RAYMOND JAMES FINANCIAL INC
Form 10-Q
August 08, 2014
Index

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

FORM 10-Q
(Mark one)
x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2014
or
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission File Number: 1-9109

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

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

880 Carillon Parkway, St. Petersburg, Florida 33716
(Address of principal executive offices) (Zip Code)
(727) 567-1000
(Registrant's telephone number, including area code)
None
(Former name, former address and former fiscal year, if changed since last report)
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or such shorter period that the registrant was required to submit and post such files). Yes x No ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes ¨ No x
Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

141,272,924 shares of common stock as of August 4, 2014

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

Form 10-Q for the quarter ended June 30, 2014

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PART I FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

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

| | June 30, 2014 | September 30, 2013 |
|---|---|---|
| | (in thousands) | |
| Assets: | | |
| Cash and cash equivalents | $2,845,757 | $2,596,616 |
| Assets segregated pursuant to regulations and other segregated assets | 2,298,518 | 4,064,827 |
| Securities purchased under agreements to resell and other collateralized financings | 508,005 | 709,120 |
| Financial instruments, at fair value: | | |
| Trading instruments | 607,775 | 579,705 |
| Available for sale securities | 603,679 | 698,844 |
| Private equity investments | 208,876 | 216,391 |
| Other investments | 220,509 | 248,512 |
| Derivative instruments associated with offsetting matched book positions | 318,253 | 250,341 |
| Receivables: | | |
| Brokerage clients, net | 1,982,102 | 1,983,340 |
| Stock borrowed | 171,440 | 146,749 |
| Bank loans, net | 10,374,274 | 8,821,201 |
| Brokers-dealers and clearing organizations | 125,480 | 243,101 |
| Loans to financial advisors, net | 430,114 | 409,080 |
| Other | 520,874 | 407,329 |
| Deposits with clearing organizations | 139,220 | 126,405 |
| Prepaid expenses and other assets | 656,849 | 611,425 |
| Investments in real estate partnerships held by consolidated variable interest entities | 239,088 | 272,096 |
| Property and equipment, net | 244,433 | 244,416 |
| Deferred income taxes, net | 219,008 | 195,160 |
| Goodwill and identifiable intangible assets, net | 356,035 | 361,464 |
| Total assets | $23,070,289 | $23,186,122 |

(continued on next page)

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

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

| | June 30, 2014 | September 30, 2013 |
|---|---|---|
| | ($ in thousands) | |
| Liabilities and equity: | | |
| Trading instruments sold but not yet purchased, at fair value | $248,186 | $220,656 |
| Securities sold under agreements to repurchase | 286,924 | 300,933 |
| Derivative instruments associated with offsetting matched book positions, at fair value | 318,253 | 250,341 |
| Payables: | | |
| Brokerage clients | 3,910,993 | 5,942,843 |
| Stock loaned | 453,661 | 354,377 |
| Bank deposits | 10,267,838 | 9,295,371 |
| Brokers-dealers and clearing organizations | 152,236 | 109,611 |
| Trade and other | 627,824 | 630,344 |
| Other borrowings | 559,166 | 84,076 |
| Accrued compensation, commissions and benefits | 697,011 | 741,787 |
| Loans payable of consolidated variable interest entities | 43,245 | 62,938 |
| Corporate debt | 1,191,774 | 1,194,508 |
| Total liabilities | 18,757,111 | 19,187,785 |
| Commitments and contingencies (see Note 16) | | |
| Equity | | |
| Preferred stock; $.10 par value; authorized 10,000,000 shares; issued and outstanding -0- shares | — | — |
| Common stock; $.01 par value; authorized 350,000,000 shares; issued 145,951,703 at June 30, 2014 and 144,559,772 at September 30, 2013 | 1,442 | 1,429 |
| Additional paid-in capital | 1,224,112 | 1,136,298 |
| Retained earnings | 2,910,165 | 2,635,026 |
| Treasury stock, at cost; 5,122,321 common shares at June 30, 2014 and 5,002,666 common shares at September 30, 2013 | (127,461) | (120,555) |
| Accumulated other comprehensive income | 6,918 | 10,726 |
| Total equity attributable to Raymond James Financial, Inc. | 4,015,176 | 3,662,924 |
| Noncontrolling interests | 298,002 | 335,413 |
| Total equity | 4,313,178 | 3,998,337 |
| Total liabilities and equity | $23,070,289 | $23,186,122 |

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

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

| | Three months ended June 30, | | Nine months ended June 30, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | (in thousands, except per share amounts) | | | |
| Revenues: | | | | |
| Securities commissions and fees | $813,461 | $763,345 | $2,401,360 | $2,266,918 |
| Investment banking | 78,694 | 68,057 | 225,802 | 203,182 |
| Investment advisory fees | 89,080 | 74,601 | 270,590 | 202,174 |
| Interest | 119,391 | 117,376 | 354,877 | 358,534 |
| Account and service fees | 101,585 | 90,757 | 296,183 | 267,608 |
| Net trading profit (loss) | 17,276 | (1,456) | 50,269 | 16,011 |
| Other | 21,796 | 25,048 | 55,601 | 131,108 |
| Total revenues | 1,241,283 | 1,137,728 | 3,654,682 | 3,445,535 |
| Interest expense | 27,052 | 28,192 | 78,404 | 83,416 |
| Net revenues | 1,214,231 | 1,109,536 | 3,576,278 | 3,362,119 |
| Non-interest expenses: | | | | |
| Compensation, commissions and benefits | 825,506 | 772,324 | 2,442,742 | 2,297,919 |
| Communications and information processing | 63,341 | 67,138 | 194,698 | 192,522 |
| Occupancy and equipment costs | 40,757 | 39,323 | 120,339 | 117,495 |
| Clearance and floor brokerage | 9,335 | 9,266 | 29,165 | 30,839 |
| Business development | 35,079 | 31,737 | 103,990 | 93,854 |
| Investment sub-advisory fees | 12,887 | 10,369 | 38,484 | 26,829 |
| Bank loan loss provision (benefit) | 4,467 | (2,142) | 8,082 | 4,518 |
| Acquisition related expenses | — | 13,449 | — | 51,753 |
| Other | 43,926 | 39,175 | 128,034 | 111,023 |
| Total non-interest expenses | 1,035,298 | 980,639 | 3,065,534 | 2,926,752 |
| Income including noncontrolling interests and before provision for income taxes | 178,933 | 128,897 | 510,744 | 435,367 |
| Provision for income taxes | 68,554 | 48,192 | 191,749 | 152,522 |
| Net income including noncontrolling interests | 110,379 | 80,705 | 318,995 | 282,845 |
| Net (loss) income attributable to noncontrolling interests | (12,310) | (3,157) | (24,887) | 33,149 |
| Net income attributable to Raymond James Financial, Inc. | $122,689 | $83,862 | $343,882 | $249,696 |
| | | | | |
| Net income per common share – basic | $0.87 | $0.60 | $2.44 | $1.79 |
| Net income per common share – diluted | $0.85 | $0.59 | $2.38 | $1.76 |
| Weighted-average common shares outstanding – basic | 140,270 | 138,185 | 139,747 | 137,493 |
| Weighted-average common and common equivalent shares outstanding – diluted | 143,985 | 141,231 | 143,312 | 140,165 |
| | | | | |
| Net income attributable to Raymond James Financial, Inc. | $122,689 | $83,862 | $343,882 | $249,696 |
| Other comprehensive income (loss), net of tax:[1] | | | | |
| | 2,246 | 614 | 6,822 | 14,358 |

| | | | | |
|---|---|---|---|---|
| Change in unrealized losses on available for sale securities and non-credit portion of other-than-temporary impairment losses | | | | |
| Change in currency translations and net investment hedges | 5,906 | (8,090) | (10,630) | (16,767) |
| Total comprehensive income | $130,841 | $76,386 | $340,074 | $247,287 |
| | | | | |
| Other-than-temporary impairment: | | | | |
| Total other-than-temporary impairment, net | $839 | $(2,852) | $4,812 | $3,866 |
| Portion of pre-tax (recoveries) losses recognized in other comprehensive income | (839) | 2,814 | (4,839) | (4,289) |
| Net impairment losses recognized in other revenue | $— | $(38) | $(27) | $(423) |

(1) All components of other comprehensive income, net of tax, are attributable to Raymond James Financial, Inc.

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

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RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Unaudited)

| | Nine months ended June 30, | |
|---|---|---|
| | 2014 | 2013 |
| | (in thousands, except per share amounts) | |
| Common stock, par value $.01 per share: | | |
| Balance, beginning of year | $1,429 | $1,404 |
| Other issuances | 13 | 23 |
| Balance, end of period | 1,442 | 1,427 |
| | | |
| Additional paid-in capital: | | |
| Balance, beginning of year | 1,136,298 | 1,030,288 |
| Employee stock purchases | 15,983 | 14,317 |
| Exercise of stock options and vesting of restricted stock units, net of forfeitures | 14,269 | 32,741 |
| Restricted stock, stock option and restricted stock unit expense | 48,593 | 45,788 |
| Excess tax benefit from share-based payments | 8,147 | 3,442 |
| Purchase of additional equity interest in subsidiary | — | (4,531) |
| Other | 822 | 189 |
| Balance, end of period | 1,224,112 | 1,122,234 |
| | | |
| Retained earnings: | | |
| Balance, beginning of year | 2,635,026 | 2,346,563 |
| Net income attributable to Raymond James Financial, Inc. | 343,882 | 249,696 |
| Cash dividends declared | (68,447) | (58,597) |
| Other | (296) | (410) |
| Balance, end of period | 2,910,165 | 2,537,252 |
| | | |
| Treasury stock: | | |
| Balance, beginning of year | (120,555) | (118,762) |
| Purchases/surrenders | (2,223) | (7,959) |
| Exercise of stock options and vesting of restricted stock units, net of forfeitures | (4,683) | 2,964 |
| Balance, end of period | (127,461) | (123,757) |
| | | |
| Accumulated other comprehensive income:(1) | | |
| Balance, beginning of year | $10,726 | $9,447 |
| Net change in unrealized losses on available for sale securities and non-credit portion of other-than-temporary impairment losses, net of tax | 6,822 | 14,358 |
| Net change in currency translations and net investment hedges, net of tax | (10,630) | (16,766) |
| Balance, end of period | 6,918 | 7,039 |
| Total equity attributable to Raymond James Financial, Inc. | $4,015,176 | $3,544,195 |
| | | |
| Noncontrolling interests: | | |
| Balance, beginning of year | $335,413 | $411,342 |
| Net (loss) income attributable to noncontrolling interests | (24,887) | 33,149 |
| Capital contributions | 22,565 | 27,727 |
| Distributions | (24,576) | (147,075) |
| Consolidation of acquired entity (2) | — | 7,592 |

| | | |
|---|---|---|
| Derecognition resulting from acquisition of additional interests | — | 4,126 |
| Other | (10,513) | (5,914) |
| Balance, end of period | 298,002 | 330,947 |
| Total equity | $4,313,178 | $3,875,142 |

(1) All components of other comprehensive income, net of tax, are attributable to Raymond James Financial, Inc.

(2) On December 24, 2012, we acquired a 45% interest in ClariVest Asset Management, LLC. See Notes 1 and 3 for discussion.

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

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

| | Nine months ended June 30, | |
|---|---|---|
| | 2014 | 2013 |
| | (in thousands) | |
| Cash flows from operating activities: | | |
| Net income attributable to Raymond James Financial, Inc. | $343,882 | $249,696 |
| Net (loss) income attributable to noncontrolling interests | (24,887) | 33,149 |
| Net income including noncontrolling interests | 318,995 | 282,845 |
| | | |
| Adjustments to reconcile net income including noncontrolling interests to net cash provided by operating activities: | | |
| Depreciation and amortization | 48,158 | 48,890 |
| Deferred income taxes | (26,154) | (1,537) |
| Premium and discount amortization on available for sale securities and unrealized/realized gain on other investments | (21,733) | (80,539) |
| Provisions for loan losses, legal proceedings, bad debts and other accruals | 15,224 | 15,607 |
| Share-based compensation expense | 51,962 | 48,468 |
| Goodwill impairment expense | — | 6,933 |
| Other | 9,222 | 28,153 |
| Net change in: | | |
| Assets segregated pursuant to regulations and other segregated assets | 1,766,309 | (667,215) |
| Securities purchased under agreements to resell and other collateralized financings, net of securities sold under agreements to repurchase | 187,106 | (112,785) |
| Stock loaned, net of stock borrowed | 74,593 | (32,274) |
| (Loans provided to) repayments of loans, to financial advisors, net | (30,271) | 9,474 |
| Brokerage client receivables and other accounts receivable, net | (9,915) | 29,745 |
| Trading instruments, net | 55,837 | 338,794 |
| Prepaid expenses and other assets | 114 | (75,880) |
| Brokerage client payables and other accounts payable | (1,984,873) | 681,963 |
| Accrued compensation, commissions and benefits | (44,927) | (51,389) |
| Proceeds from sales of securitizations and loans held for sale, net of purchases and originations of loans held for sale | 49,420 | (52,634) |
| Excess tax benefits from share-based payment arrangements | (8,147) | (3,442) |
| Net cash provided by operating activities | 450,920 | 413,177 |
| | | |
| Cash flows from investing activities: | | |
| Additions to property and equipment | (44,104) | (65,757) |
| Increase in bank loans, net | (1,808,852) | (619,341) |
| (Purchases) redemptions of Federal Home Loan Bank/Federal Reserve Bank stock, net | (21,861) | 1,067 |
| Proceeds from sales of loans held for investment | 150,776 | 147,932 |
| Sales of private equity and other investments, net | 46,737 | 231,365 |
| Purchases of available for sale securities | (1,305) | (62,102) |
| Available for sale securities maturations, repayments and redemptions | 86,012 | 90,758 |
| Proceeds from sales of available for sale securities | 27,463 | 4,619 |
| | (287) | 1,585 |

| | | |
|---|---|---|
| Investments in real estate partnerships held by consolidated variable interest entities, net of other investing activity | | |
| Business acquisition, net of cash acquired | (2,007 ) | (6,450 ) |
| Net cash used in investing activities | $(1,567,428 ) | $(276,324 ) |

(continued on next page)

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

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RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(continued from previous page)

| | Nine months ended June 30, 2014 | 2013 |
|---|---|---|
| | (in thousands) | |
| Cash flows from financing activities: | | |
| Proceeds from borrowed funds, net | $500,367 | $211,700 |
| Repayments of borrowed funds, net | (28,152) | (251,966) |
| Repayments of borrowings by consolidated variable interest entities which are real estate partnerships | (21,839) | (22,615) |
| Proceeds from capital contributed to and borrowings of consolidated variable interest entities which are real estate partnerships | 726 | 23,519 |
| Purchase of additional equity interest in subsidiary | — | (553) |
| Exercise of stock options and employee stock purchases | 28,757 | 50,555 |
| Increase in bank deposits | 972,467 | 530,671 |
| Purchases of treasury stock | (7,794) | (10,581) |
| Dividends on common stock | (65,442) | (57,002) |
| Excess tax benefits from share-based payment arrangements | 8,147 | 3,442 |
| Net cash provided by financing activities | 1,387,237 | 477,170 |
| Currency adjustment: | | |
| Effect of exchange rate changes on cash | (21,588) | (8,498) |
| Net increase in cash and cash equivalents | 249,141 | 605,525 |
| Cash and cash equivalents at beginning of year | 2,596,616 | 1,980,020 |
| Cash and cash equivalents at end of period | $2,845,757 | $2,585,545 |
| Supplemental disclosures of cash flow information: | | |
| Cash paid for interest | $75,974 | $80,541 |
| Cash paid for income taxes | $258,211 | $131,952 |
| Non-cash transfers of loans to other real estate owned | $3,631 | $2,188 |

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

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RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
June 30, 2014

NOTE 1 – INTRODUCTION AND BASIS OF PRESENTATION

Description of business

Raymond James Financial, Inc. ("RJF" or the "Company") is a financial holding company headquartered in Florida whose broker-dealer subsidiaries are engaged in various financial service businesses, including the underwriting, distribution, trading and brokerage of equity and debt securities and the sale of mutual funds and other investment products. In addition, other subsidiaries of RJF provide investment management services for retail and institutional clients, corporate and retail banking, and trust services. As used herein, the terms "we," "our" or "us" refer to RJF and/or one or more of its subsidiaries.

Basis of presentation

The accompanying unaudited condensed consolidated financial statements include the accounts of RJF and its consolidated subsidiaries that are generally controlled through a majority voting interest. We consolidate all of our 100% owned subsidiaries. In addition we consolidate any variable interest entity ("VIE") in which we are the primary beneficiary. Additional information on these VIEs is provided in Note 2 on pages 120 - 122 in the section titled, "Evaluation of VIEs to determine whether consolidation is required" as presented in our Annual Report on Form 10-K for the year ended September 30, 2013, as filed with the United States ("U.S.") Securities and Exchange Commission (the "2013 Form 10-K") and in Note 9 herein. When we do not have a controlling interest in an entity, but we exert significant influence over the entity, we apply the equity method of accounting. All material intercompany balances and transactions have been eliminated in consolidation.

