized as a charge/credit to earnings in that period. The assumptions of management in determining the estimates of reserves may prove to be incorrect, which could materially affect results in the period the expenses are ultimately determined.

The Company also records reserves or allowances for doubtful accounts related to client receivables and loans. Client receivables at the broker/dealers are generally collateralized by securities owned by the brokerage clients. Therefore, when a receivable is considered to be impaired, the amount of the

impairment is generally measured based on the fair value of the securities acting as collateral, which is measured based on current prices from independent sources such as listed market prices or broker/dealer price quotations.

Client loans at RJBank are generally collateralized by real estate or other property. RJBank provides for both an allowance for losses in accordance with SFAS No. 5, "Accounting for Contingencies," and a reserve for individually impaired loans in accordance with SFAS No. 114, "Accounting by a Creditor for Impairment of a Loan." The calculation of the SFAS No. 5 allowance is subjective as management segregates the loan portfolio into different classes and assigns each class an allowance percentage based on the perceived risk associated with that class of loans. The factors taken into consideration when assigning the reserve percentage to each class include trends in delinquencies; volume and terms; changes in geographic distribution, lending policies, local, regional, and national economic conditions; and past loss history. For individual loans identified as impaired, RJBank measures impairment based on the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's observable market price or the fair value of the collateral if the loan is collateral dependent. At September 24, 2004, the amortized cost of all RJBank loans was \$694 million and an allowance for loan losses of \$7.6 million was recorded against that balance. The allowance for loan losses is approximately 1.17% of the amortized cost of the loan portfolio and has not changed significantly since the prior year.

The Company also makes loans or pays advances to financial advisors, primarily for recruiting and retention purposes. The Company provides for a general allowance for loan losses on such receivables based on historical collection experience. Additionally, the Company provides for a specific reserve on these receivables if a financial advisor is no longer associated with the Company and it is determined that it is probable the amount will not be collected. At September 24, 2004, the receivable from financial

advisors was \$44.5 million, which is net of an allowance of \$7.8 million for estimated uncollectibility.

### Liquidity and Capital Resources

Net cash used in operating activities during fiscal 2004 was approximately \$183 million. Cash was provided by earnings and increased client cash balances. Cash was used for loans to clients and the purchase of securities inventories. The remainder of the cash used is attributed to the net fluctuations in various other asset and liability accounts.

Investing activities provided \$11 million in cash, which is primarily due to the maturation and repayments of mortgage-backed securities held by RJBank, net of reinvestment and total company capital expenditures. The Company re-invested approximately two thirds of the \$99 million in proceeds from these repayments in additional mortgage-backed securities. Also, additions to fixed assets consumed \$22 million related primarily to the completion of a fourth headquarters building in St. Petersburg, Florida.

Financing activities used \$39 million, the result of the payment of cash dividends, the net repayment of borrowings, and net cash provided from the exercise of stock options and employee stock purchases.

The Company has loans payable consisting primarily of a \$72 million mortgage on its headquarters office complex, and \$60 million in Federal Home Loan Bank advances at RJBank. In addition, the Company and its subsidiaries have the following lines of credit: RJF has a \$100 million line of credit, RJA has uncommitted bank lines of credit aggregating \$505 million with commercial banks, Raymond James Credit Corporation has a line of credit for \$25 million, and RJ Ltd. has a CDN\$40 million line of credit. At September 24, 2004, the Company had approximately \$4.1 million in outstanding loans against these lines of credit. Additionally, RJBank had \$213 million in credit available from the Federal Home Loan Bank ("FHLB") at September 24, 2004.

The Company has committed a total of \$30.9 million, in amounts ranging from \$500,000 to \$1,500,000, to 33 different independent venture capital or private equity partnerships. As of September 24,

2004, the Company had invested \$24.5 million of that amount. Additionally, the Company is the general partner in two internally sponsored private equity limited partnerships to which it has committed \$14 million. Of that amount, the Company has invested \$8.8 million as of September 24, 2004.

Management has been authorized by the Board of Directors to repurchase its common stock at their discretion for general corporate purposes. There is no formal stock repurchase plan at this time. In May 2004 the Board authorized the repurchase of up to \$75 million of shares. As of September 24, 2004, the unused portion of this authorization was \$73.3 million.

The Company's broker/dealer subsidiaries are subject to requirements of the SEC and the IDA relating to liquidity and capital standards. The domestic broker/dealer subsidiaries of the Company are subject to the requirements of the Uniform Net Capital Rule (Rule 15c3-1) under the Securities Exchange Act of 1934. RJA, a member firm of the NYSE, is also subject to the rules of the NYSE, whose requirements are substantially the same. Rule 15c3-1 requires that aggregate indebtedness, as defined, not exceed fifteen times net capital, as defined. Rule 15c3-1 also provides for an "alternative net capital requirement," which both RJA and RJFS have elected. It requires that minimum net capital, as defined, be equal to the greater of \$250,000 or two percent of Aggregate Debit Items arising from client transactions. The NYSE may require a member firm to reduce its business if its net capital is less than four percent of Aggregate Debit Items and may prohibit a member firm from expanding its business and declaring cash dividends if its net capital is less than five percent of Aggregate Debit Items.

RJ Ltd. is subject to the Minimum Capital Rule (By-Law No. 17 of the IDA) and the Early Warning System (By-Law No. 30 of the IDA). The Minimum Capital Rule requires that every member shall have and maintain at all times Risk Adjusted Capital greater than zero calculated in accordance with Form 1 (Joint Regulatory Financial Questionnaire and Report) and with such requirements as the Board of Directors of the

IDA may from time to time prescribe. Insufficient Risk Adjusted Capital may result in suspension from membership in the stock exchanges or the IDA. The Early Warning System is designed to provide advance warning that a member firm is encountering financial difficulties. This system imposes certain sanctions on members who are designated in Early Warning level 1 or level 2 according to its capital, profitability, liquidity position, frequency of designation or at the discretion of the IDA. Restrictions on business activities and capital transactions, early filing requirements, and mandated corrective measures are sanctions that may be imposed as part of the Early Warning System. RJ Ltd. was not in Early Warning level 1 or level 2 during fiscal 2004 or 2003.

RJBank is subject to various regulatory and capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory – and possibly additional discretionary – actions by regulators. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, RJBank must meet specific capital guidelines that involve quantitative measures of RJBank’s assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. RJBank’s capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors. Quantitative measures established by regulation to ensure capital adequacy require RJBank to maintain minimum amounts and ratios of Total and Tier I Capital (as defined in the regulations) to risk-weighted assets (as defined). Management believes, as of September 24, 2004, that the Bank meets all capital adequacy requirements to which it is subject.

#### **Effects of Recently Issued Accounting Standards**

On October 13, 2004, the Financial Accounting Standards Board (“FASB”) ratified the consensus reached by the Emerging Issues Task Force (“EITF”) on EITF issue 04-10, “Determining Whether to Aggregate Operating Segments that do not meet the

Quantitative Thresholds.” The task force concluded that operating segments that do not meet the quantitative thresholds established by Statement of Financial Accounting Standard (“SFAS”) No. 131, “Disclosures about Segments of an Enterprise and Related Information,” can be aggregated only if aggregation is consistent with the objective and basic principles of SFAS No. 131, the segments have similar economic characteristics, and the segments share a majority of the aggregation criteria listed in SFAS No. 131. This EITF becomes applicable for fiscal years ending after October 13, 2004. The Company does not believe that the EITF will have a material effect on its segment disclosures under SFAS No. 131.

On March 9, 2004, the SEC issued Staff Accounting Bulletin (“SAB”) No. 105, “Application of Accounting Principles to Loan Commitments.” SAB No. 105 applies to those loan commitments that are accounted for as derivatives in accordance with paragraph three of SFAS No. 149, “Amendment of Statement 133 on Derivative Instruments and Hedging Activities” and contains specific guidance on measuring those loan commitments at fair value. Additionally, it requires registrants to disclose their accounting policies related to loan commitments accounted for as derivatives, including the methods and assumptions used to estimate the fair value of the commitments, as well as any associated hedging strategies. SAB No. 105 is effective for new loan commitments entered into subsequent to March 31, 2004. The adoption of SAB 105 did not have a material impact on the Company’s consolidated financial statements.

On March 31, 2004, the FASB ratified the consensus reached by the EITF in issue 03-1, “The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments” on the guidance to be used in determining when an investment is considered impaired, whether that impairment is other than temporary, and the measurement of an impairment loss. This consensus ratified by the FASB on March 31, 2004, was effective for other-than-temporary impairment evaluations made in reporting periods beginning after June 15, 2004. However, the

guidance contained in paragraphs 10-20 of EITF 03-1, related to determining whether an impairment is other-than-temporary and measuring the related impairment loss, has been delayed by FASB Staff Position (“FSP”) EITF Issue 03-1-1, “Effective Date of Paragraphs 10 – 20 of EITF Issue No. 03-1.” The Company is currently evaluating the impact of adopting the provisions of paragraphs 10-20 of this EITF on its consolidated financial statements.

The FASB had previously ratified in November 2003, the disclosure requirements of EITF 03-1 related to investments with unrealized losses that have not been recognized as other-than-temporary impairments. The disclosures must include the amount of unrealized losses, the related fair value of the investments with unrealized losses, and must be “segregated by those investments that have been in a continuous unrealized loss position for less than 12 months and those that have been in a continuous unrealized loss position for 12 months or longer.” The disclosure requirements were implemented in the Company’s fiscal year 2004 annual financial statements.

On March 31, 2004 the FASB ratified the consensus reached by the Emerging Issues Task Force on EITF Issue 03-16, “Accounting for Investments in Limited Liability Companies.” This EITF issues requires “that an investment in a Limited Liability Company (“LLC”) that maintains a “specific ownership account” for each investor – similar to a partnership capital account structure – should be viewed as similar to an investment in a limited partnership for purposes of determining whether a noncontrolling investment in an LLC should be accounted for using the cost method or the equity method.” These requirements are applicable for reporting periods beginning after June 15, 2004. The adoption of EITF 03-16 did not have a material impact on the Company’s consolidated financial statements.

In December 2003, the SEC issued SAB No. 104, “Revenue Recognition.” SAB No. 104 revises or rescinds portions of the interpretative guidance included in SAB No. 101, “Revenue Recognition in Financial Statements,” in order to make this interpretive guidance consistent with current authoritative accounting and

auditing guidance and SEC rules and regulations. SAB No. 101, which was issued in December 1999, provides guidance on the recognition, presentation, and disclosure of revenues in the financial statements of SEC registrants. The provisions of SAB No. 104 did not have a material impact on the Company’s consolidated financial statements.

In May 2003, the FASB issued SFAS No. 150, “Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity.” The statement specifies how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. The statement was effective for financial instruments entered into or modified after May 31, 2003, and was effective for pre-existing instruments as of the Company’s fourth quarter of 2003. However, the effective date of certain provisions of SFAS No. 150 for certain mandatorily redeemable financial instruments has been deferred by FSP FAS 150-3. Under this FSP, certain mandatorily redeemable shares are subject to the provisions of SFAS No. 150 for the first fiscal period beginning after December 15, 2004. Other mandatorily redeemable shares are deferred indefinitely but may be subject to classification or disclosure provisions of the Statement. Adoption of the applicable provisions of SFAS No. 150 did not have a material effect on the Company’s financial condition or results of operations. Additionally, the Company does not expect that the deferred provisions will have a material effect on its financial condition or results of operations.

In January 2003, the FASB issued Interpretation No. 46 (“FIN 46”), “Consolidation of Variable Interest Entities,” which provides guidance on the consolidation of certain entities in which the equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support. Such entities are referred to as variable interest entities (“VIE’s”). FIN 46 requires that a VIE be consolidated by a business enterprise if that enterprise is deemed to be the primary beneficiary of the VIE. FIN 46 was effective January 31, 2003 for the Company with respect to interest in VIE’s that were

obtained after that date. With respect to interests in VIE's existing prior to February 1, 2003, the FASB issued Interpretation No. 46 (revised December 2003) ("FIN 46R"), which provides technical corrections and extended the effective date of FIN 46 to the first reporting period that ended after March 15, 2004. The Company fully adopted FIN 46R in the second quarter of the current year. The provisions of FIN 46R resulted in the consolidation of several entities see Note 5 to the Consolidated Financial Statements.

#### Off Balance Sheet Arrangements

Information concerning the Company's off balance sheet arrangements are included in Note 16 of the

Notes to the Consolidated Financial Statements. Such information is hereby incorporated by reference.

#### Contractual Obligations

The Company has contractual obligations to make future payments in connection with its short and long-term debt, non-cancelable lease agreements, partnership investments, commitments to extend credit, and a naming rights agreement (see Note 11 to the Consolidated Financial Statements for further information on the Company's commitments). The following table sets forth these contractual obligations by fiscal year (in 000s):

	TOTAL	2005	2006	2007	2008	2009	THEREAFTER
Long-Term Debt	\$132,276	\$ 2,303	\$ 2,438	\$ 2,580	\$ 7,731	\$ 2,891	\$114,333
Short-Term Debt	4,117	4,117	-	-	-	-	-
Operating Leases	77,219	20,126	16,921	14,146	10,083	6,179	9,764
Investments - Private Equity Partnerships <sup>(a)</sup>	11,600	11,600	-	-	-	-	-
Certificates of Deposit	140,981	61,351	23,831	10,987	16,990	27,822	-
Commitments to Extend Credit - RJBank <sup>(b)</sup>	225,134	225,134	-	-	-	-	-
Naming Rights for Raymond James Stadium	19,447	2,802	2,914	3,031	3,152	3,278	4,270
<b>Total</b>	<b>\$610,774</b>	<b>\$327,433</b>	<b>\$46,104</b>	<b>\$30,744</b>	<b>\$37,956</b>	<b>\$40,170</b>	<b>\$128,367</b>

<sup>(a)</sup> The Company has committed a total of \$30.9 million, in amounts ranging from \$500,000 to \$1,500,000, to 33 different independent venture capital or private equity partnerships. As of September 24, 2004, the Company had invested \$24.5 million of that amount. Additionally, the Company is the general partner in two internally sponsored private equity limited partnerships to which it has committed \$14 million. Of that amount, the Company has invested \$8.8 million as of September 24, 2004. Although the combined remaining balance of \$11.6 million has been included in fiscal year 2005 above, the contributions to the partnerships may occur after that time and are dependent upon the timing of the capital calls by the general partners.

