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Raymond James Financial, Inc. F2Q09 (Qtr End 3/31/09) Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from Joel Jeffrey - Keefe, Bruyette & Woods.

Joel Jeffrey - Keefe, Bruyette & Woods

Just in terms of the bank, can you give us the quarter end tangible equity levels at the bank?

Steve Raney

Sure, Joel. Let me give you all three of our ratios. Total capital to risk-weighted assets was 10.3%. Tier 1 capital to risk-weighted assets is 9%. And Tier 1 to adjusted assets is 7.7%. We had disclosed also yesterday, Joel, that tangible common equity to risk-weighted assets is 7.91%.

Joel Jeffrey - Keefe, Bruyette & Woods

And then in terms of the AFS portfolio and the revaluation of some of the securities due to the accounting change, can you tell me where those are currently marked and what kind of impact that actually had on equity?

Tom James

Let me give a shot at that before Steve because we had thought, based on the early discussions on how this was going to play out, that it would make a material difference because when we run our own stress tests on these securities, we still think that that portfolio, the reserves against there or the market value adjustments on those securities, are much greater, maybe by a factor of 2 or more, than we really expect to experience.

But the actual change here as a result of the conservative approach being recommended by our accounting firm - it really doesn't make a whole lot of difference to us - is that the change in the asset or the revaluation was \$18 million only and we're still largely close to where we get market values from IDC and we haven't moved very far to any of these quantitative cap rate kinds of calculations, which was the whole thesis for the revaluation of these assets.

I think that there may be some pushback from the industry, but it seems to be very small now, which probably reflects that you're not going to see much activity in terms of interest on the part of any of the banks in terms of selling off assets. And they certainly don't want to overvalue anything, so they're not pushing against their auditors as hard as I thought they would be. But we're going to have to wait to see how this plays out over a little more time. To us this is a little bit of accounting mumbo jumbo.

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