Accounting estimates and assumptions

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

The nature of our business is such that the results of any interim period are not necessarily indicative of results for a full year. These unaudited condensed consolidated financial statements should be read in conjunction with Management's Discussion and Analysis and the consolidated financial statements and notes thereto included in our 2013 Form 10-K. To prepare condensed consolidated financial statements in conformity with GAAP, we must make certain estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and could have a material impact on the condensed consolidated financial statements.

Fiscal year 2013 acquisition

On December 24, 2012, we completed our acquisition of a 45% interest in ClariVest Asset Management, LLC ("ClariVest"), an acquisition that bolsters our platform in the large-cap investment objective. During the second quarter, we made an earn-out payment to the sellers of ClariVest. See Note 3 for additional information.

Adoption of new accounting guidance

In December 2011, the Financial Accounting Standards Board ("FASB") issued new guidance requiring additional disclosures regarding the nature of an entity's rights of setoff and related arrangements associated with its financial instruments and derivative instruments. This guidance was further amended in January 2013. Specifically, this new guidance requires additional information about derivatives, repurchase agreements, reverse repurchase agreements, and securities borrowing and securities lending transactions that are either offset or subject to an enforceable master netting arrangement or similar agreement. This guidance was first effective for our quarter ended December 31, 2013. See Note 14 for these additional disclosures.

In February 2013, the FASB issued new guidance intended to improve the reporting of reclassifications out of accumulated other comprehensive income ("AOCI"). The new guidance requires us to report the effect of significant reclassifications out of AOCI on the respective line items in net income if the amount being reclassified is required under GAAP to be reclassified in its

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entirety to net income. For other amounts that are not required under GAAP to be reclassified in their entirety to net income in the same reporting period, we are required to cross-reference other disclosures required under GAAP that provide additional detail about those amounts. This new guidance was first effective for our quarter ended December 31, 2013. See Note 17 for these additional disclosures.

Significant subsidiaries

As of June 30, 2014, our significant subsidiaries, all wholly owned, include: Raymond James & Associates, Inc. ("RJ&A"), a domestic broker-dealer carrying client accounts, Raymond James Financial Services, Inc. ("RJFS"), an introducing domestic broker-dealer, Raymond James Financial Services Advisors, Inc. ("RJFSA"), a registered investment advisor, Raymond James Ltd. ("RJ Ltd."), a broker-dealer headquartered in Canada, Eagle Asset Management, Inc. ("Eagle") and Raymond James Bank, N.A. ("RJ Bank"), a national bank.

In mid-February 2013, the client accounts of Morgan Keegan & Company, Inc. (a broker-dealer hereinafter referred to as "MK & Co."), a subsidiary which we had considered in certain prior periods to be a significant subsidiary, were transferred to RJ&A pursuant to our strategy to integrate the operations of MK & Co. and MK Holding, Inc. and certain of its affiliates (collectively referred to hereinafter as "Morgan Keegan") into our own. RJF acquired Morgan Keegan from Regions Financial Corporation ("Regions") on April 2, 2012 (the "Closing Date").

NOTE 2 – UPDATE OF SIGNIFICANT ACCOUNTING POLICIES

A summary of our significant accounting policies is included in Note 2 on pages 104 - 122 of our 2013 Form 10-K. There have been no significant changes in our significant accounting policies since September 30, 2013.

Brokerage client receivables, loans to financial advisors and allowance for doubtful accounts

As more fully described in Note 2 on page 112 of our 2013 Form 10-K, we have certain financing receivables that arise from businesses other than our banking business. Specifically, we offer loans to financial advisors and certain key revenue producers, primarily for recruiting and retention purposes. We present the outstanding balance of loans to financial advisors on our Condensed Consolidated Statements of Financial Condition, net of their applicable allowances for doubtful accounts. The allowance for doubtful accounts balance associated with all of our loans to financial advisors is $2.6 million and $2.8 million at June 30, 2014 and September 30, 2013, respectively. Of the June 30, 2014 loans to financial advisors, the portion of the balance associated with financial advisors who are no longer affiliated with us, after consideration of the allowance for doubtful accounts, is approximately $4.4 million.

Reclassifications

As more fully described in Note 1 on page 104, and Note 28 on page 187 of our 2013 Form 10-K, effective September 30, 2013 we implemented changes in our reportable segments. These segment changes had no effect on the historical financial results of operations. Prior period segment balances impacted by this change have been reclassified to conform to the current presentation. See Note 23 for presentation of segment information.

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

NOTE 3 – ACQUISITIONS

Acquisitions during fiscal year 2013

On December 24, 2012 (the "ClariVest Acquisition Date"), we completed our acquisition of a 45% interest in ClariVest. On the ClariVest Acquisition Date, we paid approximately $8.8 million in cash to the sellers for our interest. A computation based upon the actual earnings of ClariVest during the one year period since the ClariVest Acquisition Date was performed and additional cash consideration owed to the sellers of approximately $2 million was paid during the current year.

As a result of certain protective rights we have under the operating agreement with ClariVest, we are consolidating ClariVest in our financial statements as of the ClariVest Acquisition Date. In addition, a put and call agreement was entered into on the ClariVest Acquisition Date that provides our Eagle subsidiary with various paths to majority ownership in ClariVest, the timing of which would depend upon the financial results of ClariVest's business and the tenure of existing ClariVest management. The results of operations of ClariVest have been included in our results prospectively since December 24, 2012. For purposes of certain acquisition related financial reporting requirements, the ClariVest acquisition is not considered to be material to our overall financial condition.

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See Note 10 for information regarding the identifiable intangible assets we recorded as a result of the ClariVest acquisition.

Acquisition related expense

Acquisition related expenses are recorded in the Condensed Consolidated Statement of Income and Comprehensive Income and include certain incremental expenses arising from our acquisitions. Acquisition related expenses in the current fiscal year are no longer material for separate disclosure since our integration of Morgan Keegan was substantially complete as of September 30, 2013. In the prior year periods, we incurred the following acquisition related expense:

| | Three months ended June 30, 2013 | Nine months ended June 30, 2013 |
|---|---|---|
| | (in thousands) | |
| Information systems integration and conversion costs (1) | $1,497 | $24,042 |
| Severance (2) | 6,742 | 12,947 |
| Temporary services | 2,019 | 3,622 |
| Occupancy and equipment costs (3) | 2,340 | 3,614 |
| Financial advisory fees | — | 1,176 |
| Legal | 27 | 486 |
| Other integration costs | 824 | 5,866 |
| Total acquisition related expense | $13,449 | $51,753 |

(1) Includes equipment costs related to the disposition of information systems equipment, and temporary services incurred specifically related to the information systems conversion.

(2) Represents all costs associated with eliminating positions as a result of the Morgan Keegan acquisition, partially offset by the favorable impact arising from the forfeiture of any unvested accrued benefits.

(3) Includes lease costs associated with the abandonment of certain facilities resulting from the Morgan Keegan acquisition.

NOTE 4 – CASH AND CASH EQUIVALENTS, ASSETS SEGREGATED PURSUANT TO REGULATIONS, AND DEPOSITS WITH CLEARING ORGANIZATIONS

Our cash equivalents include money market funds or highly liquid investments with original maturities of 90 days or less, other than those used for trading purposes. For discussion of our accounting policies regarding assets segregated pursuant to regulations and other segregated assets, see Note 2 on page 106 of our 2013 Form 10-K.

Our cash and cash equivalents, assets segregated pursuant to regulations or other segregated assets, and deposits with clearing organization balances are as follows:

| | June 30, 2014 | September 30, 2013 |
|---|---|---|
| | (in thousands) | |
| Cash and cash equivalents: | | |
| Cash in banks | $2,843,746 | $2,593,890 |
| Money market fund investments | 2,011 | 2,726 |
| Total cash and cash equivalents (1) | 2,845,757 | 2,596,616 |
| Cash segregated pursuant to federal regulations and other segregated assets (2) | 2,298,518 | 4,064,827 |

| | | |
|---|---|---|
| Deposits with clearing organizations [3] | 139,220 | 126,405 |
| | $5,283,495 | $6,787,848 |

(1) The total amounts presented include cash and cash equivalents of $1.11 billion and $1.02 billion as of June 30, 2014 and September 30, 2013, respectively, which are either held directly by RJF or are otherwise invested by one of our subsidiaries on behalf of RJF, and are available without restrictions.

(2) Consists of cash maintained in accordance with Rule 15c3-3 under the Securities Exchange Act of 1934. RJ&A, as a broker-dealer carrying client accounts, is subject to requirements related to maintaining cash or qualified securities in segregated reserve accounts for the exclusive benefit of its' clients. Additionally, RJ Ltd. is required to hold client Registered Retirement Savings Plan funds in trust.

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

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NOTE 5 – FAIR VALUE

For a discussion of our valuation methodologies for assets, liabilities measured at fair value, and the fair value hierarchy, see Note 2 on pages 107 - 111 of our 2013 Form 10-K. There have been no material changes to our valuation methodologies since our year ended September 30, 2013.

Assets and liabilities measured at fair value on a recurring and nonrecurring basis are presented below:

| June 30, 2014 | Quoted prices in active markets for identical assets (Level 1) (1) (in thousands) | Significant other observable inputs (Level 2) (1) | Significant unobservable inputs (Level 3) | | Netting adjustments (2) | Balance as of June 30, 2014 |
|---|---|---|---|---|---|---|
| Assets at fair value on a recurring basis: | | | | | | |
| Trading instruments: | | | | | | |
| Municipal and provincial obligations | $13,509 | $175,114 | $— | | $— | $188,623 |
| Corporate obligations | 5,055 | 65,871 | — | | — | 70,926 |
| Government and agency obligations | 6,411 | 87,385 | — | | — | 93,796 |
| Agency mortgage-backed securities (“MBS”) and collateralized mortgage obligations (“CMOs”) | 176 | 73,781 | — | | — | 73,957 |
| Non-agency CMOs and asset-backed securities (“ABS”) | — | 39,418 | 12 | | — | 39,430 |
| Total debt securities | 25,151 | 441,569 | 12 | | — | 466,732 |
| Derivative contracts | — | 89,065 | — | | (60,674) | 28,391 |
| Equity securities | 75,120 | 2,889 | 52 | | — | 78,061 |
| Corporate loans | — | 1,503 | — | | — | 1,503 |
| Other | 947 | 31,188 | 953 | | — | 33,088 |
| Total trading instruments | 101,218 | 566,214 | 1,017 | | (60,674) | 607,775 |
| Available for sale securities: | | | | | | |
| Agency MBS and CMOs | — | 281,987 | — | | — | 281,987 |
| Non-agency CMOs | — | 95,500 | — | | — | 95,500 |
| Other securities | 2,042 | — | — | | — | 2,042 |
| Auction rate securities (“ARS”): | | | | | | |
| Municipals | — | — | 110,701 | (3) | — | 110,701 |
| Preferred securities | — | — | 113,449 | | — | 113,449 |
| Total available for sale securities | 2,042 | 377,487 | 224,150 | | — | 603,679 |
| Private equity investments | — | — | 208,876 | (4) | — | 208,876 |
| Other investments (5) | 217,379 | 1,294 | 1,836 | | — | 220,509 |
| Derivative instruments associated with offsetting matched book positions | — | 318,253 | — | | — | 318,253 |
| Other assets | — | — | 2,852 | (9) | — | 2,852 |
| Total other assets | — | — | 2,852 | | — | 2,852 |

| | | | | | |
|---|---|---|---|---|---|
| Total assets at fair value on a recurring basis | $320,639 | $1,263,248 | $438,731 | $(60,674) | $1,961,944 |
| Assets at fair value on a nonrecurring basis: (6) | | | | | |
| Bank loans, net: | | | | | |
| Impaired loans | $— | $37,518 | $62,712 | $— | $100,230 |
| Loans held for sale(7) | — | 55,333 | — | — | 55,333 |
| Total bank loans, net | — | 92,851 | 62,712 | — | 155,563 |
| Other real estate owned (“OREO”)(8) | — | 377 | — | — | 377 |
| Total assets at fair value on a nonrecurring basis | $— | $93,228 | $62,712 | $— | $155,940 |

(continued on next page)

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| June 30, 2014 | Quoted prices in active markets for identical assets (Level 1) (1) (in thousands) (continued from previous page) | Significant other observable inputs (Level 2) (1) | Significant unobservable inputs (Level 3) | Netting adjustments (2) | Balance as of June 30, 2014 |
|---|---|---|---|---|---|
| Liabilities at fair value on a recurring basis: | | | | | |
| Trading instruments sold but not yet purchased: | | | | | |
| Municipal and provincial obligations | $14,782 | $175 | $— | $— | $14,957 |
| Corporate obligations | 155 | 4,213 | — | — | 4,368 |
| Government obligations | 202,747 | — | — | — | 202,747 |
| Agency MBS and CMOs | 3,083 | — | — | — | 3,083 |
| Total debt securities | 220,767 | 4,388 | — | — | 225,155 |
| Derivative contracts | — | 75,395 | — | (67,256) | 8,139 |
| Equity securities | 14,714 | 142 | — | — | 14,856 |
| Other securities | — | 36 | — | — | 36 |
| Total trading instruments sold but not yet purchased | 235,481 | 79,961 | — | (67,256) | 248,186 |
| Derivative instruments associated with offsetting matched book positions | — | 318,253 | — | — | 318,253 |
| Trade and other payables: | | | | | |
| Derivative contracts | — | 4,117 | — | — | 4,117 |
| Other liabilities | — | — | 58 | — | 58 |
| Total trade and other payables | — | 4,117 | 58 | — | 4,175 |
| Total liabilities at fair value on a recurring basis | $235,481 | $402,331 | $58 | $(67,256) | $570,614 |

(1) We had $622 thousand in transfers of financial instruments from Level 1 to Level 2 during the three and nine months ended June 30, 2014. These transfers were a result of a decrease in availability and reliability of the observable inputs utilized in the respective instruments' fair value measurement. We had $631 thousand in transfers of financial instruments from Level 2 to Level 1 during the three and nine months ended June 30, 2014. These transfers were a result of an increase in availability and reliability of the observable inputs utilized in the respective instruments' fair value measurement. Our policy is that the end of each respective quarterly reporting period determines when transfers of financial instruments between levels are recognized.

(2) Where permitted, we have elected to net derivative receivables and derivative payables and the related cash collateral received and paid when a legally enforceable master netting agreement exists (see Note 14 for additional information regarding offsetting financial instruments).

(3) Includes $59 million of Jefferson County, Alabama Limited Obligation School Warrants ARS.

(4) The portion of these investments we do not own is approximately $54 million as of June 30, 2014 and are included as a component of noncontrolling interest in our Condensed Consolidated Statements of Financial Condition. The

weighted average portion we own is approximately $155 million or 74% of the total private equity investments of $209 million included in our Condensed Consolidated Statements of Financial Condition.

(5) Other investments include $147 million of financial instruments that are related to MK & Co.'s obligations to perform under certain of its historic deferred compensation plans (see Note 2 on page 119, and Note 23 on page 176, of our 2013 Form 10-K for further information regarding these plans).

(6) Goodwill fair value measurements are classified within Level 3 of the fair value hierarchy, which are generally determined using unobservable inputs. See Note 10 for additional information regarding the annual impairment analysis.

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

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

(9) Includes forward commitments to purchase GNMA (as hereinafter defined) MBS arising from our fixed income public finance operations (see Note 16 for additional information regarding these commitments) and to a much lesser extent, other certain commitments.