<sup>(b)</sup> Because many commitments expire without being funded in whole or part, the contract amounts are not estimates of future cash flows.

### Effects of Inflation

The Company's assets are primarily liquid in nature and are not significantly affected by inflation. Management believes that the replacement cost of property and equipment would not materially affect operating results. However, the rate of inflation affects the Company's expenses, including employee compensation and benefits, communications and occupancy, which may not be readily recoverable through charges for services provided by the Company.

## QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

### RISK MANAGEMENT

Risks are an inherent part of the Company's business and activities. Management of these risks is critical to the Company's fiscal soundness and profitability. Risk management at the Company is a multi-faceted process that requires communication, judgment and knowledge of financial products and markets. The Company's senior management takes an active role in the risk management process and

requires specific administrative and business functions to assist in the identification, assessment, monitoring and control of various risks. The principal risks involved in the Company's business activities are market, credit, operational, and regulatory and legal.

### Market Risk

Market risk is the risk of loss to the Company resulting from changes in interest rates and equity prices. The Company has exposure to market risk primarily through its broker/dealer and banking operations. The Company's broker/dealer subsidiaries trade tax exempt and taxable debt obligations and act as an active market maker in approximately 300 over-the-counter equity securities. In connection with these activities, the Company maintains inventories in order to ensure availability of securities and to facilitate client transactions. Additionally, the Company, primarily within its Canadian broker/dealer subsidiary, invests for its own proprietary equity investment account.

The following table represents the carrying value of trading inventories as of fiscal year end associated with the Company's broker/dealer client facilitation, market-making activities and proprietary trading activities:

	SEPTEMBER 24, 2004		SEPTEMBER 26, 2003	
	TRADING SECURITIES (000s)	SECURITIES SOLD BUT NOT YET PURCHASED (000s)	TRADING SECURITIES (000s)	SECURITIES SOLD BUT NOT YET PURCHASED (000s)
Marketable:				
Municipal	\$ 192,099	-	\$ 97,225	\$ 5
Corporate	26,216	3,522	15,728	598
Government	52,335	66,073	24,947	29,008
Total Debt Securities	270,650	69,595	137,900	29,611
Equity & Other Securities	59,211	52,686	44,047	41,820
Total	\$329,861	\$122,281	\$181,947	\$ 71,431

Changes in value of the Company's trading inventory may result from fluctuations in interest rates, credit ratings of the issuer, equity prices and the correlation among these factors. The Company manages its trading inventory by product type and has established trading divisions that have responsibility for each product type. The Company's primary method of controlling risk in its trading inventory is through the use of limits. As of September 24, 2004, the absolute fixed income (total long positions plus total short positions) and equity (total net positions) inventory limits were \$1,237,000,000 and \$69,358,000, respectively. The Company's total outstanding trading inventories were well within these limits at September 24, 2004. Additionally, for its derivative activities, primarily interest rate swaps, the company has established a limit structure that is based on factors such as interest rate risk and spread exposure. Position limits in trading inventory accounts are monitored on a daily basis. Consolidated position and exposure reports are prepared and distributed to senior management. Limit violations are carefully monitored. Management monitors inventory levels and trading results, as well as inventory aging, pricing, concentration and securities ratings. Summarized results are reviewed and a valuation adjustment is determined by management to record the instrument at estimated fair value.

#### Interest Rate Risk

RJBank maintains an investment portfolio that is comprised of mortgage-backed securities, as well as mortgage, consumer and commercial loans. Those investments are funded in part by its client obligations, including demand deposits, money market accounts, savings accounts and certificates of deposit. Based on the banking industry and the current investment portfolio of RJBank, market risk for RJBank is limited primarily to interest rate risk. RJBank reviews interest rate risk based on net interest income, which is the net amount of interest received and interest paid. The following table represents the carrying value of RJBank's assets and liabilities that are subject to market risk.

#### RJBANK FINANCIAL INSTRUMENTS WITH MARKET RISK

	SEPT. 24, 2004 (000s)	SEPT. 30, 2003 (000s)
Debt securities		
Mortgage-Backed Securities	\$213,401	\$241,211
Municipal Obligations	41	90
Total Debt Securities	213,442	241,301
Loans Available for Sale	694	1,038
Equity securities	5,260	3,484
Total Assets with Market Risk	\$219,396	\$245,823
Certificates of Deposits	140,980	105,888
Federal Home Loan Bank Advances	60,000	60,000
Total Liabilities with Market Risk	\$200,980	\$165,888

RJA is exposed to interest rate risk as a result of maintaining trading inventories of fixed income instruments, which are sensitive to changes in interest rates. The Company monitors, on a daily basis, the Value-at-Risk ("VaR") in its institutional fixed income trading portfolios (cash instruments and interest rate derivatives held either as economic hedges or as customer-related positions). Using a variance/covariance methodology, VaR is a technique for estimating the potential loss in the Company's fixed income portfolio due to adverse market movements over a defined time horizon with a specified confidence level.

A standard regulatory-type data set is used (one year historical observation period, 0% exponential decay) and the results are compared daily against those obtained using corresponding data with a 6% exponential decay factor. VaR is reported at a 99% confidence level, based on a one-day holding period; this is consistent with the

Company's high-turnover trading activity, which is based on supporting client sales activity. This means that there is a one in 100 chance that daily trading net revenues will fall below the expected daily trading net revenues by an amount at least as large as the reported VaR. However, shortfalls on a single day can exceed reported VaR by significant amounts. Shortfalls can also accumulate over a longer time horizon, such as a number of consecutive trading days.

The following table sets forth the high, low and average VaR for the Company's overall portfolio during the fiscal year ended September 24, 2004, with the corresponding dollar value of the Company's portfolio:

	HIGHEST DAILY VaR	LOWEST DAILY VaR	DAILY AVERAGES
VaR	\$ 1,160,000	\$ 235,000	\$ 642,000
Portfolio value (net)	\$178,823,000	\$72,590,000	\$105,695,000
VaR as a percent of portfolio value	0.65%	0.32%	0.64%

The modeling of the risk characteristics of trading positions involves a number of assumptions and approximations. While management believes that its assumptions and approximations are reasonable, there is no uniform industry methodology for estimating VaR, and different assumptions and/or approximations could produce materially different VaR estimates. Given its reliance on historical data, VaR is most effective in estimating risk exposures in markets in which there are no sudden fundamental changes or shifts in market conditions. An inherent limitation of VaR is that the distribution of past changes in market risk factors may not produce accurate predictions of future market risk. Moreover, VaR calculated for a one-day time horizon does not fully capture the market risk of positions that cannot be liquidated or offset with hedges within one day. Accordingly, management also monitors the risk in its trading activities by establishing position limits and daily review of trading results, inventory aging, pricing, concentration and securities ratings.

Additional information is discussed under Derivative Financial Instruments in Note 9 of the Notes to the Consolidated Financial Statements.

As noted above, RJBank reviews interest rate risk based on net interest income and equity valuation. One of the core objectives of RJBank's Asset/Liability Management Committee is to manage the sensitivity of net interest income to changes in market interest rates. The Asset/Liability Management Committee uses several measures to monitor and limit RJBank's interest rate risk including scenario analysis, interest repricing gap analysis and limits, and net portfolio value limits. Model-based scenario analysis is used to monitor and report the interest rate risk positions, and analyze alternative strategies.

Net interest income is the net amount of interest received less interest paid. This involves large volumes of contracts and transactions, and numerous products. Simulation models and estimation techniques are used to assess the sensitivity of the net interest income stream to movements in interest rates. Assumptions about consumer behavior play an important role in these calculations; this is particularly relevant for loans such as mortgages where the client has the right, but not the obligation, to repay before the scheduled maturity. On the liability side, the re-pricing characteristics of deposits are based on estimates since the rates are not coupled to a specified market rate.

The sensitivity of net interest income to interest rate conditions is estimated for a variety of scenarios. Assuming an immediate and lasting shift of 100 basis points in the term structure of interest rates, RJBank's sensitivity analysis indicates that an upward movement would decrease RJBank's net interest income by 6.1% in the first year after the rate jump, whereas a downward shift of the same magnitude would decrease RJBank's net interest income by 4.7%. These sensitivity figures are based on positions as of September 30, 2004, and are subject to certain simplifying assumptions, including that management takes no corrective action. Normally, a decline in rates would increase net interest income, but due to the historically low levels of interest rates in the United

States, there is only limited opportunity to adjust rates downward on the liability side.

### **Equity Price Risk**

The Company is exposed to equity price risk as a consequence of making markets in equity securities and the investment activities of RJA and RJ Ltd. RJA's activities are client-driven, with the objective of meeting clients' needs while earning a trading profit to compensate for the risk associated with carrying inventory. The Company attempts to reduce the risk of loss inherent in its inventory of equity securities by monitoring those security positions constantly throughout each day and establishing position limits. The Company's Canadian broker/dealer has a proprietary trading business with 23 traders. The average aggregate inventory held for proprietary trading during the year ended September 24, 2004, was CDN\$4,424,000 (US \$3,352,000). The Company's equity securities inventories are priced on a regular basis and there are no material unrecorded gains or losses.

### **Credit Risk**

The Company is engaged in various trading and brokerage activities whose counterparties primarily include broker/dealers, banks and other financial institutions. In the event counterparties do not fulfill their obligations, the Company may be exposed to risk. The risk of default depends on the creditworthiness of the counterparty and/or the issuer of the instrument. The Company manages this risk by imposing and monitoring individual and aggregate position limits within each business segment for each counterparty, conducting regular credit reviews of financial counterparties, reviewing security and loan concentrations, holding and marking to market collateral on certain transactions and conducting business through clearing organizations, which guarantee performance.

The Company's client activities involve the execution, settlement and financing of various transactions on behalf of its clients. Client activities are transacted on either a cash or margin basis. Credit

exposure associated with the Company's Private Client Group consists primarily of customer margin accounts, which are monitored daily and are collateralized. When clients execute a purchase on margin the Company is at some risk that the client will renege on the trade. If this occurs, the Company may have to liquidate the position at a loss. However, for over three quarters of the private client group purchase transactions, clients have available funds in the account before the trade is executed. The Company monitors exposure to industry sectors and individual securities and performs analysis on a regular basis in connection with its margin lending activities. The Company adjusts its margin requirements if it believes its risk exposure is not appropriate based on market conditions.

In addition, RJBank offers a variety of loan products including mortgage, commercial real estate and consumer loans, which are collateralized, and corporate loans for which the borrower is carefully evaluated and monitored. RJBank's policy is to require customers to provide collateral prior to the disbursement of approved loans. The amount of collateral obtained, if it is deemed necessary by RJBank upon extension of credit, is based on management's credit evaluation of the counterparty. Collateral held varies but may include accounts receivable, inventory, residential real estate and income-producing commercial properties. By using derivative financial instruments to hedge exposures to changes in interest rates, RJBank exposes itself to credit risk with those counterparties also. RJBank minimizes the credit or repayment risk of derivative instruments by entering into transactions only with high-quality counterparties whose credit rating is investment grade.

The Company is subject to concentration risk if it holds large positions, extends large loans to, or has large commitments with a single counterparty, borrower, or group of similar counterparties or borrowers (e.g. in the same industry). Securities purchased under agreements to resell consist entirely of securities issued by the U.S. government. Receivables from and payables to clients and stock borrow and

lending activities are conducted with a large number of clients and counterparties and potential concentration is carefully monitored. Inventory and investment positions taken and commitments made, including underwritings, may involve exposure to individual issuers and businesses. The Company seeks to limit this risk through careful review of the underlying business and the use of limits established by senior management, taking into consideration factors including the financial strength of the company, the size of the position or commitment, the expected duration of the position or commitment and other positions or commitments outstanding.

The Company is the lessor in two leveraged commercial aircraft transactions with two major domestic airlines (Continental and Delta). The Company's ability to realize its expected return is dependent upon the airlines' ability to fulfill its lease obligations. In the event that the airlines default on their lease commitments and the Company is unable to re-lease or sell the planes with adequate terms, the Company would suffer a loss of some or all of its investment. In the fourth quarter of fiscal 2004, the Company recorded a \$4 million charge related to a write-down of its investment in the leveraged lease of an aircraft to Delta Airlines. Although Delta has not defaulted on its obligations under this lease, Delta's financial condition has continued to deteriorate, thus increasing the likelihood of such a default.

### **Operational Risk**

Operational risk generally refers to the risk of loss resulting from the Company's operations, including, but not limited to, improper or unauthorized execution and processing of transactions, deficiencies in the Company's technology or financial operating systems, and inadequacies or breaches in the company's control processes. The Company operates different businesses in diverse markets and is reliant on the ability of its employees and systems to process a large number of transactions. These risks are less direct than credit and market risk, but managing them is critical, particularly in a rapidly changing environment with increasing

transaction volumes. In the event of a breakdown or improper operation of systems or improper action by employees, the Company could suffer financial loss, regulatory sanctions and damage to its reputation. Business continuity plans exist for critical systems, and redundancies are built into the systems as deemed appropriate. In order to mitigate and control operational risk, the Company has developed and continues to enhance specific policies and procedures that are designed to identify and manage operational risk at appropriate levels throughout the organization and within such departments as Accounting, Operations, Information Technology, Legal, Compliance and Internal Audit. These control mechanisms attempt to ensure that operational policies and procedures are being followed and that the Company's various businesses are operating within established corporate policies and limits.

A Compliance and Standards Committee comprised of senior executives meets monthly to consider policy issues. The Committee reviews material customer complaints and litigation, as well as issues in operating departments, for the purpose of identifying issues that present risk exposure to customers or to the Company. The Committee adopts policies to deal with these issues, which are then disseminated throughout the Company.

The Company has established a Quality of Markets Committee that meets regularly to review execution of customer orders by the OTC, Option and Listed trading departments. This Committee is comprised of representatives from the Correspondent Services, Compliance and Legal Departments and is under the direction of a senior officer of RJF. This Committee reviews reports from OTC, Option and Listed trading departments and recommends action for improvement when necessary.

### **Regulatory and Legal Risk**

Legal risk includes the risk of Private Client Group customer claims, the possibility of sizable adverse legal judgments and non-compliance with applicable legal and regulatory requirements. The Company is generally subject to extensive regulation in the different

jurisdictions in which it conducts business. Regulatory oversight of the securities industry has become increasingly demanding over the past several years and the Company, as well as others in the industry, has been directly affected by this increased regulatory scrutiny.