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| September 30, 2013 | Quoted prices in active markets for identical assets (Level 1) [1] (in thousands) | Significant other observable inputs (Level 2) [1] | Significant unobservable inputs (Level 3) | Netting adjustments [2] | Balance as of September 30, 2013 |
|---|---|---|---|---|---|
| Assets at fair value on a recurring basis: | | | | | |
| Trading instruments: | | | | | |
| Municipal and provincial obligations | $10 | $202,816 | $— | $— | $202,826 |
| Corporate obligations | 833 | 59,573 | — | — | 60,406 |
| Government and agency obligations | 6,408 | 106,988 | — | — | 113,396 |
| Agency MBS and CMOs | 155 | 92,994 | — | — | 93,149 |
| Non-agency CMOs and ABS | — | 16,957 | 14 | — | 16,971 |
| Total debt securities | 7,406 | 479,328 | 14 | — | 486,748 |
| Derivative contracts | — | 89,633 | — | (61,524) | 28,109 |
| Equity securities | 48,749 | 4,231 | 35 | — | 53,015 |
| Other | 1,413 | 6,464 | 3,956 | — | 11,833 |
| Total trading instruments | 57,568 | 579,656 | 4,005 | (61,524) | 579,705 |
| | | | | | |
| Available for sale securities: | | | | | |
| Agency MBS and CMOs | — | 326,029 | — | — | 326,029 |
| Non-agency CMOs | — | 128,943 | 78 | — | 129,021 |
| Other securities | 2,076 | — | — | — | 2,076 |
| ARS: | | | | | |
| Municipals | — | — | 130,934 [3] | — | 130,934 |
| Preferred securities | — | — | 110,784 | — | 110,784 |
| Total available for sale securities | 2,076 | 454,972 | 241,796 | — | 698,844 |
| | | | | | |
| Private equity investments | — | — | 216,391 [4] | — | 216,391 |
| Other investments [5] | 241,627 | 2,278 | 4,607 | — | 248,512 |
| Derivative instruments associated with offsetting matched book positions | — | 250,341 | — | — | 250,341 |
| Other receivables | — | — | 2,778 [6] | — | 2,778 |
| Other assets | — | — | 15 | — | 15 |
| Total assets at fair value on a recurring basis | $301,271 | $1,287,247 | $469,592 | $(61,524) | $1,996,586 |
| | | | | | |
| Assets at fair value on a nonrecurring basis: [7] | | | | | |
| Bank loans, net | | | | | |
| Impaired loans | — | 33,187 | 59,868 | — | 93,055 |
| Loans held for sale [8] | — | 28,119 | — | — | 28,119 |
| Total bank loans, net | — | 61,306 | 59,868 | — | 121,174 |

| | | | | | |
|---|---|---|---|---|---|
| OREO[9] | — | 209 | — | — | 209 |
| Total assets at fair value on a nonrecurring basis | $— | $61,515 | $59,868 | $— | $121,383 |

(continued on next page)

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| September 30, 2013 | Quoted prices in active markets for identical assets (Level 1) (1) | Significant other observable inputs (Level 2) (1) | Significant unobservable inputs (Level 3) | Netting adjustments (2) | Balance as of September 30, 2013 |
|---|---|---|---|---|---|
| | (in thousands) | | | | |
| | (continued from previous page) | | | | |
| Liabilities at fair value on a recurring basis: | | | | | |
| Trading instruments sold but not yet purchased: | | | | | |
| Municipal and provincial obligations | $165 | $1,612 | $— | $— | $1,777 |
| Corporate obligations | 30 | 9,081 | — | — | 9,111 |
| Government obligations | 169,816 | — | — | — | 169,816 |
| Agency MBS and CMOs | 3,068 | — | — | — | 3,068 |
| Total debt securities | 173,079 | 10,693 | — | — | 183,772 |
| Derivative contracts | — | 74,920 | — | (69,279) | 5,641 |
| Equity securities | 31,151 | 92 | — | — | 31,243 |
| Total trading instruments sold but not yet purchased | 204,230 | 85,705 | — | (69,279) | 220,656 |
| Derivative instruments associated with offsetting matched book positions | — | 250,341 | — | — | 250,341 |
| Trade and other payables: | | | | | |
| Derivative contracts | — | 714 | — | — | 714 |
| Other liabilities | — | — | 60 | — | 60 |
| Total trade and other payables | — | 714 | 60 | — | 774 |
| Total liabilities at fair value on a recurring basis | $204,230 | $336,760 | $60 | $(69,279) | $471,771 |

(1) We had $860 thousand in transfers of financial instruments from Level 1 to Level 2 during the year ended September 30, 2013. These transfers were a result of a decrease in availability and reliability of the observable inputs utilized in the respective instruments' fair value measurement. We had $401 thousand in transfers of financial instruments from Level 2 to Level 1 during the year ended September 30, 2013. These transfers were a result of an increase in availability and reliability of the observable inputs utilized in the respective instruments' fair value measurement. Our policy is that the end of each respective quarterly reporting period determines when transfers of financial instruments between levels are recognized.

(2) Where permitted, we have elected to net derivative receivables and derivative payables and the related cash collateral received and paid when a legally enforceable master netting agreement exists (see Note 14 for additional information regarding offsetting financial instruments).

(3) Includes $54 million of Jefferson County, Alabama Limited Obligation School Warrants ARS and $25 million of Jefferson County, Alabama Sewer Revenue Refunding Warrants ARS.

(4) The portion of these investments we do not own is approximately $63 million as of September 30, 2013 and are included as a component of noncontrolling interest in our Condensed Consolidated Statements of Financial Condition. The weighted average portion we own is approximately $153 million or 71% of the total private equity

investments of $216 million included in our Condensed Consolidated Statements of Financial Condition.

(5) Other investments include $176 million of financial instruments that are related to obligations to perform under certain of MK & Co.'s historic deferred compensation plans (see Note 2 on page 119, and Note 23 on page 176, of our 2013 Form 10-K for further information regarding these plans).

(6) Primarily comprised of forward commitments to purchase GNMA (as hereinafter defined) MBS arising from our fixed income public finance operations (see Note 20 on page 171 of our 2013 Form 10-K for additional information).

(7) Goodwill fair value measurements are classified within Level 3 of the fair value hierarchy, which are generally determined using unobservable inputs. See Note 13 on pages 155 - 157 of our 2013 Form 10-K for additional information regarding the annual impairment analysis and our methods of estimating the fair value of reporting units that have an allocation of goodwill, including the key assumptions.

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

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

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The adjustment to fair value of the nonrecurring fair value measures for the nine months ended June 30, 2014 resulted in a $208 thousand additional provision for loan losses and $305 thousand in other losses. The adjustment to fair value of the nonrecurring fair value measures for the nine months ended June 30, 2013 resulted in $5.5 million in additional provision for loan losses and $2.7 million in other losses.

Changes in Level 3 recurring fair value measurements

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

Additional information about Level 3 assets and liabilities measured at fair value on a recurring basis is presented below:
Three months ended June 30, 2014 Level 3 assets at fair value
(in thousands)

| | Financial assets | | | | | | | | | Financial liabilities Payables- trade and other |
|---|---|---|---|---|---|---|---|---|---|---|
| | Trading instruments | | | Available for sale securities | | | Private equity, other investments and other assets | | | |
| | Non-agency CMOs & ABS | Equity securities | Other | Non-agency CMOs | ARS – municipals | ARS - preferred securities | Private equity investments | Other investments | Other assets | Other liabilities |
| Fair value March 31, 2014 | $13 | $37 | $2,703 | $38 | $109,960 | $112,215 | $191,401 | $1,788 | $15 | $(82) |
| Total gains (losses) for the period: | | | | | | | | | | |
| Included in earnings | (1) | 2 | (162) | — | 542 | — | 3,831 (1) | 89 | 2,837 | 2 |
| Included in other comprehensive income | — | — | — | 1 | 1,060 | 1,234 | — | — | — | — |
| Purchases and contributions | — | 78 | 5,917 | — | — | — | 3,982 | — | — | — |
| Sales | — | (65) | (7,505) | (38) | (511) | — | — | — | — | — |
| Redemptions by issuer | — | — | — | — | (350) | — | — | (12) | — | — |
| Distributions | — | — | — | (1) | — | — | (18,244) | (29) | — | — |
| Transfers: (2) | | | | | | | | | | |
| Into Level 3 | — | — | — | — | — | — | 27,906 (3) | — | — | — |
| Out of Level 3 | — | — | — | — | — | — | — | — | — | 22 |
| Fair value June 30, 2014 | $12 | $52 | $953 | $— | $110,701 | $113,449 | $208,876 | $1,836 | $2,852 | $(58) |
| | $(1) | $2 | $(42) | $— | $1,060 | $1,234 | $3,831 | $89 | $2,837 | $— |

Change in unrealized gains (losses) for the period included in earnings (or changes in net assets) for assets held at the end of the reporting period

(1) Primarily results from valuation adjustments of certain private equity investments.  Since we only own a portion of these investments, our share of the net valuation adjustments resulted in a gain of $4.7 million which is included in net income attributable to RJF (after noncontrolling interests).  The noncontrolling interests' share of the net valuation adjustments was a loss of approximately $824 thousand.

(2) Our policy is that the end of each respective quarterly reporting period determines when transfers of financial instruments between levels are recognized.

(3) The transfers into Level 3 were comprised of transfers of balances previously included in other receivables on our Condensed Consolidated Statements of Financial Condition.

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Nine months ended June 30, 2014 Level 3 assets at fair value
(in thousands)

| | Financial assets | | | | | | | | | | Financial liabilities |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Trading instruments | | | Available for sale securities | | | Private equity, other investments and other assets | | | | Payables-trade and other |
| | Non-agency CMOs & ABS | Equity securities | Other | Non-agency CMOs | ARS – municipals | ARS - preferred securities | Private equity investments | Other investments | Other receivables | Other assets | Other liabilities |
| Fair value September 30, 2013 | $14 | $35 | $3,956 | $78 | $130,934 | $110,784 | $216,391 | $4,607 | $2,778 | $15 | $(60 ) |
| Total gains (losses) for the period: | | | | | | | | | | | |
| Included in earnings | (1 ) | 6 | (363 ) | (27 ) | 6,126 | 44 | 8,612 (1) | 162 | (2,778 ) | 2,837 | 2 |
| Included in other comprehensive income | — | — | — | 22 | 1,998 | 2,946 | — | — | — | — | — |
| Purchases and contributions | — | 102 | 16,365 | — | — | — | 13,314 | 63 | — | — | — |
| Sales | — | (91 ) | (19,005) | (38 ) | (881 ) | — | (7,076 ) | (2,698 ) | — | — | — |
| Redemptions by issuer | — | — | — | — | (27,476 ) | (325 ) | — | (40 ) | — | — | — |
| Distributions | (1 ) | — | — | (35 ) | — | — | (31,694 ) | (258 ) | — | — | — |
| Transfers: (2) | | | | | | | | | | | |
| Into Level 3 | — | — | — | — | — | — | 11,924 (3) | — | — | — | — |
| Out of Level 3 | — | — | — | — | — | — | (2,595 ) (4) | — | — | — | — |
| Fair value June 30, 2014 | $12 | $52 | $953 | $— | $110,701 | $113,449 | $208,876 | $1,836 | $— | $2,852 | $(58 ) |
| Change in unrealized gains (losses) for the period included in earnings (or changes in net assets) for assets held at the end of the reporting period | $19 | $6 | $(42 ) | $— | $1,998 | $2,946 | $8,612 | $252 | $— | $2,837 | $— |

(1) Primarily results from valuation adjustments of certain private equity investments. Since we only own a portion of these investments, our share of the net valuation adjustments resulted in a gain of $9.1 million which is included in net income attributable to RJF (after noncontrolling interests). The noncontrolling interests' share of the net valuation adjustments was a loss of approximately $447 thousand.

(2) Our policy is that the end of each respective quarterly reporting period determines when transfers of financial instruments between levels are recognized.

(3) The transfers into Level 3 were comprised of transfers of balances previously included in other receivables on our Condensed Consolidated Statements of Financial Condition.

(4) The transfers out of Level 3 were comprised of transfers of cash and cash equivalent balances previously included in private equity investments on our Condensed Consolidated Statements of Financial Condition.

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Three months ended June 30, 2013 Level 3 assets at fair value
(in thousands)

| | Financial assets | | | | | | | | | Financial liabilities |
|---|---|---|---|---|---|---|---|---|---|---|
| | Trading instruments | | | Available for sale securities | | | Private equity, other investments and other assets | | | Payables-trade and other |
| | Non-agency CMOs & ABS | Equity securities | Other | Non-agency CMOs | ARS – municipals | ARS - preferred securities | Private equity investments | Other investments | Other assets | Other liabilities |
| Fair value March 31, 2013 | $17 | $21 | $5,723 | $420 | $134,630 | $106,019 | $397,715 | $3,982 | $15 | $(98) |
| Total gains (losses) for the period: | | | | | | | | | | |
| Included in earnings | — | (2) | — | — | 356 | — | 8,210 (1) | 616 | — | (5,413) |
| Included in other comprehensive income | — | — | — | (144) | 3,206 | 2,835 | — | — | — | — |
| Purchases and contributions | — | 15 | 1,143 | — | — | — | 5,561 | 120 | — | — |
| Sales | — | — | — | — | (4,884) | — | (165,878) (2) | (619) | — | — |
| Redemptions by issuer | — | — | — | — | (630) | — | — | — | — | — |
| Distributions | (1) | — | (667) | (14) | — | — | (28,059) | (202) | — | — |
| Transfers: (3) | | | | | | | | | | |
| Into Level 3 | — | — | — | — | — | — | — | 131 | — | — |
| Out of Level 3 | — | — | — | — | — | — | — | — | — | — |
| Fair value June 30, 2013 | $16 | $34 | $6,199 | $262 | $132,678 | $108,854 | $217,549 | $4,028 | $15 | $(5,511) |
| Change in unrealized gains (losses) for the period included in earnings (or changes in net assets) for assets held at the end of the reporting period | $19 | $(2) | $— | $— | $3,206 | $2,835 | $8,210 | $616 | $— | $(5,451) |

(1) Primarily results from valuation adjustments of certain private equity investments. Since we only own a portion of these investments, our share of the net valuation adjustments resulted in a gain of $7.5 million which is included in

net income attributable to RJF (after noncontrolling interests). The noncontrolling interests' share of the net valuation adjustments was a gain of approximately $737 thousand.

(2) Results from the April 29, 2013 sale of our indirect investment in Albion Medical Holdings, Inc. ("Albion"). The amount is presented "gross", and therefore includes amounts pertaining to interests held by others.

(3) Our policy is that the end of each respective quarterly reporting period determines when transfers of financial instruments between levels are recognized.

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Nine months ended June 30, 2013
Level 3 assets at fair value
(in thousands)

| | Financial assets | | | | | | | | | | Financial liabilities |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Trading instruments | | | | Available for sale securities | | | Private equity, other investments and other assets | | | Payables-trade and other |
| | Municipal & provincial obligations | Non-agency CMOs & ABS | Equity securities | Other | Non-agency CMOs | ARS – municipals | ARS - preferred securities | Private equity investments | Other investments | Other assets | Other liabilities |
| Fair value September 30, 2012 | $553 | $29 | $6 | $5,850 | $249 | $123,559 | $110,193 | $336,927 | $4,092 | $— | $(98) |
| Total gains (losses) for the period: | | | | | | | | | | | |
| Included in earnings | — | (4) | 3 | (51) | (335) | 388 | 1,164 | 74,629 (1) | 669 | — | (5,413) |
| Included in other comprehensive income | — | — | — | — | 389 | 14,495 | 5,484 | — | — | — | — |
| Purchases,and contributions | — | — | 60 | 4,352 | — | — | 25 | 16,215 | 120 | — | — |
| Sales | (553) | — | (37) | (2,007) | — | (4,884) | — | (165,878) (2) | (669) | — | — |
| Redemptions by issuer | — | — | — | — | — | (880) | (8,012) | — | — | — | — |
| Distributions | — | (9) | — | (1,930) | (41) | — | — | (44,344) | (315) | — | — |
| Transfers: (3) | | | | | | | | | | | |
| Into Level 3 | — | — | 2 | — | — | — | — | — | 131 | 15 | — |
| Out of Level 3 | — | — | — | (15) | — | — | — | — | — | — | — |
| Fair value June 30, 2013 | $— | $16 | $34 | $6,199 | $262 | $132,678 | $108,854 | $217,549 | $4,028 | $15 | $(5,511) |
| Change in unrealized gains (losses) for the period included in earnings (or changes in net assets) for assets held at the end of the reporting period | $— | $38 | $1 | $(51) | $(335) | $14,495 | $5,484 | $9,295 | $759 | $— | $(5,451) |

(1)

Primarily results from valuation adjustments of certain private equity investments and the April 29, 2013 sale of our indirect investment in Albion. Since we only own a portion of these investments, our share of the net valuation adjustments and Albion sale resulted in a gain of $29.6 million which is included in net income attributable to RJF (after noncontrolling interests). The noncontrolling interests' share of the net gain is approximately $45 million.

(2) Results from the April 29, 2013 sale of our indirect investment in Albion, the portion of which we owned was $36 million as of March 31, 2013.

(3) Our policy is that the end of each respective quarterly reporting period determines when transfers of financial instruments between levels are recognized.

As of June 30, 2014, 8.5% of our assets and 3% of our liabilities are instruments measured at fair value on a recurring basis. Instruments measured at fair value on a recurring basis categorized as Level 3 as of June 30, 2014 represent 22% of our assets measured at fair value. In comparison, as of June 30, 2013, 8.2% and 2% of our assets and liabilities, respectively, represented instruments measured at fair value on a recurring basis. Instruments measured at fair value on a recurring basis categorized as Level 3 as of June 30, 2013 represented 26% of our assets measured at fair value. The balances of our level 3 assets have decreased compared to June 30, 2013 primarily as a result of distributions received from, and sales of, certain investments in our private equity portfolio, as well as the sale or redemption of a portion of our ARS portfolio, partially offset by valuation increases in the private equity portfolio. Level 3 instruments as a percentage of total financial instruments decreased by 4% as compared to June 30, 2013. Total financial instruments at June 30, 2014, primarily trading instruments and derivative instruments associated with offsetting matched book positions, have increased as compared to June 30, 2013, impacting the calculation of Level 3 assets as a percentage of total financial instruments.

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Gains and losses included in earnings are presented in net trading profit and other revenues in our Condensed Consolidated Statements of Income and Comprehensive Income as follows:

| For the three months ended June 30, 2014 | Net trading profit | Other revenues |
|---|---|---|
| | (in thousands) | |
| Total (losses) gains included in revenues | $(161) | $7,301 |
| Change in unrealized (losses) gains for assets held at the end of the reporting period | $(41) | $9,051 |

| For the nine months ended June 30, 2014 | Net trading profit | Other revenues |
|---|---|---|
| | (in thousands) | |
| Total (losses) gains included in revenues | $(358) | $14,978 |
| Change in unrealized (losses) gains for assets held at the end of the reporting period | $(17) | $16,645 |

| For the three months ended June 30, 2013 | Net trading profit | Other revenues |
|---|---|---|
| | (in thousands) | |
| Total (losses) gains included in revenues | $(2) | $3,769 |
| Change in unrealized (losses) gains for assets held at the end of the reporting period | $17 | $9,416 |

| For the nine months ended June 30, 2013 | Net trading profit | Other revenues |
|---|---|---|
| | (in thousands) | |
| Total (losses) gains included in revenues | $(52) | $71,102 |
| Change in unrealized (losses) gains for assets held at the end of the reporting period | $(12) | $24,247 |

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Quantitative information about level 3 fair value measurements

The significant assumptions used in the valuation of level 3 financial instruments are as follows (the table that follows includes the significant majority of the financial instruments we hold that are classified as level 3 measures):

| Level 3 financial instrument | Fair value at June 30, 2014 (in thousands) | Valuation technique(s) | Unobservable input | Range (weighted-average) |
|---|---|---|---|---|
| Recurring measurements: | | | | |
| Available for sale securities: | | | | |
| ARS: | | | | |
| Municipals | $110,701 | Discounted cash flow | Average discount rate[a] | 3.06% - 7.41% (5.38%) |
| | | | Average interest rates applicable to future interest income on the securities[b] | 1.16% - 6.42% (3.58%) |
| | | | Prepayment year[c] | 2016 - 2023 (2020) |
| Preferred securities | $113,449 | Discounted cash flow | Average discount rate[a] | 3.28% - 4.94% (4.18%) |
| | | | Average interest rates applicable to future interest income on the securities[b] | 1.6% - 2.91% (2.21%) |
| | | | Prepayment year[c] | 2014 - 2018 (2018) |
| Private equity investments: | $39,640 | Income or market approach: | | |
| | | Scenario 1 - income approach - discounted cash flow | Discount rate[a] | 14% - 15% (14%) |
| | | | Terminal growth rate of cash flows | 3% - 3% (3%) |
| | | | Terminal year | 2014 - 2015 (2014) |
| | | Scenario 2 - market approach - market multiple method | EBITDA Multiple[d] | 4.75 - 7.00 (5.39) |
| | | | Projected EBITDA growth[e] | 16.3% - 16.3% (16.3%) |
| | | | Weighting assigned to outcome of scenario 1/scenario 2 | 86%/14% |
| | $169,236 | Transaction price or other investment-specific events[f] | Not meaningful[f] | Not meaningful[f] |
| Nonrecurring measurements: | | | | |
| Impaired loans: residential | $27,653 | Discounted cash flow | Prepayment rate | 7 - 12 yrs. (10.34 yrs.) |
| Impaired loans: corporate | $35,059 | Appraisal, discounted cash flow, or distressed | Not meaningful[g] | Not meaningful[g] |

enterprise value[g]

The text of the footnotes in the above table are on the following page.

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The text of the footnotes to the table on the previous page are as follows:

(a) Represents discount rates used when we have determined that market participants would take these discounts into account when pricing the investments.

(b) Future interest rates are projected based upon a forward interest rate curve, plus a spread over such projected base rate that is applicable to each future period for each security within this portfolio segment. The interest rates presented represent the average interest rate over all projected periods for securities within the portfolio segment.

(c) Assumed year of at least a partial redemption of the outstanding security by the issuer.

(d) Represents amounts used when we have determined that market participants would use such multiples when pricing the investments.

(e) Represents the projected growth in earnings before interest, taxes, depreciation and amortization ("EBITDA") utilized in the valuation as compared to the prior periods reported EBITDA.

(f) Certain direct private equity investments are valued initially at the transaction price until either our annual review, significant transactions occur, new developments become known, or we receive information from the fund manager that allows us to update our proportionate share of net assets, when any of which indicate that a change in the carrying values of these investments is appropriate.

(g) The valuation techniques used for the impaired corporate loan portfolio as of June 30, 2014 were appraisals less selling costs for the collateral dependent loans, and either discounted cash flows or distressed enterprise value for the remaining impaired loans that are not collateral dependent.

Qualitative disclosure about unobservable inputs

For our recurring fair value measurements categorized within Level 3 of the fair value hierarchy, the sensitivity of the fair value measurement to changes in significant unobservable inputs and interrelationships between those unobservable inputs are described below:

Auction rate securities:

One of the significant unobservable inputs used in the fair value measurement of auction rate securities presented within our available for sale securities portfolio relates to judgments regarding whether the level of observable trading activity is sufficient to conclude markets are active. Where insufficient levels of trading activity are determined to exist as of the reporting date, then management's assessment of how much weight to apply to trading prices in inactive markets versus management's own valuation models could significantly impact the valuation conclusion. The valuation of the securities impacted by changes in management's assessment of market activity levels could be either higher or lower, depending upon the relationship of the inactive trading prices compared to the outcome of management's internal valuation models.

The future interest rate and maturity assumptions impacting the valuation of the auction rate securities are directly related. As short-term interest rates rise, due to the variable nature of the penalty interest rate provisions embedded in most of these securities in the event auctions fail to set the security's interest rate, then a penalty rate that is specified in the security increases. These penalty rates are based upon a stated interest rate spread over what is typically a short-term base interest rate index. Management estimates that at some level of increase in short-term interest rates, issuers of the securities will have the economic incentive to refinance (and thus prepay) the securities. Therefore, the short-term interest rate assumption directly impacts the input related to the timing of any projected prepayment. The faster and steeper short-term interest rates rise, the earlier prepayments will likely occur and the higher the fair value of the security.

Private equity investments:

The significant unobservable inputs used in the fair value measurement of private equity investments relate to the financial performance of the investment entity and the market's required return on investments from entities in industries in which we hold investments. Significant increases (or decreases) in our investment entities' future economic performance will have a directly proportional impact on the valuation results. The value of our investment moves inversely with the market's expectation of returns from such investments. Should the market require higher returns from industries in which we are invested, all other factors held constant, our investments will decrease in value. Should the market accept lower returns from industries in which we are invested, all other factors held constant, our investments will increase in value.

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Fair value option

The fair value option is an accounting election that allows the reporting entity to apply fair value accounting for certain financial assets and liabilities on an instrument by instrument basis. As of June 30, 2014, we have elected not to choose the fair value option for any of our financial assets or liabilities not already recorded at fair value.

Other fair value disclosures

Many, but not all, of the financial instruments we hold are recorded at fair value in the Condensed Consolidated Statements of Financial Condition. Refer to Note 5 on pages 136 - 137 of our 2013 Form 10-K for discussion of the methods and assumptions we apply to the determination of fair value of our financial instruments that are not otherwise recorded at fair value.

The estimated fair values by level within the fair value hierarchy and the carrying amounts of our financial instruments that are not carried at fair value are as follows:

| | Quoted prices in active markets for identical assets (Level 1) (in thousands) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) | Total estimated fair value | Carrying amount |
|---|---|---|---|---|---|
| June 30, 2014 | | | | | |
| Financial assets: | | | | | |
| Bank loans, net[1] | $— | $12,087 | $10,131,702 | $10,143,789 | $10,225,227 |
| Financial liabilities: | | | | | |
| Bank deposits | $— | $9,930,419 | $341,264 | $10,271,683 | $10,267,838 |
| Other borrowings | $— | $559,166 | $— | $559,166 | $559,166 |
| Corporate debt | $377,440 | $967,433 | $— | $1,344,873 | $1,191,774 |
| September 30, 2013 | | | | | |
| Financial assets: | | | | | |
| Bank loans, net[1] | $— | $83,012 | $8,614,755 | $8,697,767 | $8,700,027 |
| Financial liabilities: | | | | | |
| Bank deposits | $— | $8,981,996 | $320,196 | $9,302,192 | $9,295,371 |
| Other borrowings | $— | $84,076 | $— | $84,076 | $84,076 |
| Corporate debt | $352,520 | $951,628 | $— | $1,304,148 | $1,194,508 |

(1) Excludes all impaired loans and loans held for sale which have been recorded at fair value in the Condensed Consolidated Statement of Financial Condition at June 30, 2014 and September 30, 2013, respectively.

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NOTE 6 – TRADING INSTRUMENTS AND TRADING INSTRUMENTS SOLD BUT NOT YET PURCHASED

| | June 30, 2014 | | September 30, 2013 | |
|---|---|---|---|---|
| | Trading instruments | Instruments sold but not yet purchased | Trading instruments | Instruments sold but not yet purchased |
| | (in thousands) | | | |
| Municipal and provincial obligations | $188,623 | $14,957 | $202,826 | $1,777 |
| Corporate obligations | 70,926 | 4,368 | 60,406 | 9,111 |
| Government and agency obligations | 93,796 | 202,747 | 113,396 | 169,816 |
| Agency MBS and CMOs | 73,957 | 3,083 | 93,149 | 3,068 |
| Non-agency CMOs and ABS | 39,430 | — | 16,971 | — |
| Total debt securities | 466,732 | 225,155 | 486,748 | 183,772 |
| | | | | |
| Derivative contracts (1) | 28,391 | 8,139 | 28,109 | 5,641 |
| Equity securities | 78,061 | 14,856 | 53,015 | 31,243 |
| Corporate loans | 1,503 | — | — | — |
| Other | 33,088 | 36 | 11,833 | — |
| Total | $607,775 | $248,186 | $579,705 | $220,656 |

(1) Represents the derivative contracts held for trading purposes. These balances do not include all derivative instruments since the derivative instruments associated with offsetting matched book positions are included on their own line item on our Condensed Consolidated Statements of Financial Condition. See Note 13 for further information regarding all of our derivative transactions, and see Note 14 for additional information regarding offsetting financial instruments.

See Note 5 for additional information regarding the fair value of trading instruments and trading instruments sold but not yet purchased.

NOTE 7 – AVAILABLE FOR SALE SECURITIES

Available for sale securities are comprised of MBS and CMOs owned by RJ Bank and ARS owned by one of our non-broker-dealer subsidiaries. Refer to the discussion of our available for sale securities accounting policies, including the fair value determination process, in Note 2 on pages 108 - 110 of our 2013 Form 10-K.

During the nine months ended June 30, 2014, certain ARS were redeemed by their issuer or sold in market transactions. Such transactions resulted in aggregate proceeds of $28.7 million and a gain of $6.2 million in the nine months ended June 30, 2014 which is recorded in other revenues on our Condensed Consolidated Statements of Income and Comprehensive Income. During the nine months ended June 30, 2013, ARS with an aggregate par value of approximately $14.1 million were redeemed by their issuer at par, or sold at amounts approximating their par value pursuant to tender offers, resulting in gains of $355 thousand and $1.6 million for the three and nine months ended June 30, 2013 respectively, which are recorded in other revenues on our Condensed Consolidated Statements of Income and Comprehensive Income.

During the three months ended June 30, 2014, certain of the non-agency CMOs held within the RJ Bank available for sale securities portfolio were sold. The sales resulted in proceeds of $26.6 million and a gain of $264 thousand in the three and nine months ended June 30, 2014, which is recorded in other revenues on our Condensed Consolidated Statements of Income and Comprehensive Income. There were no proceeds from the sale of RJ Bank available for sale securities in the three and nine months ended June 30, 2013.

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

| | Cost basis | Gross unrealized gains | Gross unrealized losses | Fair value |
|---|---|---|---|---|
| | (in thousands) | | | |
| June 30, 2014 | | | | |
| Available for sale securities: | | | | |
| Agency MBS and CMOs | $282,620 | $596 | $(1,229) | $281,987 |
| Non-agency CMOs [1] | 102,721 | 70 | (7,291) | 95,500 |
| Other securities | 1,575 | 467 | — | 2,042 |
| Total RJ Bank available for sale securities | 386,916 | 1,133 | (8,520) | 379,529 |
| | | | | |
| Auction rate securities: | | | | |
| Municipal obligations | 103,140 | 7,909 | (348) | 110,701 |
| Preferred securities | 104,527 | 8,922 | — | 113,449 |
| Total auction rate securities | 207,667 | 16,831 | (348) | 224,150 |
| Total available for sale securities | $594,583 | $17,964 | $(8,868) | $603,679 |
| | | | | |
| September 30, 2013 | | | | |
| Available for sale securities: | | | | |
| Agency MBS and CMOs | $326,858 | $707 | $(1,536) | $326,029 |
| Non-agency CMOs [2] | 142,169 | 4 | (13,152) | 129,021 |
| Other securities | 1,575 | 501 | — | 2,076 |
| Total RJ Bank available for sale securities | 470,602 | 1,212 | (14,688) | 457,126 |
| | | | | |
| Auction rate securities: | | | | |
| Municipal obligations | 125,371 | 6,831 | (1,268) | 130,934 |
| Preferred securities | 104,808 | 5,976 | — | 110,784 |
| Total auction rate securities | 230,179 | 12,807 | (1,268) | 241,718 |
| Total available for sale securities | $700,781 | $14,019 | $(15,956) | $698,844 |

(1) As of June 30, 2014, the non-credit portion of other-than-temporary impairment ("OTTI") recorded in AOCI was $6.2 million (before taxes).

(2) As of September 30, 2013, the non-credit portion of OTTI recorded in AOCI was $11.1 million (before taxes).

See Note 5 for additional information regarding the fair value of available for sale securities.