The Company's subsidiaries have designated Anti-money Laundering Compliance Officers who monitor compliance with regulations adopted under the U.S.A. Patriot Act. The Company has comprehensive procedures addressing issues such as regulatory capital requirements, sales and trading practices, use of and safekeeping of customer funds, extension of credit, collection activities, money-laundering and record keeping. The Company acts as an underwriter or selling group member in both equity and fixed income product offerings. Particularly when acting as lead or co-lead manager, the Company has legal exposure. To manage this exposure, a committee of senior executives reviews proposed underwriting

commitments to assess the quality of the offering and the adequacy of due diligence investigation.

The Company's major business units have compliance departments that are responsible for regularly reviewing and revising compliance and supervisory procedures to conform to changes in applicable regulations.

The Company experienced an increase in the number of Private Client Group claims beginning in fiscal year 2001 as a result of the downturn in the equity markets; the number of claims has begun to decline but is still above historic levels. While these claims may not be the result of any wrongdoing, the Company does, at a minimum, incur costs associated with investigating and defending against such claims. See further discussion on the Company's reserve policy under "Critical Accounting Policies"; see also "Legal Proceedings" and "Regulation."

# RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF FINANCIAL CONDITION

(in 000s, except share amounts)

	SEPT. 24, 2004	SEPT. 26, 2003
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 528,823	\$ 734,631
Assets Segregated Pursuant to Federal Regulations:		
Cash and Cash Equivalents	2,322,402	1,000,101
Securities Purchased Under Agreements to Resell	-	1,236,265
Securities Owned:		
Trading Account Securities, at Fair Value	329,861	181,947
Available for Sale Securities, at Fair Value	208,022	241,323
Receivables:		
Clients	1,961,553	1,652,218
Stock Borrowed	1,536,879	1,208,562
Brokers/Dealers and Clearing Organizations	125,544	126,715
Other	169,577	150,100
Property and Equipment, Net	122,750	118,285
Deferred Income Taxes, Net	73,559	68,465
Deposits with Clearing Organizations	28,466	29,438
Goodwill	62,575	62,575
Investment in Leveraged Leases	20,160	24,947
Prepaid Expenses and Other Assets	131,675	76,066
	\$7,621,846	\$6,911,638
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Loans Payable	\$ 136,393	\$ 167,210
Payables:		
Clients	4,121,713	3,983,610
Stock Loaned	1,597,117	1,227,151
Brokers/Dealers and Clearing Organizations	74,258	154,757
Trade and Other	195,291	147,162
Trading Account Securities Sold but Not Yet Purchased	122,281	71,431
Accrued Compensation, Commissions and Benefits	256,062	199,017
Income Taxes Payable	32,145	26,017
	6,535,260	5,976,355
Minority Interests	21,373	10,548
Shareholders' Equity		
Preferred Stock; \$.10 par value; authorized 10,000,000 shares; issued and outstanding -0- shares	-	-
Common Stock; \$.01 Par Value; Authorized 100,000,000 Shares; Issued 75,321,926 at Sept. 24, 2004, and 49,691,528 at Sept. 26, 2003	753	497
Shares Exchangeable into Common Stock; 285,325 at Sept. 24, 2004, and 219,477 at Sept. 26, 2003	5,493	6,450
Additional Paid-In Capital	127,405	101,298
Accumulated Other Comprehensive Income	3,875	604
Retained Earnings	957,317	850,656
	1,094,843	959,505
Less: 1,761,322 and 1,400,521 Common Shares in Treasury, at Cost	29,630	34,770
	1,065,213	924,735
	\$7,621,846	\$6,911,638

See Accompanying Notes to Consolidated Financial Statements.

# RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME

(in 000s, except per share amounts)

	YEAR ENDED		
	SEPT. 24, 2004	SEPT. 26, 2003	SEPT. 27, 2002
<b>REVENUES:</b>			
Securities Commissions and Fees	\$ 1,290,344	\$ 1,045,071	\$ 1,042,924
Investment Banking	106,350	71,317	73,056
Investment Advisory Fees	134,447	112,126	117,054
Interest	134,764	127,707	159,803
Net Trading Profits	23,565	20,615	22,650
Financial Service Fees	80,431	69,536	60,449
Other	59,875	51,199	41,487
Total Revenues	1,829,776	1,497,571	1,517,423
Interest Expense	48,517	45,611	76,335
Net Revenues	1,781,259	1,451,960	1,441,088
<b>NON-INTEREST EXPENSES:</b>			
Compensation, Commissions and Benefits	1,273,420	1,034,676	1,022,157
Communications and Information Processing	82,186	77,016	79,245
Occupancy and Equipment Costs	61,339	61,520	61,038
Clearance and Floor Brokerage	20,773	17,729	15,630
Business Development	59,963	51,332	49,675
Other	79,457	71,412	81,827
Total Non-Interest Expenses	1,577,138	1,313,685	1,309,572
Income Before Provision for Income Taxes	204,121	138,275	131,516
Provision For Income Taxes	76,546	51,958	52,213
Net Income	\$ 127,575	\$ 86,317	\$ 79,303
Net Income Per Share - Basic	\$ 1.74	\$ 1.19	\$ 1.09
Net Income Per Share - Diluted	\$ 1.72	\$ 1.17	\$ 1.07
Weighted Average Common Shares Outstanding - Basic	73,395	72,824	73,011
Weighted Average Common and Common Equivalent Shares Outstanding - Diluted	74,402	73,479	74,444
Net Income	\$ 127,575	\$ 86,317	\$ 79,303
Other Comprehensive Income:			
Net Unrealized Gain (Loss) on Securities Available for Sale, Net of Tax	(112)	(231)	22
Net Unrealized Gain (Loss) on Interest Rate Swaps Accounted for as Hedges	2,184	1,575	(555)
Net Change in Currency Translations	1,199	9,417	(2,743)
Total Comprehensive Income	\$ 130,846	\$ 97,078	\$ 76,027

See Accompanying Notes to Consolidated Financial Statements.

# RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(in 000s)

	COMMON STOCK		EXCHANGEABLE SHARES		ADDITIONAL	RETAINED	OTHER	TREASURY STOCK		TOTAL
	SHARES	AMOUNT	SHARES	AMOUNT	PAID-IN CAPITAL	EARNINGS	COMPREHENSIVE INCOME	SHARE	AMOUNT	SHAREHOLDERS' EQUITY
Balances at Sept. 26, 2001	48,998	\$490	219	\$ 6,423	\$ 67,464	\$721,183	\$ (6,881)	(1,002)	\$(17,803)	\$770,876
Net Income Fiscal 2002						79,303				79,303
Cash Dividends – Common Stock (\$ .36 per share)						(18,508)				(18,508)
Purchase of Treasury Shares								(359)	(9,147)	(9,147)
Exchangeable Shares			(47)	\$(1,366)	500			47	866	-
Employee Stock Purchases					1,390			208	4,058	5,448
Exercise of Stock Options					(1,805)			462	8,396	6,591
Grant of Restricted Shares					2,251			148	2,711	4,962
Non-Qualified Option Expense					2,390					2,390
Tax Benefit Related to Non-Qualified Option Exercises					997					997
Net Unrealized Gain on Securities Available for Sale, Net of Tax							22			22
Net Unrealized (Loss) on Interest Rates Swaps Accounted for as Hedges							(555)			(555)
Net Change in Currency Translations							(2,743)			(2,743)
Balances at Sept. 27, 2002	48,998	\$490	172	\$5,057	\$ 73,187	\$781,978	\$ (10,157)	(496)	\$(10,919)	\$839,636
Net Income Fiscal 2003						86,317				86,317
Cash Dividends – Common Stock (\$ .36 per share)						(17,639)				(17,639)
Purchase of Treasury Shares								(1,445)	(35,964)	(35,964)
Exchangeable Shares	243	2	47	1,393	7,139					8,534
Employee Stock Purchases	175	2			4,430			34	750	5,182
Exercise of Stock Options	275	3			6,137			334	7,367	13,507
Grant of Restricted Shares					1,092			172	3,996	5,088
Non-Qualified Option Expense					8,913					8,913
Tax Benefit Related to Non-Qualified Option Exercises					400					400
Net Unrealized Gain on Securities Available for Sale, Net of Tax							(231)			(231)
Net Unrealized (Loss) on Interest Rates Swaps Accounted for as Hedges							1,575			1,575
Net Change in Currency Translations							9,417			9,417
Balances at Sept. 26, 2003	49,691	\$497	219	\$6,450	\$101,298	\$850,656	\$ 604	(1,401)	\$(34,770)	\$924,735
Net Income Fiscal 2004						127,575				127,575
Cash Dividends – Common Stock (\$ .26 per share)						(20,664)				(20,664)
Purchase of Treasury Shares								(84)	(1,955)	(1,955)
Exchangeable Shares	36	-	(36)	\$(957)	957					
3-for-2 Stock Split	25,002	250	102			(250)		(593)		
Employee Stock Purchases	274	3			7,096					7,099
Exercise of Stock Options	319	3			5,247			106	2,271	7,521
Grant of Restricted Shares					2,432			211	4,824	7,256
Non-Qualified Option Expense					10,375					10,375
Net Unrealized Gain on Securities Available for Sale, Net of Tax							(112)			(112)
Net Unrealized (Loss) on Interest Rates Swaps Accounted for as Hedges							2,184			2,184
Net Change in Currency Translations							1,199			1,199
Balances at Sept. 24, 2004	75,322	\$753	285	\$5,493	\$127,405	\$957,317	\$ 3,875	(1,761)	\$(29,630)	\$1,065,213

See Accompanying Notes to Consolidated Financial Statements.

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF CASH FLOWS *(cont. on next page)*

(in 000s)

	YEAR ENDED		
	SEPT. 24, 2004	SEPT. 26, 2003	SEP. 27, 2002
Cash Flows from Operating Activities:			
Net Income	\$ 127,575	\$ 86,317	\$ 79,303
Adjustments to Reconcile Net Income to net Cash Provided by Operating Activities:			
Depreciation and Amortization	16,827	18,344	22,813
Deferred Income Taxes	(5,094)	(14,731)	(15,917)
Unrealized (Gain) Loss on Investment Account Securities	-	(55)	(362)
Unrealized (Gain) Loss and Premium Amortization on Available for Sale Securities	(1,603)	(216)	(582)
Ineffectiveness of Interest Rate Swaps Accounted for as Cash Flow Hedges	(392)	(525)	(498)
Loss on Investment in Leveraged Lease	4,000	-	-
Loss on Sale of Investment Account Securities	-	-	323
Loss on Sale of Property and Equipment	1,696	469	2,494
Provision for Bad Debts and Other Accruals	26,076	40,048	35,675
Stock and Option Compensation Expense	17,631	14,401	8,349
Minority Interest	10,825	152	3,796
(Increase) Decrease in Operating Assets:			
Assets Segregated Pursuant to Federal Regulations	(86,036)	(150,439)	(340,343)
Receivables:			
Clients, Net	(311,142)	(129,442)	79,506
Stock Borrowed	(328,317)	(432,176)	475,168
Brokers/Dealers and Clearing Organizations	1,171	(38,837)	93,835
Other	(19,477)	(17,789)	2,776
Trading Securities, Net	(97,065)	106,019	13,864
Prepaid Expenses and Other Assets	(54,354)	(12,568)	17,911
Increase (Decrease) in Operating Liabilities:			
Payables:			
Clients	138,103	235,666	136,350
Stock Loaned	369,966	392,772	(430,710)
Brokers/Dealers and Clearing Organizations	(80,499)	116,946	(130,590)
Trade and Other	23,860	(36,092)	(23,300)
Accrued Compensation, Commissions and Benefits	57,045	10,157	1,115
Income Taxes Payable	6,128	2,769	23,248
Total Adjustments	(310,651)	104,873	(25,079)
Net Cash Provided by Operating Activities	(183,076)	191,190	54,224

See Accompanying Notes to Consolidated Financial Statements.

# RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF CASH FLOWS *(cont.)*

(in 000s)

	YEAR ENDED		
	SEPT. 24, 2004	SEPT. 26, 2003	SEP. 27, 2002
Cash Flows from Investing Activities:			
Additions to Property and Equipment, Net	(22,028)	(28,775)	(26,390)
Sales of Investment Account Securities	-	-	1,154
Sales of Available for Sale Securities	-	-	65,149
Purchases of Investment Account Securities	-	(591)	-
Purchases of Available for Sale Securities	(66,011)	(97,708)	(251,855)
Security Maturations and Repayments	98,730	207,965	199,971
Net Cash Provided by (Used in) Investing Activities	10,691	80,891	(11,971)
Cash Flows from Financing Activities:			
Proceeds from Borrowed Funds	80,198	307,540	184,457
Repayments of Mortgage and Borrowings	(111,014)	(289,893)	(197,320)
Exercise of Stock Options and Employee Stock Purchases	14,620	18,689	12,039
Purchase of Treasury Stock	(1,955)	(35,964)	(9,147)
Cash Dividends on Common Stock	(20,664)	(17,639)	(18,508)
Net Cash (Used in) Provided by Financing Activities	(38,815)	(17,267)	(28,479)
Currency Adjustment:			
Effect of Exchange Rate Changes on Cash	5,392	10,318	(2,743)
Net Increase in Cash and Cash Equivalents	(205,808)	265,132	11,031
Cash and Cash Equivalents at Beginning of Year	734,631	469,499	458,468
Cash and Cash Equivalents at End of Year	\$ 528,823	\$ 734,631	\$ 469,499
Supplemental Disclosures of Cash Flow Information			
Cash Paid for Interest	\$ 48,229	\$ 48,537	\$ 77,133
Cash Paid for Taxes	\$ 75,511	\$ 63,920	\$ 43,032

See Accompanying Notes to Consolidated Financial Statements.

# RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Description of Business

Raymond James Financial, Inc. is a holding company, which, through its subsidiaries, is engaged principally in the securities brokerage business, including the underwriting, distribution, trading and brokerage of equity and debt securities and the sale of mutual funds and other investment products. In addition, it provides investment management services for retail and institutional clients and banking and trust services for retail clients. The accounting and reporting policies of Raymond James Financial, Inc. and its subsidiaries (the "Company") conform to accounting principles generally accepted in the United States of America, the more significant of which are summarized below:

#### Basis of Presentation

The consolidated financial statements include the accounts of Raymond James Financial, Inc., whose subsidiaries are generally controlled through a majority voting interest. All material consolidated subsidiaries are 100% owned by the Company. All material intercompany balances and transactions have been eliminated in consolidation.

#### Management Estimates and Assumptions

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the 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 consolidated financial statements.

#### Reporting Period

The Company's fiscal year ends on the last Friday in September of each year. Two of the Company's subsidiaries, RJBank and RJ Ltd., have fiscal years that end on the last day of September. Any individually material transactions are reviewed and recorded in the appropriate fiscal year.

#### Recognition of Revenues

Securities transactions and related commission revenues and expenses are recorded on a trade date basis.

Investment banking revenues are recorded at the time the transaction is completed and the related income is reasonably determinable. Investment banking revenues include management fees and underwriting fees earned in connection with the distribution of the underwritten securities, merger and acquisition fees, private placement fees and limited partnership distributions.

The Company earns an investment advisory fee based on a client's portfolio value on portfolios managed by its investment advisor subsidiaries. These fees are recorded ratably over the period earned.

Financial service fees include interest income and expense, and per account fees such as IRA fees, transaction fees on wrap fee accounts, service fees and distributions fees received from mutual funds.

Under clearing agreements, the Company clears trades for unaffiliated correspondent brokers and retains a portion of commissions as a fee for its services. Correspondent clearing revenues are recorded net of commissions remitted and included in other revenue. Total commissions generated by correspondents were \$24,289,000, \$16,140,000, and \$15,836,000 and commissions remitted totaled \$19,719,000, \$12,494,000, and \$12,117,000 for the years ended September 24, 2004, September 26, 2003, and September 27, 2002, respectively.

### **Cash and Cash Equivalents**

Cash equivalents are highly liquid investments with original maturities of 90 days or less, other than those used for trading purposes.

### **Assets Segregated Pursuant to Federal Regulations**

In accordance with Rule 15c3-3 of the Securities Exchange Act of 1934, Raymond James & Associates (“RJA”), 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. Segregated assets at September 24, 2004, consist of cash and cash equivalents; segregated assets at September 26, 2003, consist of cash, cash equivalents and securities purchased under agreements to resell.

### **Repurchase Agreements**

The Company invests in short-term securities purchased under agreements to resell (“reverse repurchase agreements”), which are included in cash and cash equivalents and assets segregated pursuant to federal regulations. Additionally, the Company enters into securities sold under agreements to repurchase transactions (“repurchase agreements”). These transactions are included in trading account securities sold but not yet purchased. Both reverse repurchase and repurchase agreements are accounted for as collateralized financings and are carried at contractual amounts plus accrued interest. It is the Company’s policy to obtain possession of collateral with a market value equal to or in excess of the principal amount loaned under the reverse repurchase agreements. To ensure that the market value of the underlying collateral remains sufficient, the collateral is valued daily, and the Company may require counterparties to deposit additional collateral (or may return collateral to counterparties) when appropriate.

### **Securities Owned**

Trading account securities are comprised primarily of the financial instruments held by the Company’s broker/dealer subsidiaries. These instruments are

recorded at fair value with unrealized gains and losses reflected in current period earnings. Fair values are generally based on prices from independent sources, such as listed market prices or broker or dealer price quotations. For investments in illiquid and privately held securities that do not have readily determinable fair values through quoted market prices, the determination of fair value is based upon consideration of available information, including types of securities, current financial information, restrictions on dispositions, market values of underlying securities and quotations for similar instruments.

Available for sale securities are comprised primarily of CMO, mortgage related debt, and certain equity securities of the Company’s non-broker/dealer subsidiaries. Debt and equity securities classified as available for sale are reported at fair value with unrealized gains or losses, net of deferred taxes, reported in shareholders’ equity as a component of accumulated other comprehensive income. Any unrealized losses deemed to be other than temporary are included in current period earnings. Additionally, all realized gains and losses, determined on a specific identification basis, are included in current period earnings.

### **Client Receivables and Allowance for Losses**

Client receivables include receivables of the Company’s asset management subsidiaries, broker/dealer subsidiaries, and RJBANK. The receivables from asset management clients are primarily for accrued asset management service fees, while the receivables from broker/dealer clients are principally for amounts due on cash and margin transactions and are generally collateralized by securities owned by the clients. Both the receivables from the asset management and broker/dealer clients are reported at their outstanding principal balance, adjusted for any allowance for doubtful accounts or write-offs. When a broker/dealer receivable is considered to be impaired, the amount of the impairment is generally measured based on the fair value of the securities acting as collateral, which is measured based on current prices from independent sources such as listed market prices or broker/dealer

price quotations. Securities owned by customers, including those that collateralize margin or other similar transactions, are not reflected in the Consolidated Statement of Financial Condition.

The client receivables of RJBank are primarily comprised of loans originated or purchased by the bank, and include commercial and residential mortgage loans, as well as consumer loans. The Company records these loans at amortized cost, adjusted for an allowance for doubtful accounts and any write-offs. Included in amortized cost are any deferred fees or loan origination costs plus the unamortized premiums or discounts on purchased loans.

Loan origination fees, net of related costs, are capitalized and recognized in interest income using the interest method or on a straight-line basis, which approximates the interest method over the contractual life of the loans, adjusted for prepayments.

The Company also provides for an allowance for losses inherent in the RJBank loan portfolio. The allowance is calculated based upon consideration of historical analysis and a supplemental portion based upon inherent risk and losses. The calculation of an allowance for inherent risk and losses is particularly subjective and requires judgments based on qualitative factors that do not lend themselves to exact mathematical calculations, such as trends in delinquencies and nonaccruals; migration trends in the portfolio; trends in volume, terms, and portfolio mix; new credit products and/or changes in the geographic distribution of those products; changes in lending policies and procedures; loan review reports on the efficacy of the risk identification process; changes in the outlook for local, regional, and national economic conditions; and concentrations of credit risk.

Additionally, the Company reviews the individual RJBank loans and considers a loan to be impaired when it is probable that the Company will be unable to collect all amounts due, including principal and interest. When a loan is considered to be impaired, the amount of the impairment is measured based on the present value of expected future cash flows discounted at the loan's effective interest rate, the observable

market value of the loan, or the fair value of the collateral for collateral dependent loans. Regardless of the measurement method originally selected, the Company measures impairment based on the fair value of the collateral when it is determined that foreclosure is probable.

Once RJBank has identified a loan as impaired the accrual of interest on the loan is discontinued when either principal or interest becomes 90 days past due or when the full timely collection of interest or principal becomes uncertain. When a loan is placed on nonaccrual status, the accrued and unpaid interest receivable is written off and accretion of the net deferred loan origination fees cease. The loan is accounted for on the cash or cost recovery method thereafter until qualifying for return to accrual status.

The Company also provides for an allowance for losses on its receivables from financial advisors based on historical collection experience. Additionally, when the financial advisor is no longer associated with the Company or it is determined that it is probable that the amount will not be collected, the Company provides for a specific allowance on the receivable.

#### **Securities Borrowed and Securities Loaned**

Securities borrowed and securities loaned transactions are reported as collateralized financings and recorded at the amount of collateral advanced or received. Securities borrowed transactions generally require the Company to deposit cash with the lender. With respect to securities loaned, the Company generally receives collateral in the form of cash in an amount in excess of the market value of securities loaned. The Company monitors the market value of securities borrowed and loaned on a daily basis, with additional collateral obtained or refunded, as necessary.

#### **Property and Equipment**

Property, equipment and leasehold improvements are stated at cost less accumulated depreciation. Depreciation of assets is primarily provided for using the straight-line method over the estimated useful lives of the assets, which range from two to five years for

software, furniture and equipment and 15 to 31 years for buildings and land improvements. Leasehold improvements are amortized using the straight-line method over the shorter of the lease term or the estimated useful lives of the assets.

Additions, improvements and expenditures for repairs and maintenance that significantly extend the useful life of an asset are capitalized. Other expenditures for repairs and maintenance are charged to operations in the period incurred. Gains and losses on disposals of property and equipment are reflected in income in the period realized.

### **Goodwill**

In accordance with SFAS No. 142 goodwill is not amortized, instead it is reviewed, on at least an annual basis, for impairment. Goodwill is impaired when the carrying amount of the reporting unit exceeds the implied fair value of the reporting unit. When available, the Company uses current, comparable transactions to estimate the fair value of the respective reporting units. The company calculates an estimated fair value based on multiples of revenues, earnings, and book value of the comparable transactions. However, when such comparable transactions are not available or may have become outdated, the Company uses discounted cash flow scenarios to estimate the fair value of the reporting units. The effect of any impairment is recorded in earnings in the period it is determined.

### **Exchange Memberships**

Exchange memberships are carried at cost or, if an "other than temporary" impairment in value has occurred, at a value that reflects management's estimate of the impairment. In the first quarter of fiscal 2003, the Company sold its shares in the Toronto Stock Exchange for a realized gain of \$5,300,000. The remaining membership interests, which are included in prepaid expenses and other assets at a cost of \$2,711,000 and \$3,389,000 at September 24, 2004, and September 26, 2003, respectively, had an aggregate determinable market value of \$5,471,000 and \$6,323,000 at September 24, 2004, and September 26, 2003, respectively. The

market value of the exchange memberships is determined based on the last reported sale.

### **Legal Reserves**

The Company recognizes liabilities for contingencies when there is an exposure that, when fully analyzed, indicates it is both probable that a liability has been incurred and the amount of loss can be reasonably estimated. When a range of probable loss can be estimated, the Company accrues the most likely amount, if not determinable, the Company accrues at least the minimum of the range of probable loss.

The Company records reserves related to legal proceedings in "other payables." Such reserves are established and maintained in accordance with SFAS No. 5, "Accounting for Contingencies," and Financial Interpretation No. 14. The determination of these reserve amounts requires significant judgment on the part of management. Management considers many factors including, but not limited to: the amount of the claim; the amount of the loss in the client's account; the basis and validity of the claim; the possibility of wrongdoing on the part of an employee of the Company; previous results in similar cases; and legal precedents and case law. Each legal proceeding is reviewed with counsel in each accounting period and the reserve is adjusted as deemed appropriate by management. Lastly, each case is reviewed to determine if it is probable that insurance coverage will apply, in which case the reserve is reduced accordingly. Any change in the reserve amount is recorded in the consolidated financial statements and is recognized as a charge/credit to earnings in that period.

### **Stock Compensation**

At September 24, 2004, the Company had eight stock-based employee compensation plans, which are described more fully in Note 14 of the Notes to the Consolidated Financial Statements. Prior to fiscal 2003, the Company accounted for those plans under the recognition and measurement provisions of the Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and

related Interpretations as permitted by SFAS No. 123, "Accounting for Stock-Based Compensation." In accordance with APB No. 25, stock-based employee compensation expense related to stock options was not reflected in net income for fiscal year 2002, as all options granted under those plans had an exercise price equal to the market value of the underlying common stock on the date of grant. Effective September 28, 2002, the Company adopted the fair value recognition provisions of SFAS No. 123. Under the modified prospective method of adoption selected by the Company within the provisions of SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure," the recognition of compensation cost in fiscal 2004 and 2003 is the same as that which would have been recognized had the recognition provisions of SFAS No. 123 been applied since the date of grant for all outstanding options. Results for prior years have not been restated. See Note 14, "Employee Benefit Plans," for a tabular presentation that illustrates the effect on net income and earnings per share if the fair value based method had been applied to all outstanding and unvested awards in each period.

Compensation expense is recognized immediately for restricted stock units for which future service is not a required condition to the delivery of the underlying shares of common stock. For restricted stock units with future service requirements, compensation expense is recognized over the relevant vesting period.

#### **Derivative Financial Instruments**

The Company makes limited use of derivative financial instruments. Certain derivative financial instruments are used to manage well-defined interest rate risk at RJBank, while others are used to economically hedge fixed income inventories. These derivative financial instruments are accounted for in accordance with SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as subsequently amended by SFAS 137 and SFAS 138, which establishes accounting and reporting standards for derivatives and hedging activities. This statement establishes standards for designating a derivative as a

hedge. Derivatives in a broker/dealer or derivatives that do not meet the criteria for designation as a hedge are accounted for as trading account assets.

To manage interest rate exposures, RJBank uses interest rate swaps. Interest rate swaps are agreements to exchange interest rate payment streams based on a notional principal amount. RJBank specifically designates interest rate swaps as hedges of the variability in interest rates on the deposit base utilized to fund the purchase of loan pools that initially carry a fixed rate, and recognizes interest differentials as adjustments to net interest income in the period they occur.

All derivative instruments are recognized on the balance sheet at their fair value. On the date the derivative contract is entered into, RJBank designates the derivative as a hedge of the variability of cash flows to be paid related to a recognized liability ("cash flow hedge"). RJBank formally documents all relationships between hedging instruments and hedged items, as well as its risk-management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives that are designated as cash flow hedges to specific liabilities on the balance sheet. RJBank also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in the cash flows of the hedged items.

Changes in the fair value of a derivative that is highly effective and that is designated and qualifies as a cash flow hedge are recorded in other comprehensive income, until earnings are affected by the variability in cash flows of the designated hedged item. Any ineffectiveness resulting from the cash flow hedge is recorded in RJBank's non-interest income or expense at the end of each hedging period.

RJBANK discontinues hedge accounting prospectively when it is determined that the derivative is no longer effective in offsetting changes in the cash flows of the hedged item, the derivative expires or is sold, terminated or exercised, or the derivative is designated as a hedging instrument, because management

determines that the designation of the derivative as a hedging instrument is no longer appropriate.

When hedge accounting is discontinued, RJBank continues to carry the derivative at its fair value in the statement of financial condition, and recognizes any changes in its fair value in earnings.

The Company also uses interest rate swaps to economically hedge certain fixed income inventory positions. The economically hedged positions and the swaps are marked to market with the gain or loss recorded in income for the period. In addition to these economic hedging transactions the Company enters into swaps with some of its institutional customers. The Company's management performs evaluations of its potential interest rate risk, including an exposure analysis on municipal bond inventories.

#### **Foreign Currency Translation**

The Company consolidates its foreign subsidiaries and joint ventures. The statement of financial condition of the subsidiaries and joint ventures are translated at exchange rates as of the period end. The statements of operations are translated at an average exchange rate for the period. The gains or losses resulting from translating

foreign currency financial statements into U.S. dollars are included in shareholders' equity as a component of accumulated other comprehensive income.

#### **Income Taxes**

The Company utilizes the asset and liability approach defined in SFAS No. 109, "Accounting for Income Taxes," which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the financial statement amounts and the tax bases of assets and liabilities.