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The contractual maturities, amortized cost, carrying values and current yields for our available for sale securities are as presented below. Since RJ Bank's available for sale securities are backed by mortgages, actual maturities will differ from contractual maturities because borrowers may have the right to prepay obligations without prepayment penalties. Expected maturities of ARS may differ significantly from contractual maturities, as issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

| | June 30, 2014 | | | | |
|---|---|---|---|---|---|
| | Within one year | After one but within five years | After five but within ten years | After ten years | Total |
| | ($ in thousands) | | | | |
| Agency MBS & CMOs: | | | | | |
| Amortized cost | $— | $11,460 | $11,967 | $259,193 | $282,620 |
| Carrying value | — | 11,494 | 12,028 | 258,465 | 281,987 |
| Weighted-average yield | — | 0.24 % | 0.24 % | 1.00 % | 0.94 % |
| Non-agency CMOs: | | | | | |
| Amortized cost | $— | $— | $— | $102,721 | $102,721 |
| Carrying value | — | — | — | 95,500 | 95,500 |
| Weighted-average yield | — | — | — | 2.50 % | 2.50 % |
| Other securities: | | | | | |
| Amortized cost | $— | $— | $— | $1,575 | $1,575 |
| Carrying value | — | — | — | 2,042 | 2,042 |
| Weighted-average yield | — | — | — | — | — |
| Sub-total agency MBS & CMOs, non-agency CMOs, and other securities: | | | | | |
| Amortized cost | $— | $11,460 | $11,967 | $363,489 | $386,916 |
| Carrying value | — | 11,494 | 12,028 | 356,007 | 379,529 |
| Weighted-average yield | — | 0.24 % | 0.24 % | 1.40 % | 1.33 % |
| Auction rate securities: | | | | | |
| Municipal obligations | | | | | |
| Amortized cost | $— | $1,743 | $7,705 | $93,692 | $103,140 |
| Carrying value | — | 1,830 | 8,095 | 100,776 | 110,701 |
| Weighted-average yield | — | 0.19 % | 0.29 % | 0.40 % | 0.38 % |
| Preferred securities: | | | | | |
| Amortized cost | $— | $— | $— | $104,527 | $104,527 |
| Carrying value | — | — | — | 113,449 | 113,449 |
| Weighted-average yield | — | — | — | 0.24 % | 0.24 % |
| Sub-total auction rate securities: | | | | | |
| Amortized cost | $— | $1,743 | $7,705 | $198,219 | $207,667 |
| Carrying value | — | 1,830 | 8,095 | 214,225 | 224,150 |
| Weighted-average yield | — | 0.19 % | 0.29 % | 0.31 % | 0.31 % |

| | | | | | |
|---|---|---|---|---|---|
| Total available for sale securities: | | | | | |
| Amortized cost | $— | $13,203 | $19,672 | $561,708 | $594,583 |
| Carrying value | — | 13,324 | 20,123 | 570,232 | 603,679 |
| Weighted-average yield | — | 0.23 % | 0.26 % | 0.99 % | 0.95 % |

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The gross unrealized losses and fair value, aggregated by investment category and length of time the individual securities have been in a continuous unrealized loss position, are as follows:

| | June 30, 2014 | | | | | |
|---|---|---|---|---|---|---|
| | Less than 12 months | | 12 months or more | | Total | |
| | Estimated fair value | Unrealized losses | Estimated fair value | Unrealized losses | Estimated fair value | Unrealized losses |
| | (in thousands) | | | | | |
| Agency MBS and CMOs | $75,199 | $(327) | $86,075 | $(902) | $161,274 | $(1,229) |
| Non-agency CMOs | 10,482 | (366) | 72,437 | (6,925) | 82,919 | (7,291) |
| ARS municipal obligations | 1,341 | (225) | 15,969 | (123) | 17,310 | (348) |
| Total | $87,022 | $(918) | $174,481 | $(7,950) | $261,503 | $(8,868) |

| | September 30, 2013 | | | | | |
|---|---|---|---|---|---|---|
| | Less than 12 months | | 12 months or more | | Total | |
| | Estimated fair value | Unrealized losses | Estimated fair value | Unrealized losses | Estimated fair value | Unrealized losses |
| | (in thousands) | | | | | |
| Agency MBS and CMOs | $157,580 | $(1,150) | $22,940 | $(386) | $180,520 | $(1,536) |
| Non-agency CMOs | 4,906 | (556) | 123,139 | (12,596) | 128,045 | (13,152) |
| ARS municipal obligations | 771 | (100) | 19,747 | (1,168) | 20,518 | (1,268) |
| Total | $163,257 | $(1,806) | $165,826 | $(14,150) | $329,083 | $(15,956) |

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

Agency MBS and CMOs

The Federal National Mortgage Association (“FNMA”), the Federal Home Loan Mortgage Corporation (“FHLMC”), as well as the Government National Mortgage Association (“GNMA”), guarantee the contractual cash flows of the agency MBS and CMOs. At June 30, 2014, of the 16 of our U.S. government-sponsored enterprise MBS and CMOs in an unrealized loss position, seven were in a continuous unrealized loss position for less than 12 months and nine were for 12 months or more. We do not consider these securities other-than-temporarily impaired due to the guarantee provided by FNMA, FHLMC, and GNMA as to the full payment of principal and interest, and the fact that we have the ability and intent to hold these securities to maturity.

Non-agency CMOs

All individual non-agency securities are evaluated for OTTI on a quarterly basis. Only those non-agency CMOs whose amortized cost basis we do not expect to recover in full are considered to be other than temporarily impaired, as we have the ability and intent to hold these securities to maturity. To assess whether the amortized cost basis of non-agency CMOs will be recovered, RJ Bank performs a cash flow analysis for each security. This comprehensive process considers borrower characteristics and the particular attributes of the loans underlying each security. Loan level analysis includes a review of historical default rates, loss severities, liquidations, prepayment speeds and delinquency trends. In addition to historical details, home prices and the economic outlook are considered to derive the assumptions utilized in the discounted cash flow model to project security-specific cash flows, which factors in the amount of credit enhancement specific to the security. The difference between the present value of the cash flows expected and the amortized cost basis is the credit loss, and it is recorded as OTTI.

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

| | June 30, 2014 | |
|---|---|---|
| | Range | Weighted-average (1) |
| Default rate | 0% - 20.3% | 8.05% |
| Loss severity | 0% - 66.7% | 37.73% |
| Prepayment rate | 0.5% - 35.0% | 8.44% |

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

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At June 30, 2014, 15 of the 19 non-agency CMOs were in a continuous unrealized loss position. Of these, 13 were in that position for 12 months or more and two were in a continuous unrealized loss position for less than 12 months. Based on the expected cash flows derived from the model utilized in our analysis, we expect to recover all unrealized losses not already recorded in earnings on our non-agency CMOs. However, it is possible that the underlying loan collateral of these securities will perform worse than current expectations, which may lead to adverse changes in the cash flows expected to be collected on these securities and potential future OTTI losses. As residential mortgage loans are the underlying collateral of these securities, the unrealized losses at June 30, 2014 reflect the uncertainty in the markets for these instruments.

ARS

Our cost basis in the ARS we hold is the fair value of the securities in the period in which we acquired them. Only those ARS whose amortized cost basis we do not expect to recover in full are considered to be other-than-temporarily impaired, as we have the ability and intent to hold these securities to maturity.

Within our municipal ARS holdings, we hold Jefferson County, Alabama Limited Obligation School Warrants ARS ("Jeff Co. Schools ARS"). As of September 30, 2013, we also held Jefferson County, Alabama Sewer Revenue Refunding Warrants ARS ("Jeff Co. Sewers ARS"). During our first quarter ended December 31, 2013, the Jefferson County, Alabama voluntary petition for relief under Chapter 9 of the U.S. Bankruptcy Code in the U.S. District Court for the Northern District of Alabama was resolved. As a result of the resolution of this matter, Jefferson County redeemed the Jeff Co. Sewers ARS during our first quarter, and we received $26.5 million in proceeds from the redemption and realized a $5.5 million gain, which is reflected as a component of other revenues on our Condensed Consolidated Statements of Income and Comprehensive Income for the nine months ended June 30, 2014. The Jeff Co. Schools ARS were not affected by the resolution of the Jefferson County, Alabama bankruptcy matter and therefore remain in our ARS portfolio as of June 30, 2014.

Within our ARS preferred securities, we analyze the credit ratings associated with each security as an indicator of potential credit impairment. As of June 30, 2014, and including subsequent ratings changes, all of the ARS preferred securities were rated investment grade by at least one rating agency.

Other-than-temporarily impaired securities

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

Changes in the amount of OTTI related to credit losses recognized in other revenues on available for sale securities are as follows:

| | Three months ended June 30, | | Nine months ended June 30, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | (in thousands) | | | |
| Amount related to credit losses on securities we held at the beginning of the period | $28,244 | $27,966 | $28,217 | $27,581 |
| Decreases to the amount related to credit loss for securities sold during the period | (9,541) | — | (9,541) | — |
| Additional increases to the amount related to credit loss for which an OTTI was previously recognized | — | 38 | 27 | 423 |
| Amount related to credit losses on securities we held at the end of the period | $18,703 | $28,004 | $18,703 | $28,004 |

NOTE 8 – BANK LOANS, NET

Bank client receivables are comprised of loans originated or purchased by RJ Bank, and include commercial and industrial ("C&I") loans, commercial and residential real estate loans, tax-exempt loans, as well as securities based loans ("SBL") and other consumer loans. These receivables are collateralized by first or second mortgages on residential or other real property, other assets of the borrower, or are unsecured.

RJ Bank introduced tax-exempt lending during the current year. We segregate our loan portfolio into six loan portfolio segments: C&I, tax-exempt, commercial real estate ("CRE"), CRE construction, residential mortgage, and SBL and other consumer loans. These

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portfolio segments also serve as the portfolio loan classes for purposes of credit analysis, except for residential mortgage loans, which are further disaggregated into residential first mortgage and residential home equity classes.

For a discussion of our accounting policies regarding bank loans and allowances for losses, including the policies regarding loans held for investment, loans held for sale, off-balance sheet loan commitments, nonperforming assets, troubled debt restructurings ("TDRs"), impaired loans, the allowance for loan losses and reserve for unfunded lending commitments, and loan charge-off policies, see Note 2 on pages 112 – 116 of our 2013 Form 10-K. We apply the same accounting policies as those for our corporate loan portfolio segments to our new tax-exempt loan portfolio segment. There was no material change in RJ Bank's accounting policies for the other portfolio segments during the nine months ended June 30, 2014.

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

| | June 30, 2014 | | September 30, 2013 | |
|---|---|---|---|---|
| | Balance | % | Balance | % |
| | ($ in thousands) | | | |
| Loans held for sale, net(1) | $67,292 | 1 % | $110,292 | 1 % |
| Loans held for investment: | | | | |
| Domestic: | | | | |
| C&I loans | 5,050,122 | 48 % | 4,439,668 | 50 % |
| CRE construction loans | 66,797 | — | 38,964 | — |
| CRE loans | 1,336,006 | 13 % | 1,075,986 | 12 % |
| Tax-exempt loans | 94,855 | 1 % | — | — |
| Residential mortgage loans | 1,748,939 | 16 % | 1,743,787 | 20 % |
| SBL and other consumer loans | 906,684 | 9 % | 554,210 | 6 % |
| Foreign: | | | | |
| C&I loans | 999,218 | 10 % | 806,337 | 9 % |
| CRE construction loans | 35,254 | — | 21,876 | — |
| CRE loans | 245,774 | 2 % | 207,060 | 2 % |
| Residential mortgage loans | 2,249 | — | 1,863 | — |
| SBL and other consumer loans | 1,350 | — | 1,595 | — |
| Total loans held for investment | 10,487,248 | | 8,891,346 | |
| Net unearned income and deferred expenses | (37,957) | | (43,936) | |
| Total loans held for investment, net(1) | 10,449,291 | | 8,847,410 | |
| Total loans held for sale and investment | 10,516,583 | 100 % | 8,957,702 | 100 % |
| Allowance for loan losses | (142,309) | | (136,501) | |
| Bank loans, net | $10,374,274 | | $8,821,201 | |

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

At June 30, 2014, the Federal Home Loan Bank of Atlanta ("FHLB") had a blanket lien on RJ Bank's residential mortgage loan portfolio, as security for the repayment of certain borrowings from the FHLB. See Note 12 for more information regarding outstanding FHLB advances.

RJ Bank had no recorded investment in loans acquired with deteriorated credit quality as of either June 30, 2014 or September 30, 2013.

Loans held for sale

RJ Bank originated or purchased $195.4 million and $743.7 million of loans held for sale during the three and nine months ended June 30, 2014, respectively, and $352.4 million and $1 billion during the three and nine months ended June 30, 2013, respectively. There were proceeds from the sale of held for sale loans of $39.5 million and $133.6 million during the three and nine months ended June 30, 2014, respectively, and $78.6 million and $223.7 million during the three and nine months ended June 30, 2013, respectively. Net gains resulting from such sales amounted to $223 thousand and $540 thousand during the three and nine months ended June 30, 2014, respectively, and $820 thousand and $3 million during the three and nine months ended June 30, 2013, respectively. Unrealized losses recorded in the Condensed Consolidated Statements of Income and Comprehensive Income to reflect the loans held for sale at the lower of cost or

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market value were $162 thousand and $301 thousand during the three and nine months ended June 30, 2014, respectively, and $2.7 million and $2.8 million during the three and nine months ended June 30, 2013, respectively.

Purchases and sales of loans held for investment

The following table presents purchases and sales of any loans held for investment by portfolio segment:

| | Three months ended June 30, | | | | Nine months ended June 30, | | | |
|---|---|---|---|---|---|---|---|---|
| | 2014 | | 2013 | | 2014 | | 2013 | |
| | Purchases | Sales | Purchases | Sales | Purchases | Sales | Purchases | Sales |
| | (in thousands) | | | | | | | |
| C&I loans | $105,214 | $60,492 | $222,452 | $45,560 | $342,950 | $191,815 | $327,251 | $136,378 |
| CRE loans | — | — | 5,048 | — | — | — | 5,048 | — |
| Residential mortgage loans | 931 | — | 1,231 | — | 28,666 | — | 5,794 | — |
| Total | $106,145 | $60,492 | $228,731 | $45,560 | $371,616 | $191,815 | $338,093 | $136,378 |

Nonperforming assets

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

| | June 30, 2014 | September 30, 2013 |
|---|---|---|
| | ($ in thousands) | |
| Nonaccrual loans: | | |
| C&I loans | $— | $89 |
| CRE loans | 24,033 | 25,512 |
| Residential mortgage loans: | | |
| First mortgage loans | 66,092 | 75,889 |
| Home equity loans/lines | 360 | 468 |
| Total nonaccrual loans | 90,485 | 101,958 |
| | | |
| Real estate owned and other repossessed assets, net: | | |
| Residential: | | |
| First mortgage | 3,704 | 2,434 |
| Home equity | 36 | — |
| Total | 3,740 | 2,434 |
| Total nonperforming assets, net | $94,225 | $104,392 |
| Total nonperforming assets, net as a % of RJ Bank total assets | 0.78 % | 0.99 % |

The table of nonperforming assets above excludes $12.6 million and $10.2 million, as of June 30, 2014 and September 30, 2013, respectively, of residential TDRs and $12.3 million of C&I TDRs which were on accrual status in accordance with our policy. There are no accruing loans which are 90 days past due as of June 30, 2014 or September 30, 2013.

As of June 30, 2014 and September 30, 2013, RJ Bank had no outstanding commitments on nonperforming loans.

The gross interest income related to the nonperforming loans reflected in the previous table, which would have been recorded had these loans been current in accordance with their original terms, totaled $935 thousand and $2.7 million for the three and nine months ended June 30, 2014, respectively, and $1.5 million and $3.5 million for the three and nine months ended June 30, 2013, respectively. The interest income recognized on nonperforming loans was $315 thousand and $1.1 million for the three and nine months ended June 30, 2014, respectively, and $455 thousand and $1.4 million for the three and nine months ended June 30, 2013, respectively.

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Aging analysis

The following table presents an analysis of the payment status of loans held for investment:

| | 30-59 days | 60-89 days | 90 days or more | Total past due | Current [1] | Total loans held for investment [2] |
|---|---|---|---|---|---|---|
| | (in thousands) | | | | | |
| As of June 30, 2014: | | | | | | |
| C&I loans | $126 | $— | $— | $126 | $6,049,214 | $6,049,340 |
| CRE construction loans | — | — | — | — | 102,051 | 102,051 |
| CRE loans | — | — | — | — | 1,581,780 | 1,581,780 |
| Tax-exempt loans | — | — | — | — | 94,855 | 94,855 |
| Residential mortgage loans: | | | | | | |
| First mortgage loans | 4,496 | 1,051 | 37,643 | 43,190 | 1,686,666 | 1,729,856 |
| Home equity loans/lines | 52 | — | 111 | 163 | 21,169 | 21,332 |
| SBL and other consumer loans | — | — | — | — | 908,034 | 908,034 |
| Total loans held for investment, net | $4,674 | $1,051 | $37,754 | $43,479 | $10,443,769 | $10,487,248 |
| | | | | | | |
| As of September 30, 2013: | | | | | | |
| C&I loans | $135 | $— | $— | $135 | $5,245,870 | $5,246,005 |
| CRE construction loans | — | — | — | — | 60,840 | 60,840 |
| CRE loans | — | — | 17 | 17 | 1,283,029 | 1,283,046 |
| Residential mortgage loans: | | | | | | |
| First mortgage loans | 4,756 | 2,068 | 43,004 | 49,828 | 1,673,619 | 1,723,447 |
| Home equity loans/lines | — | — | 372 | 372 | 21,831 | 22,203 |
| SBL and other consumer loans | — | — | — | — | 555,805 | 555,805 |
| Total loans held for investment, net | $4,891 | $2,068 | $43,393 | $50,352 | $8,840,994 | $8,891,346 |

(1) Includes $50.6 million and $55.5 million of nonaccrual loans at June 30, 2014 and September 30, 2013, respectively, which are performing pursuant to their contractual terms.

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

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Impaired loans and troubled debt restructurings

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

| | June 30, 2014 | | | September 30, 2013 | | |
|---|---|---|---|---|---|---|
| | Gross recorded investment | Unpaid principal balance | Allowance for losses | Gross recorded investment | Unpaid principal balance | Allowance for losses |
| | (in thousands) | | | | | |
| Impaired loans with allowance for loan losses:(1) | | | | | | |
| C&I loans | $12,251 | $12,856 | $1,225 | $— | $— | $— |
| CRE loans | — | — | — | 17 | 26 | 1 |
| Residential mortgage loans: | | | | | | |
| First mortgage loans | 46,571 | 65,729 | 5,291 | 52,624 | 77,240 | 6,646 |
| Home equity loans/lines | — | — | — | 36 | 74 | 4 |
| Total | 58,822 | 78,585 | 6,516 | 52,677 | 77,340 | 6,651 |
| Impaired loans without allowance for loan losses:(2) | | | | | | |
| C&I loans | — | — | — | 89 | 94 | — |
| CRE loans | 24,033 | 44,485 | — | 25,495 | 45,229 | — |
| Residential - first mortgage loans | 23,891 | 36,773 | — | 21,445 | 32,617 | — |
| Total | 47,924 | 81,258 | — | 47,029 | 77,940 | — |
| Total impaired loans | $106,746 | $159,843 | $6,516 | $99,706 | $155,280 | $6,651 |

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

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

The preceding table includes $24 million CRE, $12.3 million of C&I, and $39 million residential first mortgage TDR's at June 30, 2014, and $2.2 million CRE and $36.6 million residential first mortgage TDR's at September 30, 2013.