#### **Net Income per Share**

Net income per share is computed using weighted average common stock and common stock equivalents outstanding. Common stock equivalents include shares issuable under stock options and are determined under the treasury stock method.

#### **Reclassifications**

Certain amounts from prior years have been reclassified for consistency with current year presentation. These reclassifications were not material to the consolidated financial statements.

## NOTE 2 - RECEIVABLES FROM AND PAYABLES TO CLIENTS

### Receivables from Clients

Receivables from clients include amounts arising from normal cash and margin transactions, bank loans receivable, and fees receivable. Margin receivables are collateralized by securities owned by brokerage clients, while bank loans are collateralized by first or second mortgage on residential property, real property, or the general assets of the borrower. Such collateral is not reflected in the accompanying consolidated financial statements. The amount receivable from clients at September 24, 2004, and September 26, 2003, is as follows:

	SEPT. 24, 2004 (000s)	SEPT. 26, 2003 (in 000s)
Client Receivables - Gross <sup>(a)</sup>	\$ 1,973,632	\$ 1,661,032
Allowance for Loan Losses and Doubtful Accounts	(12,079)	(8,814)
Client Receivables - Net	\$ 1,961,553	\$ 1,652,218

<sup>(a)</sup> Includes loans available for sale by RJBank of \$695,000 and \$1,038,000 at September 24, 2004, and September 26, 2003, respectively.

The following table provides a summary of RJBank's loans receivable (included within client receivables above) at September 24, 2004, and September 26, 2003:

	SEPT. 24, 2004 (000s)	SEPT. 26, 2003 (000s)
Residential		
Mortgage Loans <sup>(a)</sup>	\$ 456,515	\$ 388,298
Commercial Loans	234,713	174,939
Consumer Loans	2,280	2,038
	693,508	565,275
Allowance for Loan Losses	(7,642)	(5,910)
Purchase Premium	2,525	2,715
Purchase Discount	(1,542)	(826)
Deferred Origination Fees and Costs, Net	(871)	(621)
	\$ 685,978	\$ 560,633

<sup>(a)</sup> Pledged to secure borrowings of \$60 million at September 24, 2004.

Changes in the allowance for loan losses at RJBank for the years ended September 24, 2004, and September 26, 2003, are as follows:

	SEPT. 24, 2004 (000s)	SEPT. 26, 2003 (000s)
Balance, Beginning of Year	\$ 5,910	\$ 5,109
Provision Charged to Operations	2,232	801
Charge-Offs	-	-
Balance, End of Year	\$ 8,142	\$ 5,910

The average balance of impaired loans at September 24, 2004, and September 26, 2003, along with the related interest income recognized on these loans, was immaterial to the financial statements.

## Payables to Clients

Payables to clients include brokerage client funds on deposit awaiting reinvestment and bank savings accounts and certificates of deposit. The following table presents a summary of client payables at September 24, 2004, and September 26, 2003:

	SEPTEMBER 24, 2004		SEPTEMBER 26, 2003	
	BALANCE (000s)	WEIGHTED AVERAGE RATE	BALANCE (000s)	WEIGHTED AVERAGE RATE
Brokerage Client Payables:				
Interest Bearing	\$ 2,970,919	0.45%	\$ 2,844,125	0.60%
Non-Interest Bearing	375,504	-	350,645	-
Total Brokerage Client Payables	3,346,423	0.40%	3,194,770	0.53%
Bank Client Payables:				
Demand Deposits - Interest Bearing	4,379	0.21%	7,040	0.28%
Demand Deposits - Non-Interest Bearing	2,776	-	1,342	-
Money Market Accounts	16,454	0.14%	19,681	0.25%
Savings Accounts	608,447	0.26%	645,563	0.32%
Certificates of Deposit <sup>(a)</sup>	140,980	3.71%	105,889	4.49%
Total Bank Client Payables	773,036	0.89%	779,515	0.88%
Other Client Payables - Non-Interest Bearing	2,254	-	9,325	-
Total Client Payables	\$ 4,121,713	0.56%	\$ 3,983,610	0.60%

<sup>(a)</sup> Certificates of deposit in amounts of \$100,000 or more at September 24, 2004, and September 26, 2003, were \$37,893,000 and \$27,796,000, respectively.

Certificate of deposits issued have remaining maturities at September 24, 2004, and September 26, 2003, as follows:

	SEPT. 24, 2004 (000s)	SEPT. 26, 2003 (000s)
Year One	\$ 61,351	\$ 45,691
Year Two	23,831	24,259
Year Three	10,987	15,147
Year Four	16,990	5,800
Year Five and Thereafter	27,821	14,992
Total	\$140,980	\$105,889

Interest expense on client accounts is comprised of the following for the years ended September 24, 2004, and September 26, 2003:

	SEPT. 24, 2004 (000s)	SEPT. 26, 2003 (000s)
Brokerage Clients Payables	\$ 14,101	\$ 17,685
Bank Clients Payables		
Demand Deposits	9	9
Money Market Accounts	27	58
Savings Accounts	1,617	2,472
Certificate Accounts	5,101	4,910
	\$ 20,855	\$ 25,134

NOTE 3 – TRADING SECURITIES AND TRADING SECURITIES SOLD BUT NOT YET PURCHASED (000s)

	SEPTEMBER 24, 2004		SEPTEMBER 26, 2003	
	TRADING SECURITIES	SECURITIES SOLD BUT NOT YET PURCHASED	TRADING SECURITIES	SECURITIES SOLD BUT NOT YET PURCHASED
<b>MARKETABLE:</b>				
Equities	\$ 33,910	\$ 32,950	\$ 34,318	\$ 36,243
Municipal Obligations	192,099	-	97,225	5
Corporate Obligations	26,216	3,522	15,728	598
Government Obligations	52,335	66,073	24,947	29,008
Other	17,886	19,736	7,495	5,577
<b>NON-MARKETABLE</b>	7,415	-	2,234	-
	<b>\$329,861</b>	<b>\$122,281</b>	<b>\$181,947</b>	<b>\$ 71,431</b>

NOTE 4 - AVAILABLE FOR SALE SECURITIES

The amortized cost and estimated market values of securities available for sale at September 24, 2004, are as follows:

	AMORTIZED COST (000s)	GROSS UNREALIZED GAINS (000s)	GROSS UNREALIZED LOSSES (000s)	ESTIMATED MARKET VALUE (000s)
Mortgage-Backed Securities	\$ 207,804	\$ 428	\$(273)	\$207,960
Municipal Bonds	40	1	-	41
Other	3	-	18	21
	<b>\$ 207,847</b>	<b>\$ 429</b>	<b>\$(255)</b>	<b>\$208,022</b>

The amortized cost and estimated market values of securities available for sale at September 26, 2003 are as follows:

	AMORTIZED COST (000s)	GROSS UNREALIZED GAINS (000s)	GROSS UNREALIZED LOSSES (000s)	ESTIMATED MARKET VALUE (000s)
Mortgage-Backed Securities	\$ 240,873	\$ 540	\$(201)	\$241,212
Municipal Bonds	90	-	-	90
Other	3	18	-	21
	<b>\$ 240,966</b>	<b>\$ 558</b>	<b>\$(201)</b>	<b>\$241,323</b>

There were no proceeds from the sales of securities available for sale for the years ended September 24, 2004, and September 26, 2003, respectively.

The following table shows the Bank's investments' gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at September 30, 2004.

	LESS THAN 12 MONTHS		12 MONTHS OR MORE		TOTAL	
	ESTIMATED		ESTIMATED		ESTIMATED	
	MARKET VALUE	UNREALIZED LOSSES	MARKET VALUE	UNREALIZED LOSSES	MARKET VALUE	UNREALIZED LOSSES
Mortgage-Backed Securities	\$27,631	(110)	\$18,422	(16)	\$46,053	(126)
Collateralized Mortgage Obligations	-	-	6,440	(146)	6,440	(146)
Total Temporarily Impaired Securities	\$27,631	(110)	\$24,862	(162,)	\$52,493	(272)

#### NOTE 5 – VARIABLE INTEREST ENTITIES (“VIEs”)

Under the provisions of FASB Interpretation 46R (“FIN 46R”) the Company determined that Raymond James Employee Investment Funds I and II (the “Funds”) and Comprehensive Software Systems, Inc. (“CSS”) are VIEs. The Funds are limited partnerships, for which the Company is the general partner, that invest in the merchant banking and private equity activities of the Company and other unaffiliated venture capital limited partnerships. Both Funds were established as compensation and retention measures for certain qualified key employees of the Company. The Company makes non-recourse loans to these employees for two thirds of the purchase price per unit. The loans and applicable interest are to be repaid based solely on distributions from the Funds. The Company is deemed to be the primary beneficiary, and accordingly, consolidates the Funds, which have combined assets of approximately \$10 million at September 24, 2004. None of those assets act as collateral for any obligations of the Funds. The Company's exposure to loss is limited to its contributions and the loans it funded to the employee investors. At September 24, 2004, that exposure is approximately \$9.4 million.

CSS was formed by a group of broker/dealer firms, including the Company, to develop a back-office software system. CSS is currently funded by capital contributions and loans from its owners. CSS had assets of \$5.8 million and negative net equity at September 24, 2004. The Company's exposure to loss is limited to its capital contributions and amounts loaned. The Company is not the primary beneficiary of CSS and, therefore, accounts for its investment using the equity method of accounting. The carrying value of the Company's investment in CSS was zero at September 24, 2004.

#### NOTE 6 - LEVERAGED LEASES

The Company is the lessor in two leveraged commercial aircraft transactions with two major domestic airlines (Delta and Continental). The Company's combined equity investments represented 21% of the aggregate purchase prices; the remaining 79% was funded by public debt issued in the form of equipment trust certificates. The residual values of the aircrafts at the end of an average lease term of 20 years are projected to be an average of 10% of the original cost. The leases expire in September 2013 and June 2016, respectively.

	SEPTEMBER 24, 2004 (000s)	SEPTEMBER 26, 2003 (000s)
Rents Receivable (Net of Principal and Interest on the Non-Recourse Debt)	\$ 16,161	\$ 20,948
Unguaranteed Residual Values	10,719	10,719
Unearned Income	(6,720)	(6,720)
Investment in Leveraged Leases	20,160	24,947
Deferred Taxes arising from Leveraged Leases	(25,294)	(28,162)
Net Investment in Leveraged Leases	\$ (5,134)	\$ (3,215)

The Company's ability to realize its expected return is dependent upon the airlines' ability to fulfill its lease obligations. In the event that the airlines default on their lease commitments and the Company is unable to re-lease or sell the planes with adequate terms, the Company would suffer a loss of some or all of its investment. In the fourth quarter of fiscal 2004, the Company recorded a \$4 million charge related to its investment in the leveraged lease of an aircraft to Delta Airlines. Although Delta has not defaulted on its obligations under this lease, Delta's financial condition has continued to deteriorate.

#### NOTE 7 - PROPERTY AND EQUIPMENT (000s)

	SEPT. 24, 2004	SEPT. 26, 2003
Land	\$ 19,244	\$ 19,244
Construction in Process	2,146	23,226
Buildings, Leasehold and Land Improvements	119,358	89,408
Furniture, Fixtures, and Equipment	137,309	134,846
	278,057	266,724
Less: Accumulated Depreciation and Amortization	(155,307)	(148,439)
	\$ 122,750	\$ 118,285

## NOTE 8 - BORROWINGS

Borrowings at September 24, 2004, and September 26, 2003, are presented below:

	SEPT. 24, 2004 (000s)	SEPT. 26, 2003 (000s)
Short-Term Borrowings:		
Borrowings on		
Lines of Credit <sup>(a)</sup>	\$ 4,117	\$ 197
Current Portion of		
Mortgage Note Payable	2,303	-
Total Short-Term		
Borrowings	6,420	197
Long-Term Borrowings:		
Mortgage Note Payable <sup>(b)</sup>	69,973	47,013
Term Loan <sup>(c)</sup>	-	60,000
Federal Home Loan		
Bank Advances <sup>(d)</sup>	60,000	60,000
Total Long-Term		
Borrowings	129,973	167,013
Total Borrowings	\$136,393	\$167,210

- (a) The Company and its subsidiaries maintain one committed and several uncommitted lines of credit denominated in US dollars and one line of credit denominated in Canadian dollars with an aggregate available balance of \$630 million and CDN\$40 million, respectively. The interest rates for the lines of credit are variable and are based on the Fed Funds rate, LIBOR, and Canadian prime rate. During fiscal year 2004 interest rates on the lines of credit ranged from 1.47% to 3.50%. During fiscal year 2003 interest rates on the lines of credit ranged from 1.52% to 3.50%
- (b) The mortgage note payable is for the financing of the Company's home office complex. The Company refinanced its existing mortgage in January 2003 and borrowed an additional \$27,000,000 upon the completion of a fourth headquarters building in January 2004. The mortgage bears interest at 5.7% and is secured by land, buildings, and improvements with a net book value of \$76,914,000 at September 24, 2004.
- (c) The term loan bore interest at LIBOR plus 1.25%. The loan was paid in full in August 2004. During fiscal year 2004 interest rates on the term loan ranged from 2.37% to 2.91%. The term loan required that the Company maintain a certain net worth and that the Company follow certain other sound business practices. The \$100 million committed line of credit to the parent company also has these requirements.
- (d) RJBank has \$60 million in Federal Home Loan Bank ("FHLB") advances outstanding at September 24, 2004, which bear interest at fixed rates ranging from 4.03% to 5.67% and mature between May 2008 and March 2011. These advances are secured by a blanket lien on the Bank's residential loan portfolio issued to FHLB at September 24, 2004.

Long-term borrowings at September 24, 2004, based on their contractual terms, mature as follows (in 000s):

2006	2,438
2007	2,580
2008	7,731
2009	2,891
2010 and Thereafter	114,333
Total	\$129,973

## NOTE 9 - DERIVATIVE FINANCIAL INSTRUMENTS

The Company makes limited use of derivative financial instruments in certain of its businesses. Certain derivative financial instruments are used to manage well-defined interest rate risk at RJBank, while others are designed to offset risk within fixed income inventories. In addition, the Company acts as a dealer/agent in matched book swap transactions. The Company accounts for derivative financial instruments and hedging activities in accordance with SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as subsequently amended by SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of FASB Statements No. 133," SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities," and SFAS No. 149, "Amendments of Statement 133 on Derivative Instruments and Hedging Activities," which establishes accounting and reporting standards for derivatives and hedging activities. These statements establish standards for designating a derivative as a hedge. Derivatives in a broker/dealer or those that do not meet the criteria for designation as a hedge are accounted for as trading account assets, and recorded at fair value in the statement of financial condition with the gain or loss recorded in the statement of operations for the period.

RJBANK uses variable-rate deposits to finance the purchase of certain loan pools that are fixed for the first five years of their life. The funding sources expose

RJBank to variability in interest payments due to changes in interest rates. Management believes it is prudent to limit the variability of its interest payments. To meet this objective, management enters into interest rate swap agreements to manage fluctuations in cash flows resulting from interest rate risk. These swaps change the variable-rate cash flow exposure on the funding sources to fixed cash flows. Under the terms of the interest rate swaps, RJBank receives variable interest rate payments and makes fixed interest rate payments, thereby creating the equivalent of fixed-rate funding. At September 30, 2004 and 2003, RJBank was party to \$48.9 million and \$84.5 million, respectively, in notional amount of interest rate swap agreements, and had cash of \$1.9 million and \$5.7 million, respectively, pledged as interest-bearing collateral for such agreements.

Changes in the fair value of a derivative that is highly effective, as defined by SFAS 133, and that is designated and qualifies as a cash flow hedge are recorded in other comprehensive income until earnings are affected by the variability in cash flows of the designated hedged item. Any ineffectiveness resulting from the cash flow hedge is recorded in income or expense at the end of each reporting period. When hedge accounting is discontinued, RJBank continues to carry the derivative at its fair value in the statement of financial condition, and recognizes any changes in its fair value in earnings. For the years ended September 24, 2004, September 26, 2003, and September 27, 2002, RJBank recorded \$391,651, \$524,800, and \$497,753, respectively, in income from ineffective cash flow hedges.

The Company also uses interest rate swaps to offset risk in certain fixed income inventory positions. The economically hedged positions and the swaps are marked to market with the gain or loss recorded in the statement of operations for the period. At September 24, 2004, and September 26, 2003, the Company had notional values of \$33 million and \$23 million, respectively, in interest rate swaps designed to offset risk in its fixed income trading inventory. In addition to these economically hedged transactions, the Company enters into interest rate swaps with some of its institutional clients. The net market value of all open swap positions at September 24, 2004, and September 26, 2003 was \$5,074,000 and \$534,000, respectively.

The Company is exposed to credit losses in the event of nonperformance by the counterparties to its interest rate swap agreements. The Company performs a credit evaluation of counterparties prior to entering into swap transactions. Currently, the Company anticipates that all counterparties will be able to fully satisfy their obligations under those agreements. The Company may require collateral 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. However, state laws may prohibit municipalities and other governmental entities from posting collateral in these transactions.

## NOTE 10 - FEDERAL AND STATE INCOME TAXES

The provision (benefit) for income taxes consists of the following:

	YEAR ENDED		
	SEPTEMBER 24, 2004 (000s)	SEPTEMBER 26, 2003 (000s)	SEPTEMBER 27, 2002 (000s)
Current provision:			
Federal	\$ 74,385	\$ 57,590	\$ 53,985
State	13,722	8,388	10,298
	88,107	65,978	64,283
Deferred Provision (Benefit):			
Federal	(5,664)	(12,846)	(10,010)
State	(5,897)	(1,174)	(2,060)
	(11,561)	(14,020)	(12,070)
	\$ 76,546	\$ 51,958	\$ 52,213

The Company's income tax expense differs from the amount computed by applying the statutory federal income tax rate due to the following:

	YEAR ENDED		
	SEPTEMBER 24, 2004 (000s)	SEPTEMBER 26, 2003 (000s)	SEPTEMBER 27, 2002 (000s)
Provision Calculated at			
Statutory Rates	\$ 71,442	\$ 48,643	\$ 46,030
State Income Taxes,			
Net of Federal Benefit	5,085	4,689	5,355
Other	19	(1,374)	828
	\$ 76,546	\$ 51,958	\$ 52,213

The major deferred tax asset (liability) items, as computed under SFAS 109, are as follows:

	SEPT. 24, 2004 (000s)	SEPT. 26, 2003 (000s)
Deferred Tax Assets:		
Deferred Compensation	\$ 43,034	\$ 38,958
Capital Expenditures	8,044	9,533
Accrued Expenses	46,778	43,194
Unrealized (Gain)/Loss	204	2,043
Other	793	2,899
Total Deferred Tax Assets	98,853	96,627
Deferred Tax Liabilities:		
Aircraft Leases	(25,294)	(28,162)
Total Deferred Tax Liabilities	(25,294)	(28,162)
Net Deferred Tax Assets	\$ 73,559	\$ 68,465

The Company has recorded a deferred tax asset at September 24, 2004, and September 26, 2003. No valuation allowance as defined by SFAS 109 is required for the years then ended. Management believes that a valuation allowance is not necessary because it is more likely than not the deferred tax asset is realizable.

## NOTE 11 - COMMITMENTS

Long-term lease agreements expire at various times through 2014. Minimum annual rentals under such agreements for the succeeding five fiscal years are approximately: \$20,125,737 in 2005, \$16,920,763 in 2006, \$14,145,593 in 2007, \$10,082,544 in 2008, \$6,178,772 in 2009 and \$9,763,728 thereafter. Rental expense incurred under all leases, including equipment under short-term agreements, aggregated \$31,396,000, \$30,657,364 and \$28,003,000 in 2004, 2003 and 2002, respectively.

RJBank has outstanding at any time a significant number of commitments to extend credit. These arrangements are subject to strict credit control assessments and each client's credit worthiness is evaluated on a case-by-case basis. A summary of

commitments to extend credit and letters of credit outstanding are as follows:

	SEPT. 24, 2004 (000s)	SEPT. 26, 2003 (000s)
Standby Letters of Credit	\$ 7,917	\$ 4,740
Consumer Lines of Credit	31,708	9,759
Commercial Lines of Credit	62,085	54,764
Unfunded Loan		
Commitments - Variable Rate	119,669	148,071
Unfunded Loan		
Commitments - Fixed Rate	3,755	2,687

Because many commitments expire without being funded in whole or part, the contract amounts are not estimates of future cash flows. The majority of loan commitments have terms of up to one year.

In the normal course of business, RJBank issues, or participates in the issuance of, financial standby letters of credit whereby it provides an irrevocable guarantee of payment in the event the letter of credit is drawn down by the beneficiary. As of September 30, 2004, \$7.9 million of such letters of credit were outstanding. Of the letters of credit outstanding, \$4.7 million are underwritten as part of a larger corporate credit relationship, and the remaining \$3.2 million are fully secured by cash or securities. In the event that a letter of credit is drawn down, RJBank would pursue repayment from the account party under the existing borrowing relationship, or would liquidate collateral, or both. The proceeds from repayment or liquidation of collateral are expected to cover the maximum potential amount of any future payments of amounts drawn down under the existing letters of credit.

At September 24, 2004, no securities were pledged by RJBank as collateral with the Federal Home Loan Bank of ("FHLB") for advances. In lieu of pledging securities for advances, RJBank provided the FHLB with a lien against RJBank's portfolio of residential mortgages. At September 26, 2003, securities with carrying values of \$72,811,000 were pledged as collateral for advances with FHLB.

As part of an effort to increase brand awareness, the Company entered into a stadium naming rights contract in July 1998. The contract has a 13-year term with a five-year renewal option and a 4% annual escalator. Expenses of \$2,694,000, \$2,590,000 and \$2,491,000 were recognized in fiscal 2004, 2003 and 2002, respectively.

In the normal course of business, the Company enters into underwriting commitments. Transactions relating to such commitments that were open at September 24, 2004, and were subsequently settled had no material effect on the consolidated financial statements as of that date.

The Company utilizes client marginable securities to satisfy deposits with clearing organizations. At September 24, 2004, and September 26, 2003, the Company had client margin securities valued at \$90.2 million and \$97.8 million, respectively, on deposit with a clearing organization.

The Company has guaranteed lines of credit for various foreign joint ventures as follows: three lines of credit totaling \$12.5 million in Turkey and one line of credit totaling \$1.3 million in Argentina. At September 24, 2004, there were no outstanding balances on these lines of credit. In addition, the Company has guaranteed the completion of trades with counterparties in Turkey and Argentina not to exceed \$23 million.

The Company has committed a total of \$30.9 million, in amounts ranging from \$500,000 to \$1,500,000, to 33 different independent venture capital or private equity partnerships. As of September 24, 2004, the Company had invested \$24.5 million of that amount. Additionally, the Company is the general partner in two internally sponsored private equity limited partnerships to which it has committed \$14 million. Of that amount, the Company has invested \$8.8 million as of September 24, 2004.

At September 24, 2004, the approximate market values of collateral received that can be repledged by the Company, were:

**Sources of Collateral (000s):**

Securities Purchased Under	
Agreements to Resell	\$ 57,082
Securities Received in Securities	
Borrowed vs. Cash Transactions	1,536,879
Collateral Received in Margin Loans	1,365,411
<b>Total</b>	<b>\$2,959,372</b>

During the year certain collateral was repledged. At September 24, 2004, the approximate market values of this portion of collateral and financial instruments owned that were repledged by the Company, were:

**Uses of Collateral and Trading Securities (000s):**

Securities Purchased Under	
Agreements to Resell	\$ 57,082
Securities Received in Securities	
Borrowed vs. Cash Transactions	1,536,879
Collateral Received in Margin Loans	242,150
<b>Total</b>	<b>\$1,836,111</b>

In the normal course of business, certain subsidiaries of the Company, which continue to act as general partner, may be contingently liable for activities of various limited partnerships syndicated several years ago. These partnerships engaged primarily in securities investments and real estate activities. In the opinion of the Company, such liabilities, if any, for the obligations of the partnerships will not in the aggregate have a material adverse effect on the Company's consolidated financial position.

The Company guarantees certain obligations of subsidiaries as follows: the guarantee of the existing mortgage debt of Raymond James & Associates, Inc. of \$72.3 million, the guarantee of the interest rate swap obligations of RJ Capital Services, Inc. (a maximum market exposure of \$20 million) and the guarantee of

the debt (\$191,000 at September 24, 2004) of Raymond James Credit Corporation, Inc., which is secured by securities held as collateral for customer borrowings. The Company has also committed to lend to or guarantee obligations of RJ Tax Credit of up to \$90 million upon request. RJ Tax Credit may borrow in order to fund the purchase and development of properties qualifying for tax credits, which are then sold to third parties. This commitment is reviewed and renewed annually. The borrowings are secured by real estate properties. At September 24, 2004, there were guarantees outstanding to third parties of \$14.4 million and cash funded to purchase properties of \$34.2 million. In addition, at September 24, 2004, RJ Tax Credit is committed to purchase properties, subject to due diligence, totaling \$48.5 million.

## NOTE 12 – LEGAL AND REGULATORY PROCEEDINGS

As a result of the extensive regulation of the securities industry, the Company's broker/dealer 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 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.

As previously reported, the Company and RJFS are defendants in a series of lawsuits and arbitrations relating to an alleged mortgage lending program known as the "Premiere 72" program, that was administered by a company owned in part by two individuals who were registered as financial advisors with RJFS in Houston. The lawsuits are pending in various courts, and several of the arbitration claims relating to this matter have been settled by RJFS for amounts consistent with its evaluation of those claims. In the first arbitration to reach a hearing, claimants sought approximately \$1.8 million dollars in damages

plus punitive damages. The panel entered an order, subject to a final award being rendered, requiring RJFS to pay its clients their losses through a formula which includes the assignment to RJFS of their interests in the real estate transactions. The amounts due under the formula are still being calculated and appear to result in an amount substantially less than the claimants sought. The panel denied any recovery to non-clients. The Company does not believe that this order represents a precedent that would govern future decisions. Arbitration proceedings for other claimants are currently scheduled through November 2006. Although the total amount funded by participants in this lending program may exceed \$150 million, the amount of actual loss of the claimants is not determinable at this time because the participants are actively attempting to realize value from the underlying real estate collateral. Based on discovery to date, the Company and RJFS believe they have strong defenses to these claims and are vigorously contesting them.

As previously reported, RJFS and the SEC staff were unable to reach a resolution regarding a proposed enforcement action alleging fraud and failure to supervise a former financial advisor in the RJFS Rhode Island office. On September 30, 2004, the SEC issued an order instituting public administrative and cease-and-desist proceedings pursuant to section 8A of the Securities Act of 1933, sections 15(b) and 21C of the Securities Exchange Act of 1934, and section 203(f) of the Investment advisor Act of 1940 against RJFS, its former President and a former branch manager. The Company has made provision in its financial statements for its estimate of the reasonable potential exposure for this claim; the matter is scheduled for a hearing before an administrative law judge in February 2005.

The Company is a defendant or co-defendant in various lawsuits and arbitrations incidental to its securities business. The Company is contesting the allegations of the complaints in these cases and believes that there are meritorious defenses in each of these lawsuits. In view of the number and diversity of claims against the Company, the number of jurisdictions in

which litigation is pending and the inherent difficulty of predicting the outcome of litigation and other claims, the Company cannot state with certainty what the eventual outcome of pending litigation or other claims will be. In the opinion of the Company's management, based on currently available information, review with outside legal counsel, and consideration of amounts provided for with respect to these matters in the Company's financial statements, the ultimate resolution of these matters will not result in a material adverse effect on the consolidated financial position or results of operations of the Company. 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 these matters and upon the level of income for such period.

#### NOTE 13 - CAPITAL TRANSACTIONS

At their meeting on February 12, 2004, the Company's Board of Directors declared a three-for-two stock split. The additional shares were distributed on March 24, 2004, to shareholders of record on March 4, 2004. All references in the Condensed Consolidated Financial Statements to amounts per share and to the number of shares outstanding have been restated to give retroactive effect to the stock split.

The following table presents information on a monthly basis for purchases of the Company's stock for the quarter ended September 24, 2004:

	NUMBER OF SHARES PURCHASED	AVERAGE PRICE PER SHARE
July	-	-
August	75,000	\$22.41
September	-	-
Total	75,000	\$22.41

The Company does not have a formal stock repurchase plan. Shares are repurchased at the discretion of management pursuant to prior authorization from the Board of Directors. On May 20, 2004, the board of directors authorized purchases of up

to \$75 million. 75,000 shares have been purchased for a total of \$1.7 million since that date. Leaving \$73.3 million available to repurchase shares. Historically the Company has considered such purchases when the price of its stock reaches or approaches 1.5 times book value. The decision to repurchase shares is subject to cash availability and other factors. During 2004 and 2003, 86,057 and 1,444,537 shares, were repurchased at an average price of \$23.17 and \$16.60, respectively.