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

| | Three months ended June 30, | | Nine months ended June 30, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | (in thousands) | | | |
| Average impaired loan balance: | | | | |
| C&I loans | $12,593 | $19,198 | $4,745 | $20,318 |
| CRE loans | 24,096 | 12,094 | 24,664 | 8,416 |
| Residential mortgage loans: | | | | |
| First mortgage loans | 70,911 | 75,791 | 71,516 | 78,602 |
| Home equity loans/lines | 12 | 79 | 28 | 111 |
| Total | $107,612 | $107,162 | $100,953 | $107,447 |
| | | | | |
| Interest income recognized: | | | | |
| Residential mortgage loans: | | | | |

| | | | | |
|---|---|---|---|---|
| First mortgage loans | $387 | $487 | $1,350 | $1,462 |
| Home equity loans/lines | — | — | — | — |
| Total | $387 | $487 | $1,350 | $1,462 |

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During the three and nine months ended June 30, 2014 and 2013, RJ Bank granted concessions to borrowers having financial difficulties, for which the resulting modification was deemed a TDR. All of the concessions granted for first mortgage residential and corporate loans were generally interest rate reductions, interest capitalization, amortization and maturity date extensions, or release of liability ordered under Chapter 7 bankruptcy not reaffirmed by the borrower. The table below presents the TDRs that occurred during the respective periods presented:

| | Number of contracts | Pre-modification outstanding recorded investment | Post-modification outstanding recorded investment |
|---|---|---|---|
| | ($ in thousands) | | |
| Three months ended June 30, 2014 | | | |
| Residential – first mortgage loans | 5 | $1,797 | $1,959 |
| C&I loans | 1 | 19,200 | 15,035 |
| CRE loans | 2 | 22,291 | 22,291 |
| Three months ended June 30, 2013 | | | |
| Residential – first mortgage loans | 6 | $1,406 | $1,471 |
| Nine months ended June 30, 2014 | | | |
| Residential – first mortgage loans | 16 | $4,085 | $4,407 |
| C&I loans | 1 | $19,200 | $15,035 |
| CRE loans | 2 | $22,291 | $22,291 |
| Nine months ended June 30, 2013 | | | |
| Residential – first mortgage loans | 49 | $11,459 | $11,617 |

During the three months ended June 30, 2014, there were no residential first mortgage TDRs for which there was a payment default and for which the respective loan was modified as a TDR within the 12 months prior to the default. During the nine months ended June 30, 2014, there were three residential first mortgage TDRs with a recorded investment of $852 thousand, for which there was a payment default and for which the respective loan was modified as a TDR within the 12 months prior to the default. During the three months ended June 30, 2013, there were no residential first mortgage TDRs for which there was a payment default and for which the respective loan was modified as a TDR within the 12 months prior to the default. During the nine months ended June 30, 2013, there were two residential first mortgage TDRs with a recorded investment of $291 thousand, for which there was a payment default and for which the respective loan was modified as a TDR within the 12 months prior to the default.

As of June 30, 2014 and September 30, 2013, RJ Bank had no outstanding commitments on TDRs.

Credit quality indicators

The credit quality of RJ Bank's loan portfolio is summarized monthly by management using the standard asset classification system utilized by bank regulators for the residential mortgage and consumer loan portfolios and internal risk ratings, which correspond to the same standard asset classifications for the C&I, CRE construction, and CRE loan portfolios. These classifications are divided into three groups: Not Classified (Pass), Special Mention, and Classified or Adverse Rating (Substandard, Doubtful and Loss). These terms are defined as follows:

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

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

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

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

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

The credit quality of RJ Bank's held for investment loan portfolio is as follows:

| | | | | | Residential mortgage | | | |
|---|---|---|---|---|---|---|---|---|
| | C&I | CRE construction | CRE | Tax-exempt | First mortgage | Home equity | SBL and other consumer | Total |
| | (in thousands) | | | | | | | |
| June 30, 2014 | | | | | | | | |
| Pass | $5,915,234 | $102,051 | $1,557,356 | $ 94,855 | $1,641,454 | $20,968 | $908,034 | $10,239,952 |
| Special mention (1) | 108,784 | — | 192 | — | 16,562 | — | — | 125,538 |
| Substandard (1) | 25,322 | — | 22,289 | — | 71,840 | 364 | — | 119,815 |
| Doubtful (1) | — | — | 1,943 | — | — | — | — | 1,943 |
| Total | $6,049,340 | $102,051 | $1,581,780 | $ 94,855 | $1,729,856 | $21,332 | $908,034 | $10,487,248 |
| | | | | | | | | |
| September 30, 2013 | | | | | | | | |
| Pass | $5,012,786 | $60,840 | $1,257,130 | $ — | $1,627,090 | $21,582 | $555,805 | $8,535,233 |
| Special mention (1) | 139,159 | — | 195 | — | 18,912 | 150 | — | 158,416 |
| Substandard (1) | 94,060 | — | 23,524 | — | 77,446 | 470 | — | 195,500 |
| Doubtful (1) | — | — | 2,197 | — | — | — | — | 2,197 |
| Total | $5,246,005 | $60,840 | $1,283,046 | $ — | $1,723,448 | $22,202 | $555,805 | $8,891,346 |

(1) Loans classified as special mention, substandard or doubtful are all considered to be "criticized" loans.

The credit quality of RJ Bank's performing residential first mortgage loan portfolio is additionally assessed utilizing updated loan-to-value ("LTV") ratios.  RJ Bank segregates all of its performing residential first mortgage loan portfolio with higher reserve percentages allocated to the higher LTV loans.  Current LTVs are updated using the most recently available information (generally on a one-quarter lag) and are estimated based on the initial appraisal obtained at the time of origination, adjusted using relevant market indices for housing price changes that have occurred since origination.  The value of the homes could vary from actual market values due to changes in the condition of the underlying property, variations in housing price changes within current valuation indices, and other factors.

The table below presents the most recently available update of the performing residential first mortgage loan portfolio summarized by current LTV. The amounts in the table represent the entire loan balance:

Balance(1)
(in thousands)

| | |
|---|---|
| LTV range: | |
| LTV less than 50% | $417,226 |
| LTV greater than 50% but less than 80% | 784,539 |
| LTV greater than 80% but less than 100% | 229,212 |
| LTV greater than 100%, but less than 120% | 37,474 |
| LTV greater than 120% but less than 140% | 7,253 |
| LTV greater than 140% | 649 |
| Total | $1,476,353 |

(1) Excludes loans that have full repurchase recourse for any delinquent loans.

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Allowance for loan losses

Changes in the allowance for loan losses of RJ Bank by portfolio segment are as follows:

| | Loans held for investment | | | | | | |
|---|---|---|---|---|---|---|---|
| | C&I | CRE construction | CRE | Tax-exempt | Residential mortgage | SBL and other consumer | Total |
| | (in thousands) | | | | | | |
| Three months ended June 30, 2014 | | | | | | | |
| Balance at beginning of period | $95,284 | $1,799 | $22,276 | $418 | $16,614 | $1,549 | $137,940 |
| Provision (benefit) for loan losses | 3,509 | (76) | 1,141 | 603 | (972) | 262 | 4,467 |
| Net (charge-offs)/recoveries: | | | | | | | |
| Charge-offs | — | — | — | — | (755) | — | (755) |
| Recoveries | — | — | — | — | 351 | 9 | 360 |
| Net (charge-offs)/recoveries | — | — | — | — | (404) | 9 | (395) |
| Foreign exchange translation adjustment | 198 | 22 | 77 | — | — | — | 297 |
| Balance at June 30, 2014 | $98,991 | $1,745 | $23,494 | $1,021 | $15,238 | $1,820 | $142,309 |
| Nine months ended June 30, 2014 | | | | | | | |
| Balance at beginning of year | $95,994 | $1,000 | $19,266 | $— | $19,126 | $1,115 | $136,501 |
| Provision (benefit) for loan losses | 5,106 | 748 | 4,203 | 1,021 | (3,674) | 678 | 8,082 |
| Net (charge-offs)/recoveries: | | | | | | | |
| Charge-offs | (1,845) | — | — | — | (1,634) | — | (3,479) |
| Recoveries | 16 | — | 80 | — | 1,420 | 27 | 1,543 |
| Net (charge-offs)/recoveries | (1,829) | — | 80 | — | (214) | 27 | (1,936) |
| Foreign exchange translation adjustment | (280) | (3) | (55) | — | — | — | (338) |
| Balance at June 30, 2014 | $98,991 | $1,745 | $23,494 | $1,021 | $15,238 | $1,820 | $142,309 |
| Three months ended June 30, 2013 | | | | | | | |
| Balance at beginning of period | $98,707 | $1,016 | $28,732 | $— | $20,961 | $870 | $150,286 |
| (Benefit) provision for loan losses | (612) | 6 | (268) | — | (1,454) | 186 | (2,142) |
| Net (charge-offs)/recoveries: | | | | | | | |
| Charge-offs | (106) | — | (5,875) | — | (979) | (54) | (7,014) |
| Recoveries | — | — | 350 | — | 1,156 | 7 | 1,513 |
| Net (charge-offs)/recoveries | (106) | — | (5,525) | — | 177 | (47) | (5,501) |
| Foreign exchange translation adjustment | (197) | 1 | (54) | — | — | — | (250) |
| Balance at June 30, 2013 | $97,792 | $1,023 | $22,885 | $— | $19,684 | $1,009 | $142,393 |
| Nine months ended June 30, 2013 | | | | | | | |
| Balance at beginning of year | $92,409 | $739 | $27,546 | $— | $26,138 | $709 | $147,541 |
| Provision (benefit) for loan losses | 6,372 | 293 | (114) | — | (2,442) | 409 | 4,518 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Net (charge-offs)/recoveries: | | | | | | | |
| Charge-offs | (656) | — | (5,875) | — | (6,045) | (129) | (12,705) |
| Recoveries | — | — | 1,423 | — | 2,033 | 20 | 3,476 |
| Net charge-offs | (656) | — | (4,452) | — | (4,012) | (109) | (9,229) |
| Foreign exchange translation adjustment | (333) | (9) | (95) | — | — | — | (437) |
| Balance at June 30, 2013 | $97,792 | $1,023 | $22,885 | $— | $19,684 | $1,009 | $142,393 |

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The following table presents, by loan portfolio segment, RJ Bank's recorded investment and related allowance for loan losses:

| | Loans held for investment | | | | | | |
|---|---|---|---|---|---|---|---|
| | C&I | CRE construction | CRE | Tax-exempt | Residential mortgage | SBL and other consumer | Total |
| | (in thousands) | | | | | | |
| June 30, 2014 | | | | | | | |
| Allowance for loan losses: | | | | | | | |
| Individually evaluated for impairment | $— | $— | $— | $— | $2,306 | $— | $2,306 |
| Collectively evaluated for impairment | 98,991 | 1,745 | 23,494 | 1,021 | 12,932 | 1,820 | 140,003 |
| Total allowance for loan losses | $98,991 | $1,745 | $23,494 | $1,021 | $15,238 | $1,820 | $142,309 |
| Recorded investment:(1) | | | | | | | |
| Individually evaluated for impairment | $— | $— | $24,033 | $— | $39,039 | $— | $63,072 |
| Collectively evaluated for impairment | 6,049,340 | 102,051 | 1,557,747 | 94,855 | 1,712,149 | 908,034 | 10,424,176 |
| Total recorded investment | $6,049,340 | $102,051 | $1,581,780 | $94,855 | $1,751,188 | $908,034 | $10,487,248 |
| September 30, 2013 | | | | | | | |
| Allowance for loan losses: | | | | | | | |
| Individually evaluated for impairment | $— | $— | $1 | $— | $2,379 | $— | $2,380 |
| Collectively evaluated for impairment | 95,994 | 1,000 | 19,265 | — | 16,747 | 1,115 | 134,121 |
| Total allowance for loan losses | $95,994 | $1,000 | $19,266 | $— | $19,126 | $1,115 | $136,501 |
| Recorded investment:(1) | | | | | | | |
| Individually evaluated for impairment | $89 | $— | $25,512 | $— | $36,648 | $— | $62,249 |
| Collectively evaluated for impairment | 5,245,916 | 60,840 | 1,257,534 | — | 1,709,002 | 555,805 | 8,829,097 |
| Total recorded investment | $5,246,005 | $60,840 | $1,283,046 | $— | $1,745,650 | $555,805 | $8,891,346 |

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

The reserve for unfunded lending commitments, included in trade and other payables on our Condensed Consolidated Statements of Financial Condition, was $9.5 million and $9.3 million at June 30, 2014 and September 30, 2013, respectively.

NOTE 9 – VARIABLE INTEREST ENTITIES

A VIE requires consolidation by the entity's primary beneficiary. We evaluate all of the entities in which we are involved to determine if the entity is a VIE and, if so, whether we hold a variable interest and are the primary beneficiary.

We hold variable interests in the following VIE's: Raymond James Employee Investment Funds I and II (the "EIF Funds"), a trust fund established for employee retention purposes ("Restricted Stock Trust Fund"), certain low-income housing tax credit funds ("LIHTC Funds"), various other partnerships and limited liability companies ("LLCs") involving real estate ("Other Real Estate Limited Partnerships and LLCs"), certain new market tax credit funds ("NMTC Funds"), and certain funds formed for the purpose of making and managing investments in securities of other entities ("Managed Funds").

Refer to Note 2 on pages 120 - 122 of our 2013 Form 10-K for a description of our principal involvement with VIEs and the accounting policies regarding determination of whether we are deemed to be the primary beneficiary of any VIEs. Other than as described below, as of June 30, 2014 there have been no significant changes in either the nature of our involvement with, or the accounting policies associated with the analysis of, VIEs as described in the 2013 Form 10-K.

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Raymond James Tax Credit Funds, Inc. (“RJTCF”), a wholly owned subsidiary of RJF, is the managing member or general partner in LIHTC Funds having one or more investor members or limited partners. These LIHTC Funds are organized as limited partnerships or LLCs for the purpose of investing in a number of project partnerships, which are limited partnerships or LLCs that in turn purchase and develop low-income housing properties qualifying for tax credits.

VIEs where we are the primary beneficiary

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

| | Aggregate assets (1) | Aggregate liabilities (1) |
|---|---|---|
| | (in thousands) | |
| June 30, 2014 | | |
| LIHTC Funds | $182,144 | $59,059 |
| Guaranteed LIHTC Fund (2) | 75,404 | — |
| Restricted Stock Trust Fund | 13,392 | 13,392 |
| EIF Funds | 5,947 | — |
| Total | $276,887 | $72,451 |
| | | |
| September 30, 2013 | | |
| LIHTC Funds | $208,634 | $78,055 |
| Guaranteed LIHTC Fund (2) | 81,712 | — |
| Restricted Stock Trust Fund | 13,075 | 6,710 |
| EIF Funds | 7,588 | — |
| Total | $311,009 | $84,765 |

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

(2) In connection with one of the multi-investor tax credit funds in which RJTCF is the managing member, RJTCF has provided the investor members with a guaranteed return on their investment in the fund (the “Guaranteed LIHTC Fund”). See Note 16 for additional information regarding this commitment.