#### NOTE 14 - EMPLOYEE BENEFIT PLANS

The Company's profit sharing plan and employee stock ownership plan provide certain death, disability or retirement benefits for all employees who meet certain service requirements. Such benefits become fully vested after seven years of qualified service. The Company also offers a plan pursuant to section 401(k) of the Internal Revenue Code, which provides for the Company to match 100% of the first \$500 and 50% of the next \$500 of compensation deferred by each participant annually. The Company's Long Term Incentive Plan ("LTIP") is a non-qualified deferred compensation plan that provides benefits to employees who meet certain compensation or production requirements. The Company has purchased and holds life insurance on the lives of most of those employees participating in the LTIP, to earn a competitive rate of return for participants and to provide a source of funds available to satisfy its obligations under this plan. Contributions to the qualified plans and the LTIP contribution for management are made in amounts approved annually by the Board of Directors. Compensation expense includes aggregate contributions to these plans of \$22,265,000, \$14,431,000 and \$14,196,000 for fiscal years 2004, 2003 and 2002, respectively.

#### Stock Compensation Plans

At September 24, 2004, the Company has eight stock-based compensation plans, which are described below. Prior to fiscal 2003, the Company accounted for those plans under the recognition and measurement provisions of the Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related Interpretations. In accordance with APB

No. 25, stock-based employee compensation expense related to stock options was not reflected in net income prior to fiscal year 2003, as all options granted under those plans had an exercise price equal to the market value of the underlying common stock on the date of grant. Effective September 28, 2002, the Company adopted the fair value recognition provisions of SFAS No. 123, "Accounting for Stock-Based Compensation." Under the modified prospective method of adoption selected by the Company under the provisions of SFAS No. 148, "Accounting for Stock-Based Compensation -

Transition and Disclosure," the recognition of compensation cost in fiscal years 2004 and 2003 is the same as that which would have been recognized had the recognition provisions of SFAS No. 123 been applied since the date of grant for all outstanding options. Results for fiscal 2002 have not been restated. The following table illustrates the effect on net income and earnings per share if the fair value based method had been applied to all outstanding and unvested awards in each period.

	YEAR ENDED		
	SEPT. 24, 2004	SEPT. 26, 2003	SEPT. 27, 2002
<i>(in 000s, except per share amounts)</i>			
Net Income, as Reported	\$ 127,575	\$ 86,317	\$ 79,303
Add: Stock-Based Employee Compensation Expense Included in Reported Net Income	16,159	6,950	-
Deduct: Total Stock-Based Employee Compensation Expense Determined Under Fair Value Based Method for All Awards	(16,159)	(6,950)	(3,967)
Pro forma Net Income	\$ 127,575	\$ 86,317	\$ 75,336
Earnings per Share:			
Basic - as Reported	\$ 1.74	\$ 1.78	\$ 1.63
Basic - Pro Forma	\$ 1.74	\$ 1.78	\$ 1.55
Diluted - as Reported	\$ 1.72	\$ 1.76	\$ 1.60
Diluted - Pro Forma	\$ 1.72	\$ 1.76	\$ 1.52

These amounts may not be representative of future stock-based compensation expense since the estimated fair value of stock options is amortized to expense over the vesting period and additional options may be granted in future years. The fair value of each fixed

option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions used for stock option grants in fiscal 2004, 2003 and 2002:

	2004	2003	2002
Dividend Yield	1.10%	1.10%	1.10%
Expected Volatility	39.16%	43.18%	44.10%
Risk-Free Interest Rate	3.96%	2.88%	4.09%
Expected Lives	4.9 yrs	4.73 yrs	4.91 yrs

### Fixed Stock Option Plans

The Company has two qualified and three non-qualified fixed stock option plans. Under the 2002 Incentive Stock Option Plan, the Company may grant options to its management personnel for up to 6,000,000 shares of common stock. The 2002 Plan was established to replace, on substantially the same terms and conditions, the 1992 Plan. Options are granted to key administrative employees and financial advisors of Raymond James & Associates, Inc. who achieve certain gross commission levels. Options are exercisable in the 36th to 72nd months following the date of grant and only in the event that the grantee is an employee of the Company at that time, disabled or recently retired.

As noted above, the Company has three non-qualified fixed stock option plans. Under the first of those plans, the Company may grant up to 3,417,188 shares of common stock to independent contractor financial advisors. Options are exercisable five years after grant date provided that the financial advisors are

still associated with the Company. Under the Company's second non-qualified stock option plan, the Company may grant up to 569,532 shares of common stock to the Company's outside directors. Options vest over a five-year period from grant date provided that the director is still serving on the Board of the Company. Under the Company's third non-qualified stock option plan, the Company may grant up to 1,687,500 shares of common stock to key management personnel. Option terms are specified in individual agreements and expire on a date no later than the tenth anniversary of the grant date. Under all plans, the exercise price of each option equals the market price of the Company's stock on the date of grant and an option's maximum term is 10 years.

A summary of the status of the Company's five fixed stock option plans as of September 24, 2004, September 26, 2003, and September 27, 2002, and changes during the years ended on those dates is presented on the following page:

	2004		2003		2002	
	WEIGHTED AVERAGE EXERCISE SHARES	PRICE	WEIGHTED AVERAGE EXERCISE SHARES	PRICE	WEIGHTED AVERAGE EXERCISE SHARES	PRICE
Outstanding at						
Beginning of Year	4,666,890	\$ 18.65	5,147,723	\$ 17.86	4,249,641	\$ 15.15
Granted	1,533,898	25.13	728,625	19.71	1,725,750	21.19
Canceled	(225,724)	19.43	(295,500)	19.85	(133,784)	18.19
Exercised	(546,009)	13.67	(913,958)	14.78	(693,884)	9.50
Outstanding at Year End	5,429,055	\$20.95	4,666,890	\$ 18.65	5,147,723	\$ 17.86
Options Exercisable at Year End	580,247		401,465		522,173	
Weighted Average Fair Value of Options Granted During the Year	\$ 8.39		\$ 7.56		\$ 8.33	

The following table summarizes information about fixed stock options outstanding at September 24, 2004:

	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE		
RANGE OF EXERCISE PRICES	NUMBER OUTSTANDING AT 9/24/04	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE AT 9/24/04	WEIGHTED AVERAGE EXERCISE PRICE	
\$ 7.6801 - 10.2400	6,875	0.3	8.41	6,875	8.41	
\$10.2401 - 12.8000	374,550	1.1	12.56	42,750	12.29	
\$12.8001 - 15.3600	473,569	0.6	13.76	291,154	13.82	
\$15.3601 - 17.9200	276,775	3.1	17.30	39,032	17.62	
\$17.9201 - 20.4800	435,920	3.5	19.05	45,336	19.58	
\$20.4801 - 23.0400	1,706,843	2.5	21.27	8,850	21.05	
\$23.0401 - 25.6000	2,154,523	3.9	24.64	146,250	23.68	
	5,429,055	2.9	\$20.95	580,247	\$16.94	

### **Restricted Stock Plan**

Under the 1999 Restricted Stock Plan the Company is authorized to issue up to 1,500,000 restricted shares of common stock to employees and independent contractors. Awards under this plan may be granted by various departments of the Company in connection with initial employment or under various retention plans for individuals who are responsible for a contribution to the management growth, and/or profitability of the Company. These shares are forfeitable in the event of voluntary termination. The compensation cost is recognized over the vesting period of the shares and is calculated as the market value of the shares on the date of grant. As of September 24, 2004, 1,052,176 shares had been granted at an average market price of \$20.91 with a future service period of five years. Expense of \$3 million, \$2.0 million and \$2.6 million was recorded in the years ended September 24, 2004, September 26, 2003, and September 27, 2002, respectively, related to this plan.

### **Employee Stock Purchase Plan**

Under the 2003 Employee Stock Purchase Plan, the Company is authorized to issue up to 2,250,000 shares of common stock to its full-time employees, nearly all of whom are eligible to participate. Under the terms of the Plans, employees can choose each year to have up to 20% of their annual compensation specified to purchase the Company's common stock. Share purchases in any calendar year are limited to the lesser of 1,000 shares or shares with a market value of \$25,000. The purchase price of the stock is 85% of the market price on the day prior to the purchase date. Under the Plan, and its expired predecessor plan, the Company sold 332,098, 314,394 and 312,695 shares to employees in fiscal years 2004, 2003 and 2002, respectively. The compensation cost is calculated as the value of the 15% discount from market value and was \$1,252,186 for fiscal year 2004.

### **Stock Bonus Plan**

The Company's 1999 Stock Bonus Plan authorizes the Company to issue up to 1,500,000 restricted shares to officers and certain other employees in lieu of cash

for 10% to 20% of annual bonus amounts in excess of \$250,000. Under the plan the restricted stock is granted at a 20% discount in determining the number of shares to be granted and the shares are generally restricted for a three year period, during which time the shares are forfeitable in the event of voluntary termination. The compensation cost is recognized over the three-year vesting period based on the market value of the shares on the date of grant. As of September 24, 2004, 660,280 shares had been granted at an average market price of \$21.96. Expense of \$2.7 million, \$3.5 million, and \$1.3 million was recorded in the years ended September 24, 2004, September 26, 2003, and September 27, 2002, respectively, related to this plan.

### **Employee Investment Funds**

Certain key employees of the Company participate in the Raymond James Employee Investment Funds I and II, limited partnerships that invest in the merchant banking and venture capital activities of the Company and other unaffiliated venture capital limited partnerships. The Company makes non-recourse loans to these employees for two-thirds of the purchase price per unit. The loans and applicable interest are to be repaid based solely on the distributions from the funds.

## **NOTE 15 - REGULATIONS AND CAPITAL REQUIREMENTS**

The broker/dealer subsidiaries of the Company are subject to the requirements of the Uniform Net Capital Rule (Rule 15c3-1) under the Securities Exchange Act of 1934. Raymond James & Associates, Inc. ("RJA"), a member firm of the NYSE, is also subject to the rules of the NYSE, whose requirements are substantially the same. Rule 15c3-1 requires that aggregate indebtedness, as defined, not exceed 15 times net capital, as defined. Rule 15c3-1 also provides for an "alternative net capital requirement," which both RJA and RJFS have elected. It requires that minimum net capital, as defined, be equal to the greater of \$250,000 or two percent of Aggregate Debit Items arising from client transactions. The NYSE may require a member

firm to reduce its business if its net capital is less than four percent of Aggregate Debit Items and may prohibit a member firm from expanding its business and declaring cash dividends if its net capital is less than five percent of Aggregate Debit Items. The net capital positions of the Company's broker/dealer subsidiaries were as follows:

	SEPT. 24, 2004	SEPT. 26, 2003
(\$ in 000s)		
Raymond James & Associates, Inc.: (Alternative Method Elected)		
Net Capital as a Percent of Aggregate Debit Items	28%	31%
Net Capital	\$ 363,049	\$ 354,013
Less: Required Net Capital	(25,840)	(23,206)
Excess Net Capital	\$ 337,209	\$ 330,807

RJFS elected the alternative net capital requirement beginning for the month ended September 26, 2003. At September 24, 2004, and September 26, 2003, RJFS had no Aggregate Debit Items and therefore the minimum net capital of \$250,000 was applicable. The net capital position of RJFS at September 24, 2004, and September 26, 2003, was as follows:

	SEPT. 24, 2004 (000s)	SEPT. 26, 2003 (000s)
Raymond James Financial Services, Inc.: (Alternative Method Elected)		
Net Capital	\$ 39,663	\$ 18,837
Less: Required Net Capital	(250)	(250)
Excess Net Capital	\$ 39,413	\$ 18,587

Raymond James Ltd. is subject to the Minimum Capital Rule (By-Law No. 17 of the IDA) and the Early Warning System (By-Law No. 30 of the IDA). The Minimum Capital Rule requires that every member shall have and maintain at all times Risk Adjusted Capital greater than zero calculated in accordance with Form 1 (Joint Regulatory Financial Questionnaire and Report) and with such requirements as the Board of Directors of the IDA may from time to time prescribe. Insufficient Risk Adjusted Capital may result in suspension from membership in the stock exchanges or the IDA.

The Early Warning System is designed to provide advance warning that a member firm is encountering financial difficulties. This system imposes certain sanctions on members who are designated in Early Warning level 1 or level 2 according to its capital, profitability, liquidity position, frequency of designation or at the discretion of the IDA. Restrictions on business activities and capital transactions, early filing requirements, and mandated corrective measures are sanctions that may be imposed as part of the Early Warning System. The Company was not in Early Warning level 1 or level 2 at September 30, 2004 or 2003.

The Risk Adjusted Capital of RJ Ltd. was CDN\$20,422,000 and CDN\$11,337,000 at September 30, 2004, and September 30, 2003, respectively.

RJBank is subject to various regulatory and capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory – and possibly additional discretionary – actions by regulators. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, RJBank must meet specific capital guidelines that involve quantitative measures of RJBank's assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. RJBank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

Quantitative measures established by regulation to ensure capital adequacy require RJBank to maintain minimum amounts and ratios (set forth in the table below) of total and Tier I Capital (as defined in the regulations) to risk-weighted assets (as defined). Management believes that, as of September 24, 2004, and September 26, 2003, the Bank meets all capital adequacy requirements to which it is subject.

As of September 30, 2004, the most recent notification from the Office of Thrift Supervision categorized RJBank as “well capitalized” under the regulatory framework for prompt corrective action. To be categorized as “well capitalized,” RJBank 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 the institution’s category.

	ACTUAL		REQUIREMENT FOR CAPITAL ADEQUACY PURPOSES		TO BE WELL CAPITALIZED UNDER PROMPT CORRECTIVE ACTION PROVISIONS	
	AMOUNT	RATIO	AMOUNT	RATIO	AMOUNT	RATIO
(\$ in 000s)						
As of September 30, 2004:						
Total Capital						
(to Risk-Weighted Assets)	\$ 84,278	15.1%	\$ 44,666	8.0%	\$ 55,832	10.0%
Tier I Capital						
(to Risk-Weighted Assets)	77,299	13.8%	22,333	4.0%	33,499	6.0%
Tier I Capital						
(to Average Assets)	77,299	8.0%	38,468	4.0%	48,084	5.0%
As of September 30, 2003:						
Total Capital						
(to Risk-Weighted Assets)	\$ 77,291	16.8%	\$ 36,756	8.0%	\$ 45,945	10.0%
Tier I Capital						
(to Risk-Weighted Assets)	72,182	15.7%	18,378	4.0%	27,567	6.0%
Tier I Capital						
(to Average Assets)	72,182	7.9%	36,556	4.0%	45,695	5.0%

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

In the normal course of business, the Company purchases and sells securities as either principal or agent on behalf of its clients. If either the client or a counterparty fails to perform, the Company may be required to discharge the obligations of the nonperforming party. In such circumstances, the Company may sustain a loss if the market value of the security or futures contract is different from the contract value of the transaction.