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

| | June 30, 2014 | September 30, 2013 |
|---|---|---|
| | (in thousands) | |
| Assets: | | |
| Assets segregated pursuant to regulations and other segregated assets | $10,956 | $11,857 |
| Receivables, other | 5,812 | 5,763 |
| Investments in real estate partnerships held by consolidated variable interest entities | 239,088 | 272,096 |
| Trust fund investment in RJF common stock (1) | 13,390 | 13,073 |
| Prepaid expenses and other assets | 5,827 | 8,230 |
| Total assets | $275,073 | $311,019 |
| Liabilities and equity: | | |
| Trade and other payables | $5,867 | $1,428 |
| Intercompany payables | 13,294 | 6,390 |
| Loans payable of consolidated variable interest entities (2) | 43,245 | 62,938 |
| Total liabilities | 62,406 | 70,756 |
| RJF equity | 6,353 | 6,175 |
| Noncontrolling interests | 206,314 | 234,088 |
| Total equity | 212,667 | 240,263 |
| Total liabilities and equity | $275,073 | $311,019 |

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

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

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

| | Three months ended June 30, | | Nine months ended June 30, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | (in thousands) | | | |
| Revenues: | | | | |
| Interest | $— | $— | $1 | $3 |
| Other | 700 | 697 | (716) | 4,721 |
| Total revenues | 700 | 697 | (715) | 4,724 |
| Interest expense | 653 | 917 | 2,237 | 3,029 |
| Net revenues (expense) | 47 | (220) | (2,952) | 1,695 |
| Non-interest expenses | 12,255 | 6,642 | 33,272 | 23,785 |
| Net loss including noncontrolling interests | (12,208) | (6,862) | (36,224) | (22,090) |
| Net loss attributable to noncontrolling interests | (12,406) | (6,846) | (36,402) | (22,150) |
| Net income (loss) attributable to RJF | $198 | $(16) | $178 | $60 |

Low-income housing tax credit funds

RJTCF is the managing member or general partner in approximately 89 separate low-income housing tax credit funds having one or more investor members or limited partners, 79 of which are determined to be VIEs and 10 of which are determined not to be VIEs. RJTCF has concluded that it is the primary beneficiary of eight non-guaranteed LIHTC Fund VIEs and, accordingly, consolidates these funds. In addition, RJTCF consolidates the one Guaranteed LIHTC Fund VIE it sponsors (see Note 16 for further discussion of the guarantee obligation as well as other RJTCF commitments). RJTCF also consolidates four of the funds it determined not to be VIEs.

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VIEs where we hold a variable interest but are not the primary beneficiary

Low-income housing tax credit funds

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

New market tax credit funds

One of our affiliates is the managing member of seven NMTC Funds, and, as discussed in Note 2 on page 122 of our 2013 Form 10-K, this affiliate is not deemed to be the primary beneficiary of these NMTC Funds. These NMTC Funds are therefore not consolidated. Our risk of loss is limited to our receivables due from these funds.

Other real estate limited partnerships and LLCs

We have a variable interest in several limited partnerships involved in various real estate activities in which a subsidiary is either the general partner or a limited partner. As discussed in Note 2 on page 122 of our 2013 Form 10-K, we have determined that we are not the primary beneficiary of these VIEs. Accordingly, we do not consolidate these partnerships or LLCs. The carrying value of our investment in these partnerships or LLCs represents our risk of loss.

Aggregate assets, liabilities and risk of loss

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

| | June 30, 2014 | | | September 30, 2013 | | |
|---|---|---|---|---|---|---|
| | Aggregate assets | Aggregate liabilities | Our risk of loss | Aggregate assets | Aggregate liabilities | Our risk of loss |
| | (in thousands) | | | | | |
| LIHTC Funds | $2,863,585 | $853,089 | $44,979 | $2,532,457 | $762,346 | $14,387 |
| NMTC Funds | 140,317 | 139 | 13 | 140,499 | 278 | 13 |
| Other Real Estate Limited Partnerships and LLCs | 28,993 | 36,016 | 191 | 30,240 | 35,512 | 212 |
| Total | $3,032,895 | $889,244 | $45,183 | $2,703,196 | $798,136 | $14,612 |

VIEs where we hold a variable interest but are not required to consolidate

Managed Funds

As described in Note 2 on page 122 of our 2013 Form 10-K, we have subsidiaries which serve as the general partner of the Managed Funds. We determined the Managed Funds to be VIEs that satisfy the conditions for deferral of the determination of who is the primary beneficiary that is performed based upon the assessment of who has the power to direct the activities of the entity that most significantly impact the entity’s economic performance and the obligation to absorb losses of the entity that could potentially be significant to the entity. For the Managed Funds, the primary beneficiary assessment applies prior accounting guidance which assesses who will absorb a majority of the entity’s expected losses, receive a majority of the entity’s expected residual returns, or both. Based upon the outcome of our assessments, we have determined that we are not required to consolidate the Managed Funds.

The aggregate assets, liabilities, and our exposure to loss from Managed Funds in which we hold a variable interest as of the dates indicated are provided in the table below:

| | June 30, 2014 | | | September 30, 2013 | | |
|---|---|---|---|---|---|---|
| | Aggregate assets | Aggregate liabilities | Our risk of loss | Aggregate assets | Aggregate liabilities | Our risk of loss |
| | (in thousands) | | | | | |
| Managed Funds | $52,516 | $25 | $92 | $56,321 | $1,415 | $202 |

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NOTE 10 - GOODWILL AND IDENTIFIABLE INTANGIBLE ASSETS

The following are our goodwill and net identifiable intangible asset balances as of the dates indicated:

| | June 30, 2014 | September 30, 2013 |
|---|---|---|
| | (in thousands) | |
| Goodwill | $295,486 | $295,486 |
| Identifiable intangible assets, net | 60,549 | 65,978 |
| Total goodwill and identifiable intangible assets, net | $356,035 | $361,464 |

Our goodwill and identified intangible assets result from various acquisitions. See Note 13 on pages 155 - 159 of our 2013 Form 10-K for a discussion of the components of our goodwill balance and additional information regarding our identifiable intangible assets. See the discussion of our intangible assets and goodwill accounting policies in Note 2 on pages 117 - 118 of our 2013 Form 10-K.

Goodwill

The following summarizes our goodwill by segment, along with the activity, as of the dates indicated:

| | Three months ended June 30, | | | Nine months ended June 30, | | |
|---|---|---|---|---|---|---|
| | Segment | | | Segment | | |
| | Private client group | Capital markets | Total | Private client group | Capital markets | Total |
| | (in thousands) | | | | | |
| Fiscal year 2014 | | | | | | |
| Goodwill as of beginning of period | $174,584 | $120,902 | $295,486 | $174,584 | $120,902 | $295,486 |
| Impairment losses | — | — | — | — | — | — |
| Goodwill as of end of period | $174,584 | $120,902 | $295,486 | $174,584 | $120,902 | $295,486 |
| Fiscal year 2013 | | | | | | |
| Goodwill as of beginning of period | $174,584 | $120,902 | $295,486 | $173,317 | $126,794 | $300,111 |
| Adjustments to prior year additions [1] | — | — | — | 1,267 | 1,041 | 2,308 |
| Impairment losses | — | — | — | — | (6,933 ) [2] | (6,933 ) |
| Goodwill as of end of period | $174,584 | $120,902 | $295,486 | $174,584 | $120,902 | $295,486 |

(1) The goodwill adjustment in the prior year period arose from a change in a tax election pertaining to whether assets acquired and liabilities assumed are written-up to fair value for tax purposes. This election is made on an entity-by-entity basis, and during the period indicated our assumption regarding whether we would make such election changed for one of the Morgan Keegan entities we acquired. The offsetting balance associated with this adjustment to goodwill was the net deferred tax asset.

(2) The impairment expense in the nine months ended June 30, 2013 is associated with the Raymond James European Securities, S.A.S. (“RJES”) reporting unit. We concluded that the goodwill associated with this reporting unit was completely impaired during such period. Since we did not own 100% of RJES as of the goodwill impairment testing date, for the nine months ended June 30, 2013 the effect of this impairment expense on the pre-tax income attributable to Raymond James Financial, Inc is approximately $4.6 million, and the portion of the impairment expense attributable to the noncontrolling interests is approximately $2.3 million.

We performed our annual goodwill impairment testing during the quarter ended March 31, 2014, evaluating the balances as of December 31, 2013. We performed a qualitative assessment for each reporting unit that includes an allocation of goodwill to determine whether it is more likely than not that the carrying value of such reporting unit, including the recorded goodwill, is in excess of the fair value of the reporting unit. In any instance in which we are unable to qualitatively conclude that it is more likely than not that the fair value of the reporting unit exceeds the reporting unit carrying value including goodwill, a quantitative analysis of the fair value of the reporting unit would be performed. Based upon the outcome of our qualitative assessment, we determined that no quantitative analysis of the fair value of any reporting unit as of December 31, 2013 was required, and we concluded that none of the goodwill allocated to any of our reporting units as of December 31, 2013 was impaired. No events have occurred since December 31, 2013 that would cause us to update our latest annual impairment testing.

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Identifiable intangible assets, net

The following table sets forth our identifiable intangible asset balances by segment, net of accumulated amortization, and activity for the periods indicated:

| | Segment Private client group (in thousands) | Capital markets | Asset management | RJ Bank | Total |
|---|---|---|---|---|---|
| For the three months ended June 30, 2014 | | | | | |
| Net identifiable intangible assets as of beginning of period | $8,889 | $40,724 | $11,663 | $1,084 | $62,360 |
| Additions | — | — | — | 91 | 91 |
| Amortization expense | (139) | (1,375) | (333) | (55) | (1,902) |
| Impairment losses | — | — | — | — | — |
| Net identifiable intangible assets as of end of period | $8,750 | $39,349 | $11,330 | $1,120 | $60,549 |
| For the nine months ended June 30, 2014 | | | | | |
| Net identifiable intangible assets as of beginning of period | $9,191 | $43,474 | $12,329 | $984 | $65,978 |
| Additions | — | — | — | 280 | 280 |
| Amortization expense | (441) | (4,125) | (999) | (144) | (5,709) |
| Impairment losses | — | — | — | — | — |
| Net identifiable intangible assets as of end of period | $8,750 | $39,349 | $11,330 | $1,120 | $60,549 |
| For the three months ended June 30, 2013 | | | | | |
| Net identifiable intangible assets as of beginning of period | $9,502 | $46,890 | $12,996 | $— | $69,388 |
| Additions | — | — | — | — | — |
| Amortization expense | (155) | (1,709) | (333) | — | (2,197) |
| Impairment losses | — | — | — | — | — |
| Net identifiable intangible assets as of end of period | $9,347 | $45,181 | $12,663 | $— | $67,191 |
| For the nine months ended June 30, 2013 | | | | | |
| Net identifiable intangible assets as of beginning of period | $9,829 | $51,306 | $— | $— | $61,135 |
| Additions | — | — | 13,329 (1) | — | 13,329 |
| Amortization expense | (482) | (6,125) | (666) | — | (7,273) |
| Impairment losses | — | — | — | — | — |
| Net identifiable intangible assets as of end of period | $9,347 | $45,181 | $12,663 | $— | $67,191 |

(1) The additions in the prior year period are directly attributable to the customer list asset associated with our first quarter fiscal year 2013 acquisition of a 45% interest in ClariVest (see Note 3 for additional information). Since we are consolidating ClariVest, the amount represents the entire customer relationship intangible asset associated with the acquisition transaction; the amount shown is unadjusted by the 55% share of ClariVest attributable to others.

The estimated useful life associated with this addition is approximately 10 years.

Identifiable intangible assets by type are presented below:

| | June 30, 2014 | | September 30, 2013 | |
|---|---|---|---|---|
| | Gross carrying value | Accumulated amortization | Gross carrying value | Accumulated amortization |
| | (in thousands) | | | |
| Customer relationships | $65,957 | $(12,578) | $65,957 | $(8,663) |
| Trade name | 2,000 | (2,000) | 2,000 | (2,000) |
| Developed technology | 11,000 | (4,950) | 11,000 | (3,300) |
| Non-compete agreements | 1,000 | (1,000) | 1,000 | (1,000) |
| Mortgage servicing rights | 1,365 | (245) | 1,085 | (101) |
| Total | $81,322 | $(20,773) | $81,042 | $(15,064) |

NOTE 11 – BANK DEPOSITS

Bank deposits include Negotiable Order of Withdrawal ("NOW") accounts, demand deposits, savings and money market accounts and certificates of deposit of RJ Bank. The following table presents a summary of bank deposits including the weighted-average rate:

| | June 30, 2014 | | September 30, 2013 | |
|---|---|---|---|---|
| | Balance | Weighted-average rate [(1)] | Balance | Weighted-average rate [(1)] |
| | ($ in thousands) | | | |
| Bank deposits: | | | | |
| NOW accounts | $5,805 | 0.01 % | $7,003 | 0.01 % |
| Demand deposits (non-interest-bearing) | 9,045 | — | 8,555 | — |
| Savings and money market accounts | 9,915,569 | 0.02 % | 8,966,439 | 0.02 % |
| Certificates of deposit | 337,419 | 1.85 % | 313,374 | 1.96 % |
| Total bank deposits[(2)] | $10,267,838 | 0.08 % | $9,295,371 | 0.09 % |

(1) Weighted-average rate calculation is based on the actual deposit balances at June 30, 2014 and September 30, 2013, respectively.

(2) Bank deposits exclude affiliate deposits of approximately $8 million and $6 million at June 30, 2014 and September 30, 2013, respectively.

RJ Bank's savings and money market accounts in the table above consist primarily of deposits that are cash balances swept from the investment accounts maintained at RJ&A. These balances are held in Federal Deposit Insurance Corporation ("FDIC") insured bank accounts through the Raymond James Bank Deposit Program ("RJBDP") administered by RJ&A.

Scheduled maturities of certificates of deposit are as follows:

| | June 30, 2014 | | September 30, 2013 | |
|---|---|---|---|---|
| | Denominations greater than or equal to $100,000 | Denominations less than $100,000 | Denominations greater than or equal to $100,000 | Denominations less than $100,000 |
| | (in thousands) | | | |
| Three months or less | $8,054 | $8,651 | $7,343 | $8,540 |
| Over three through six months | 11,022 | 9,114 | 5,908 | 6,264 |
| Over six through twelve months | 15,573 | 18,604 | 9,459 | 13,976 |
| Over one through two years | 31,808 | 31,887 | 31,123 | 37,918 |
| Over two through three years | 47,795 | 36,418 | 33,404 | 27,873 |
| Over three through four years | 12,219 | 7,984 | 47,822 | 35,270 |
| Over four through five years | 72,764 | 25,526 | 36,574 | 11,900 |
| Total | $199,235 | $138,184 | $171,633 | $141,741 |

Interest expense on deposits is summarized as follows:

| | Three months ended June 30, | | Nine months ended June 30, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | (in thousands) | | | |
| Certificates of deposit | $1,535 | $1,499 | $4,591 | $4,725 |
| Money market, savings and NOW accounts | 445 | 692 | 1,273 | 2,354 |

| | | | | |
|---|---|---|---|---|
| Total interest expense on deposits | $1,980 | $2,191 | $5,864 | $7,079 |

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NOTE 12 – OTHER BORROWINGS

The following table details the components of other borrowings:

| | June 30, 2014 | September 30, 2013 |
|---|---|---|
| | (in thousands) | |
| Other borrowings: | | |
| Borrowings on secured lines of credit [1] | $59,166 | $84,076 |
| FHLB advances [2] | 500,000 | — |
| Borrowings on unsecured lines of credit [3] | — | — |
| Total other borrowings | $559,166 | $84,076 |

(1) Other than a $5 million borrowing outstanding on the Regions Credit Facility (as hereinafter defined) as of June 30, 2014, any borrowings on secured lines of credit are day-to-day and are generally utilized to finance certain fixed income securities.

A subsidiary of RJF (the "Borrower") is a party to a Revolving Credit Agreement (the "Regions Credit Facility") with Regions Bank, an Alabama banking corporation (the "Lender"). The Regions Credit Facility provides for a revolving line of credit from the Lender to the Borrower and is subject to a guarantee in favor of the Lender provided by RJF. The proceeds from any borrowings under the line are used for working capital and general corporate purposes. The obligations under the Regions Credit Facility are secured by, subject to certain exceptions, all of the present and future ARS owned by the Borrower (the "Pledged ARS"). The amount of any borrowing under the Regions Credit Facility cannot exceed the lesser of 70% of the value of the Pledged ARS, or $100 million. The maximum amount available to borrow was $100 million and the outstanding borrowings were $5 million as of June 30, 2014. The Regions Credit Facility bears interest at a variable rate which is 2.75% over LIBOR. The facility expires on April 2, 2015.

(2) Borrowings from the FHLB at June 30, 2014 are comprised of two short-term, $250 million fixed rate advances. The weighted average interest rate on these advances is 0.22%. These advances mature in July, 2014 and November, 2014 respectively, and are secured by a blanket lien, granted to the FHLB, on RJ Bank's residential loan portfolio.

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

There were other collateralized financings outstanding in the amount of $287 million and $301 million as of June 30, 2014 and September 30, 2013, respectively. These other collateralized financings are included in securities sold under agreements to repurchase on the Condensed Consolidated Statements of Financial Condition. These financings are collateralized by non-customer, RJ&A-owned securities. See Note 14 for additional information regarding offsetting asset and liability balances as well as additional information regarding the collateral.

NOTE 13 – DERIVATIVE FINANCIAL INSTRUMENTS

The significant accounting policies governing our derivative financial instruments, including our methodologies for determining fair value, are described in Note 2 on pages 110 - 111 of our 2013 Form 10-K.

Derivatives arising from our fixed income business operations

We enter into derivatives contracts as part of our fixed income operations in either over-the-counter market activities, or through "matched book" activities. Each of these activities are described further below.