The Company also acts as an intermediary between broker/dealers and other financial institutions whereby the Company borrows securities from one broker/dealer and then lends them to another. Securities borrowed and securities loaned are carried at the amounts of cash collateral advanced and received in connection with the transactions. The Company measures the market value of the securities borrowed and loaned against the cash collateral on a daily basis. The market value of securities borrowed and securities loaned was \$1,493,810,000 and \$1,542,953,000,

respectively, at September 24, 2004, and \$1,159,128,000 and \$1,171,345,000, respectively, at September 26, 2003. Additional cash is obtained as necessary to ensure such transactions are adequately collateralized. If another party to the transaction fails to perform as agreed (for example failure to deliver a security or failure to pay for a security), the Company may incur a loss if the market value of the security is different from the contract amount of the transaction.

The Company has also loaned, to brokers-dealers and other financial institutions, securities owned by clients and others for which it has received cash or other collateral. If a borrowing institution or broker/dealer does not return a security, the Company may be obligated to purchase the security in order to return it to the owner. In such circumstances, the Company may incur a loss equal to the amount by which the market value of the security on the date of nonperformance exceeds the value of the collateral received from the financial institution or the broker or dealer.

The Company has sold securities that it does not currently own, and will therefore, be obligated to purchase such securities at a future date. The Company has recorded \$122 million and \$71 million at September 24, 2004, and September 26, 2003, respectively, which represents the market value of the related securities at such dates. The Company is subject to loss if the market price of those securities not covered by a hedged position increases subsequent to fiscal yearend. The Company utilizes short government obligations and equity securities to hedge long proprietary inventory positions. At September 24, 2004, the Company had \$66,073,000 in short government obligations and \$19,788,000 in short equity securities, which represented hedge positions. At

September 26, 2003, the Company had \$24,216,000 in short government obligations and \$11,846,000 in short equity securities which represented hedge positions.

The Company enters into security transactions involving forward settlement. The Company has recorded transactions with contract values of \$2,062,855,000 and \$2,047,082,000 and market values of \$2,405,369,000 and \$2,222,522,000 as of September 24, 2004, and September 26, 2003, respectively.

Transactions involving future settlement give rise to market risk, which represents the potential loss that can be caused by a change in the market value of a particular financial instrument. The Company's exposure to market risk is determined by a number of factors, including the size, composition and diversification of positions held, the absolute and relative levels of interest rates, and market volatility.

The majority of the Company's transactions, and consequently, the concentration of its credit exposure is with clients, broker/dealers and other financial institutions in the United States of America. These activities primarily involve collateralized arrangements and may result in credit exposure in the event that the counterparty fails to meet its contractual obligations. The Company's exposure to credit risk can be directly impacted by volatile securities markets, which may impair the ability of counterparties to satisfy their contractual obligations. The Company seeks to control its credit risk through a variety of reporting and control procedures, including establishing credit limits based upon a review of the counterparties' financial condition and credit ratings. The Company monitors collateral levels on a daily basis for compliance with regulatory and internal guidelines and requests changes in collateral levels as appropriate.

## NOTE 17 – EARNINGS PER SHARE

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

	YEAR ENDED		
	SEPT. 24, 2004	SEPT. 26, 2003	SEPT. 27, 2002
(in 000s except per share amounts)			
Net Income	\$ 127,575	\$ 86,317	\$ 79,303
Weighted Average Common Shares Outstanding During the Period	73,395	72,824	73,011
Additional Shares Assuming Exercise of Stock Options <sup>(a)</sup>	1,007	655	983
Issuance of Contingent Exchangeable Shares <sup>(b)</sup>	-	-	450
Weighted Average Diluted Common Shares <sup>(a)</sup>	74,402	73,479	74,444
Net Income Per Share - Basic	\$ 1.74	\$ 1.19	\$ 1.09
Net Income Per Share - Diluted <sup>(a)</sup>	\$ 1.72	\$ 1.17	\$ 1.07
Securities Excluded from Weighted Average Common Shares Because Their Effect Would be Antidilutive	1,080	1,621	1,235

<sup>(a)</sup> Represents the number of shares of common stock issuable on the exercise of dilutive employee stock options less the number of shares of common stock which could have been purchased with the proceeds from the exercise of such options. These purchases were assumed to have been made at the average market price of the common stock during the period, or that part of the period for which the option was outstanding.

<sup>(b)</sup> Represents the exchangeable shares issued on January 2, 2001, in connection with the acquisition of Goepel McDermid Inc. They are exchangeable on a one-for-one basis and entitle holders to dividends equivalent to that paid on shares of common stock.

## NOTE 18 – SEGMENT ANALYSIS:

The Company currently operates through the following five business segments: Private Client Group, Capital Markets, Asset Management, RJBank and Other. The business segments are based upon factors such as the services provided and the distribution channels served and are consistent with how the Company assesses performance and determines how to allocate resources throughout the Company and its subsidiaries. The financial results of the Company's segments are presented using the same policies as those described in Note 1, "Summary of Significant Accounting Policies." Segment data includes charges allocating corporate overhead and benefits to each segment. Intersegment revenues, charges, receivables

and payables are eliminated between segments.

The Private Client Group segment includes the retail branches of the Company's broker/dealer subsidiaries located throughout the United States, Canada and the United Kingdom. These branches provide securities brokerage services including the sale of equities, mutual funds, fixed income products and insurance products to their clients. The segment includes net interest earnings/expense on client margin loans and cash balances. Additionally, this segment includes the correspondent clearing services that the Company provides to other broker/dealer firms.

The Capital Markets segment includes institutional sales and trading in the U.S., Canada and Europe. It provides securities brokerage services, as well as trading

and research services to institutions with an emphasis on the sale of U.S. and Canadian equities and fixed income products. This segment also includes the Company's management of and participation in underwritings, merger and acquisition services, public finance activities, and Raymond James Tax Credit Funds.

The Asset Management segment includes investment portfolio management services of Eagle Asset Management, Inc., Awad Asset Management, Inc., and the Raymond James & Associates asset management services division, mutual fund management by Heritage Asset Management, Inc., private equity management by Raymond James Capital, Inc. and Raymond James Ventures, LLC and the trust services of Raymond James Trust Company and Raymond James Trust Company West. In addition to the asset management services noted above, this segment also offers fee-based programs to clients who

have contracted for portfolio management services from outside money managers.

Raymond James Bank, FSB, is a separate segment, which provides residential, consumer, and commercial loans, as well as FDIC-insured deposit accounts, to clients of the Company's broker/dealer subsidiaries and to the general public.

The Other segment includes the Company's securities lending business and the activities of the consolidated foreign joint ventures in emerging market countries.

In the current year the Company modified the method used to allocate certain corporate compensation costs to the segments consistent with the approach used internally by management in evaluating the segments. Prior years results have been adjusted to reflect the current management allocation methodology.

Information concerning operations in the Company's segments is as follows:

	YEAR ENDED		
	SEPTEMBER 24, 2004 (000s)	SEPTEMBER 26, 2003 (000s)	SEPTEMBER 27, 2002 (000s)
<b>Revenues:</b>			
Private Client Group	\$ 1,223,458	\$ 994,815	\$ 991,158
Capital Markets	400,787	330,966	332,346
Asset Management	148,160	123,647	129,731
RJBank	28,104	28,699	31,056
Other	29,267	19,444	33,132
<b>Total</b>	<b>\$ 1,829,776</b>	<b>\$1,497,571</b>	<b>\$1,517,423</b>
<b>Pre-tax Income:</b>			
Private Client Group	\$ 109,743	\$ 73,440	\$ 72,494
Capital Markets	57,910	37,532	38,032
Asset Management	27,875	18,730	20,257
RJBank	8,824	10,182	7,188
Other	(231)	(1,609)	(6,455)
<b>Total</b>	<b>\$ 204,121</b>	<b>\$ 138,275</b>	<b>\$ 131,516</b>

The following table presents the Company's total assets on a segment basis:

	SEPTEMBER 24, 2004 (000s)	SEPTEMBER 26, 2003 (000s)
<b>Total Assets:</b>		
Private Client Group <sup>(a)</sup>	\$ 3,945,968	\$ 3,713,602
Capital Markets <sup>(b)</sup>	740,210	621,068
Asset Management	81,559	56,563
RJBank	924,747	911,211
Other <sup>(c)</sup>	1,929,362	1,609,194
<b>Total</b>	<b>\$ 7,621,846</b>	<b>\$ 6,911,638</b>

<sup>(a)</sup> Includes \$46 million of goodwill allocated pursuant to SFAS No. 142, "Goodwill and Other Intangible Assets."

<sup>(b)</sup> Includes \$17 million of goodwill allocated pursuant to SFAS No. 142.

<sup>(c)</sup> Includes stock borrowed balance of \$1,536,879 and \$1,208,562 at September 24, 2004, and September 26, 2003, respectively.

The Company has operations in the United States, Canada and Europe, as well as consolidated joint ventures in India, France, Turkey and Argentina. Substantially all long-lived assets are located in the United States. The following table presents revenues by country for the years indicated:

	YEAR ENDED		
	SEPTEMBER 24, 2004 (000s)	SEPTEMBER 26, 2003 (000s)	SEPTEMBER 27, 2002 (000s)
<b>Revenue:</b>			
United States	\$ 1,651,474	\$ 1,369,131	\$ 1,392,255
Canada	115,880	85,538	83,625
Europe	39,890	24,633	24,874
Other	22,532	18,269	16,669
<b>Total</b>	<b>\$ 1,829,776</b>	<b>\$ 1,497,571</b>	<b>\$ 1,517,423</b>

While the dollar amount invested in emerging market joint ventures is only \$4.5 million, these investments carry greater risk than amounts invested in developed markets.

## QUARTERLY FINANCIAL INFORMATION *(unaudited)*

(In 000s, except per share data)

2004	1ST QTR.	2 <sup>ND</sup> QTR.	3RD QTR.	4TH QTR.
Revenues	\$ 424,660	\$ 491,373	\$ 451,535	\$ 462,209
Net Revenues	413,987	480,448	440,111	446,713
Non-Interest expenses	375,032	413,541	392,397	396,169
Income before income taxes	38,955	66,907	47,714	50,544
Net income <sup>(a)</sup>	24,230	43,068	29,613	30,664
Net income per share - basic	.33	.59	.40	.42
Net income per share - diluted <sup>(a)</sup>	.33	.58	.40	.41
Dividends declared per share	.06	.06	.07	.07

2003	1ST QTR.	2 <sup>ND</sup> QTR.	3RD QTR.	4TH QTR.
Revenues	\$ 344,608	\$ 350,497	\$ 389,767	\$ 412,699
Net Revenues	331,395	339,819	377,991	402,756
Non-interest expenses	308,030	315,548	339,847	350,261
Income before income taxes <sup>(a)</sup>	23,365	24,271	38,144	52,495
Net income	14,428	15,194	23,562	33,134
Net income per share - basic	.20	.21	.33	.46
Net income per share - diluted	.19	.21	.32	.45
Dividends declared per share	.06	.06	.06	.06

(a) Due to rounding the quarterly results do not add to the total for the year.

# FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors  
of Raymond James Financial, Inc.:

We have audited the accompanying consolidated statements of financial condition of Raymond James Financial, Inc. and Subsidiaries as of September 24, 2004 and September 26, 2003, and the related consolidated statements of operations and comprehensive income, changes in shareholders' equity, and cash flows for each of the years in the three-year period ended September 24, 2004. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the

amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Raymond James Financial, Inc. and Subsidiaries as of September 24, 2004 and September 26, 2003, and the results of their operations and their cash flows for each of the years in the three-year period ended September 24, 2004, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the consolidated financial statements, in fiscal year 2003 the Company changed its method of accounting for stock-based compensation.

**KPMG LLP**

KPMG LLP  
Tampa, Florida  
December 6, 2004

# RAYMOND JAMES FINANCIAL

## CORPORATE AND SHAREHOLDER INFORMATION

### Number of Shareholders

At December 31, 2004, there were more than 13,000 shareholders of record.

### 10-K

The annual report to the Securities and Exchange Commission on form 10-K is available. A copy may be obtained upon request in writing to Investor Relations Department, Raymond James Financial, Inc., 880 Carillon Parkway, St. Petersburg, Florida 33716 or Investor.Relations@RaymondJames.com.

### Annual Meeting

The 2004 annual meeting of shareholders will be conducted at Raymond James Financial's international headquarters in The Raymond James Financial Center, 880 Carillon Parkway, St. Petersburg, Florida, on February 17, 2005, at 4:30 p.m.

The meeting will also be broadcast live via streaming video on our Web site, raymondjames.com.

Notice of the annual meeting, proxy statement and proxy voting instructions accompany this report to shareholders.

Quarterly reports are mailed to shareholders in February, May, August and November.

### Electronic Delivery

If you are interested in electronic delivery of future copies of this report, please see the proxy voting instructions.

### Transfer Agent and Registrar

Mellon Investor Services LLC  
85 Challenger Road  
Ridgefield Park, NJ 07660  
800-756-3353  
www.melloninvestor.com

### Independent Auditors

KPMG, LLP

### Corporate Counsel

Paul L. Matecki

### New York Stock Exchange Symbol

RJF

### Principal Subsidiaries

**Raymond James & Associates, Inc.**  
Securities broker/dealer  
Member New York Stock Exchange

**Raymond James Financial Services, Inc.**  
Securities broker/dealer  
Member National Association of Securities Dealers

**Raymond James Ltd.**  
Canadian securities broker/dealer  
Member Toronto Stock Exchange

**Eagle Asset Management, Inc.**  
Asset management

**Heritage Asset Management, Inc.**  
Mutual fund management

**Raymond James Bank, FSB**  
FDIC-insured depository

**Raymond James Trust Companies**  
Trust services

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