We enter into interest rate swaps and futures contracts either as part of our fixed income business to facilitate customer transactions, to hedge a portion of our trading inventory, or to a limited extent for our own account. The majority of these derivative positions are executed in the over-the-counter market with financial institutions (the “OTC Derivatives Operations”). Cash flows related to the interest rate contracts arising from the OTC Derivative Operations are included as operating activities (the “trading instruments, net” line) on the Condensed Consolidated Statements of Cash Flows.

Either Raymond James Financial Products, LLC or Raymond James Capital Services, LLC (collectively the Raymond James matched book swap subsidiaries or “RJSS”) enter into derivative transactions (primarily interest rate swaps) with customers. In these activities, we do not use derivative instruments for trading or hedging purposes. For every derivative transaction RJSS enters into with a customer, RJSS enters into an offsetting transaction, on terms that mirror the customer transaction, with a credit support provider which is a third party financial institution. Due to this “pass-through” transaction structure, RJSS has completely mitigated

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the market and credit risk related to these derivative contracts. Therefore, the ultimate credit and market risk resides with the third party financial institution. RJSS only has credit risk related to its uncollected derivative transaction fee revenues. As a result of the structure of these transactions, we refer to the derivative contracts we enter into as a result of these operations as our offsetting "matched book" derivative operations (the "Offsetting Matched Book Derivatives Operations").

Any collateral required to be exchanged under the contracts arising from the Offsetting Matched Book Derivatives Operations is administered directly by the customer and the third party financial institution. RJSS does not hold any collateral, or administer any collateral transactions, related to these instruments. We record the value of each derivative position arising from the Offsetting Matched Book Derivatives Operations at fair value, as either an asset or offsetting liability, presented as "derivative instruments associated with offsetting matched book positions," as applicable, on our Condensed Consolidated Statements of Financial Condition.

The receivable for uncollected derivative transaction fee revenues of RJSS is $8 million at June 30, 2014 and September 30, 2013, and is included in other receivables on our Condensed Consolidated Statements of Financial Condition.

None of the derivatives described above arising from either our OTC Derivatives Operations or our Offsetting Matched Book Derivatives Operations are designated as fair value or cash flow hedges.

Derivatives arising from RJ Bank's business operations

A Canadian subsidiary of RJ Bank conducts operations directly related to RJ Bank's Canadian corporate loan portfolio. U.S. subsidiaries of RJ Bank utilize forward foreign exchange contracts to hedge RJ Bank's foreign currency exposure due to its non-U.S. dollar net investment. Cash flows related to these derivative contracts are classified within operating activities in the Condensed Consolidated Statements of Cash Flows.

Description of the collateral we hold related to derivative contracts

Where permitted, we elect to net-by-counterparty certain derivative contracts entered into in our OTC Derivatives Operations and by RJ Bank's U.S. subsidiaries. Certain of these contracts contain a legally enforceable master netting arrangement that allows for netting of all derivative transactions with each counterparty and, therefore, the fair value of those derivative contracts are netted by counterparty in the Condensed Consolidated Statements of Financial Condition. The credit support annex related to the interest rate swaps and certain forward foreign exchange contracts allows parties to the master agreement to mitigate their credit risk by requiring the party which is out of the money to post collateral. We accept collateral in the form of cash or other marketable securities. As we elect to net-by-counterparty the fair value of derivative contracts arising from our OTC Derivatives Operations, we also net-by-counterparty any cash collateral exchanged as part of those derivative agreements. Refer to Note 14 for additional information regarding offsetting asset and liability balances.

This cash collateral is recorded net-by-counterparty at the related fair value. The cash collateral included in the net fair value of all open derivative asset positions arising from our OTC Derivatives Operations aggregates to a net liability of $20 million and $13 million at June 30, 2014 and September 30, 2013, respectively. The cash collateral included in the net fair value of all open derivative liability positions from our OTC Derivatives Operations aggregates to a net asset of $27 million and $22 million at June 30, 2014 and September 30, 2013, respectively. Our maximum loss exposure under the interest rate swap contracts arising from our OTC Derivatives Operations at June 30, 2014 is $29 million.

RJ Bank provides to counterparties for the benefit of its U.S. subsidiaries, a guarantee of payment in the event of the subsidiaries' default under forward foreign exchange contracts. Due to this RJ Bank guarantee and the short-term nature of these derivatives, RJ Bank's U.S. subsidiaries are not required to post collateral and do not receive collateral with respect to certain derivative contracts with the respective counterparties. RJ Bank's maximum loss exposure under the forward foreign exchange contracts at June 30, 2014 is approximately $4.1 million.

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Derivative balances included in our financial statements

See the table below for the notional and fair value amounts of both the asset and liability derivatives.

| | Asset derivatives | | | | | |
|---|---|---|---|---|---|---|
| | June 30, 2014 | | | September 30, 2013 | | |
| | Balance sheet location | Notional amount | Fair value[1] | Balance sheet location | Notional amount | Fair value[1] |
| | (in thousands) | | | | | |
| Derivatives not designated as hedging instruments: | | | | | | |
| Interest rate contracts [2] | Trading instruments | $2,449,694 | $89,065 | Trading instruments | $2,407,387 | $89,633 |
| Interest rate contracts [3] | Derivative instruments associated with offsetting matched book positions | $2,090,008 | $318,253 | Derivative instruments associated with offsetting matched book positions | $1,944,408 | $250,341 |

| | Liability derivatives | | | | | |
|---|---|---|---|---|---|---|
| | June 30, 2014 | | | September 30, 2013 | | |
| | Balance sheet location | Notional amount | Fair value[1] | Balance sheet location | Notional amount | Fair value[1] |
| | (in thousands) | | | | | |
| Derivatives designated as hedging instruments: | | | | | | |
| Forward foreign exchange contracts | Trade and other payables | $643,111 | $3,548 | Trade and other payables | $655,828 | $637 |
| Derivatives not designated as hedging instruments: | | | | | | |
| Interest rate contracts [2] | Trading instruments sold | $2,073,204 | $75,395 | Trading instruments sold | $2,420,531 | $74,920 |
| Interest rate contracts [3] | Derivative instruments associated with offsetting matched book positions | $2,090,008 | $318,253 | Derivative instruments associated with offsetting matched book positions | $1,944,408 | $250,341 |
| Forward foreign exchange contracts | Trade and other payables | $110,403 | $569 | Trade and other payables | $79,588 | $77 |

(1) The fair value in this table is presented on a gross basis before netting of cash collateral and before any netting by counterparty according to our legally enforceable master netting arrangements. The fair value in the Condensed Consolidated Statements of Financial Condition is presented net. See Note 14 for additional information regarding offsetting asset and liability balances.

(2) These contracts arise from our OTC Derivatives Operations.

(3) These contracts arise from our Offsetting Matched Book Derivatives Operations.

A loss of $14.7 million and a gain of $11.3 million were recognized on forward foreign exchange derivatives in AOCI, net of income taxes, for the three and nine months ended June 30, 2014, respectively (see Note 17 for additional information). There was no hedge ineffectiveness and no components of derivative gains or losses were excluded from the assessment of hedge effectiveness for the three and nine months ended June 30, 2014.

Gains recognized on forward foreign exchange derivatives in AOCI totaled $12.7 million and $22.5 million, net of income taxes, for the three and nine months ended June 30, 2013, respectively. There was no hedge ineffectiveness and no components of derivative gains or losses were excluded from the assessment of hedge effectiveness for the three and nine months ended June 30, 2013.

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The table below sets forth the impact of the derivatives not designated as hedging instruments on the Condensed Consolidated Statements of Income and Comprehensive Income:

| | Location of gain (loss) recognized on derivatives in the Condensed Consolidated Statements of Income and Comprehensive Income | Amount of gain (loss) on derivatives recognized in income | | | |
|---|---|---|---|---|---|
| | | Three months ended June 30, | | Nine months ended June 30, | |
| | | 2014 | 2013 | 2014 | 2013 |
| | | (in thousands) | | | |
| Derivatives not designated as hedging instruments: | | | | | |
| Interest rate contracts (1) | Net trading profit | $200 | $238 | $779 | $735 |
| Interest rate contracts (2) | Other revenues | $19 | $115 | $690 | $517 |
| Forward foreign exchange contracts | Other revenues | $(4,093) | $2,396 | $718 | $3,395 |

(1) These contracts arise from our OTC Derivatives Operations.

(2) These contracts arise from our Offsetting Matched Book Derivatives Operations.

Risks associated with, and our risk mitigation related to, our derivative contracts

We are exposed to credit losses in the event of nonperformance by the counterparties to forward foreign exchange derivative agreements as well as the interest rate contracts associated with our OTC Derivatives Operations. Where we are subject to credit exposure, we perform a credit evaluation of counterparties prior to entering into derivative transactions and we monitor their credit standings. Currently, we anticipate that all of the counterparties will be able to fully satisfy their obligations under those agreements. For our OTC Derivatives Operations, we may require collateral from counterparties in the form of cash deposits or other marketable securities to support certain of these obligations as established by the credit threshold specified by the agreement and/or as a result of monitoring the credit standing of the counterparties.

We are exposed to interest rate risk related to the interest rate derivative agreements arising from our OTC Derivatives Operations. We are also exposed to foreign exchange risk related to our forward foreign exchange derivative agreements. We monitor exposure in our derivative agreements daily based on established limits with respect to a number of factors, including interest rate, foreign exchange spot and forward rates, spread, ratio, basis and volatility risks. These exposures are monitored both on a total portfolio basis and separately for each agreement for selected maturity periods.

Certain of the derivative instruments arising from our OTC Derivatives Operations and from RJ Bank's forward foreign exchange contracts contain provisions that require our debt to maintain an investment grade rating from one or more of the major credit rating agencies. If our debt were to fall below investment grade, we would be in breach of these provisions, and the counterparties to the derivative instruments could request immediate payment or demand immediate and ongoing overnight collateralization on our derivative instruments in liability positions. The aggregate fair value of all derivative instruments with such credit-risk-related contingent features that are in a liability position at June 30, 2014 is $6.8 million, for which we have posted collateral of $4.3 million in the normal course of business. If the credit-risk-related contingent features underlying these agreements were triggered on June 30, 2014, we would have been required to post an additional $2.5 million of collateral to our counterparties.

Our only exposure to credit risk in the Offsetting Matched Book Derivatives Operations is related to our uncollected derivative transaction fee revenues. We are not exposed to market risk as it relates to these derivative contracts due to the “pass-through” transaction structure more fully described above.



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NOTE 14 – DISCLOSURE OF OFFSETTING ASSETS AND LIABILITIES, COLLATERAL AND ENCUMBERED ASSETS

The following table presents information about the financial and derivative instruments that are offset or subject to an enforceable master netting arrangement or other similar agreement as of the dates indicated:

| | Gross amounts of recognized assets (liabilities) | Gross amounts offset in the Statement of Financial Condition | Net amounts presented in the Statement of Financial Condition | Gross amounts not offset in the Statement of Financial Condition: Financial instruments | Cash collateral received (paid) | Net amount |
|---|---|---|---|---|---|---|
| | (in thousands) | | | | | |
| As of June 30, 2014: | | | | | | |
| Assets | | | | | | |
| Securities purchased under agreements to resell and other collateralized financings | $508,005 | $— | $508,005 | $(508,005) (1) | $— | $— |
| Derivatives - interest rate contracts (2) | 89,065 | (60,674) | 28,391 | (5,150) | — | 23,241 |
| Derivative instruments associated with offsetting matched book positions | 318,253 | — | 318,253 | (318,253) (3) | — | — |
| Stock borrowed | 171,440 | — | 171,440 | — | (166,099) | 5,341 |
| Total assets | $1,086,763 | $(60,674) | $1,026,089 | $(831,408) | $(166,099) | $28,582 |
| Liabilities | | | | | | |
| Securities sold under agreements to repurchase | $(286,924) | $— | $(286,924) | $286,924 (4) | $— | $— |
| Derivatives - interest rate contracts (2) | (75,395) | 67,256 | (8,139) | — | — | (8,139) |
| Derivative instruments associated with offsetting matched book positions | (318,253) | — | (318,253) | 318,253 (3) | — | — |
| Derivatives - forward foreign exchange contracts (5) | (4,117) | — | (4,117) | — | — | (4,117) |
| Stock loaned | (453,661) | — | (453,661) | — | 442,349 | (11,312) |
| Total liabilities | $(1,138,350) | $67,256 | $(1,071,094) | $605,177 | $442,349 | $(23,568) |

As of September 30, 2013:
Assets

| | | | | | | |
|---|---|---|---|---|---|---|
| Securities purchased under agreements to resell and other collateralized financings | $709,120 | $— | $709,120 | $(709,120) [1] | $— | $— |
| Derivatives - interest rate contracts[2] | 89,633 | (61,524) | 28,109 | (6,409) | — | 21,700 |
| Derivative instruments associated with offsetting matched book positions | 250,341 | — | 250,341 | (250,341) [3] | — | — |
| Stock borrowed | 146,749 | — | 146,749 | — | (143,108) | 3,641 |
| Total assets | $1,195,843 | $(61,524) | $1,134,319 | $(965,870) | $(143,108) | $25,341 |
| Liabilities | | | | | | |
| Securities sold under agreements to repurchase | $(300,933) | $— | $(300,933) | $300,933 [4] | $— | $— |
| Derivatives - interest rate contracts[2] | (74,920) | 69,279 | (5,641) | — | — | (5,641) |
| Derivative instruments associated with offsetting matched book positions | (250,341) | — | (250,341) | 250,341 [3] | — | — |
| Derivatives - forward foreign exchange contracts[5] | (714) | — | (714) | — | — | (714) |
| Stock loaned | (354,377) | — | (354,377) | — | 342,096 | (12,281) |
| Total liabilities | $(981,285) | $69,279 | $(912,006) | $551,274 | $342,096 | $(18,636) |

The text of the footnotes in the above table are on the following page.

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The text of the footnotes to the table on the previous page are as follows:

(1) We are over-collateralized since the actual amount of financial instruments pledged as collateral for securities purchased under agreements to resell and other collateralized financings amounts to $528.7 million and $725.9 million as of June 30, 2014 and September 30, 2013, respectively.

(2) Derivatives - interest rate contracts are included in Trading instruments on our Condensed Consolidated Statements of Financial Condition. See Note 13 for additional information.

(3) Although these derivative arrangements do not meet the definition of a master netting arrangement as specified by GAAP, the nature of the agreement with the third party intermediary include terms that are similar to a master netting agreement, thus we present the offsetting amounts net in the table above. See Note 13 for further discussion of the "pass through" structure of the derivative instruments associated with Offsetting Matched Book Derivatives Operations.

(4) We are over-collateralized since the actual amount of financial instruments pledged as collateral for securities sold under agreements to repurchase amounts to $298.2 million and $313.5 million as of June 30, 2014 and September 30, 2013, respectively.

(5) Derivatives - forward foreign exchange contracts are included in trade and other payables on our Condensed Consolidated Statements of Financial Condition. See Note 13 for additional information.

For financial statement purposes, we do not offset our repurchase agreements or securities borrowing, securities lending transactions and certain of our derivative instruments because the conditions for netting as specified by GAAP are not met. Our repurchase agreements, securities borrowing and securities lending transactions, and certain of our derivative instruments, are transacted under master agreements that are widely used by counterparties and that may allow for net settlements of payments in the normal course as well as offsetting of all contracts with a given counterparty in the event of bankruptcy or default of one of the two parties to the transaction. Although not offset on the Condensed Consolidated Statements of Financial Condition, these transactions are included in the preceding table.

Collateral

We receive cash and securities as collateral, primarily in connection with Reverse Repurchase Agreements, securities borrowed, derivative transactions, customer margin loans arising from our domestic operations, and the secured call loans that are held by RJ Ltd. The cash collateral we receive is primarily associated with our OTC Derivative Operations (see Note 13 for additional information). The collateral we receive reduces our credit exposure to individual counterparties.

In many cases, we are permitted to deliver or repledge financial instruments we have received as collateral, for our own use in our repurchase agreements, securities lending agreements, other secured borrowings, satisfaction of deposit requirements with clearing organizations, or otherwise meeting either our, or our clients, settlement requirements.

The table below presents financial instruments at fair value, that we received as collateral, are not included on our Condensed Consolidated Statements of Financial Condition, and that were available to be delivered or repledged, along with the balances of such instruments that were used to deliver or repledge, to satisfy one of our purposes described above:

| | June 30, 2014 | September 30, 2013 |
|---|---|---|
| | (in thousands) | |

| | | |
|---|---|---|
| Collateral we received that is available to be delivered or repledged | $2,223,767 | $2,315,701 |
| Collateral that we delivered or repledged | 1,039,682 (1) | 897,879 (2) |

(1) The collateral delivered or repledged as of June 30, 2014, includes client margin securities which we pledged with a clearing organization in the amount of $187.6 million which were applied against our requirement of $166.6 million.

(2) The collateral delivered or repledged as of September 30, 2013, includes client margin securities which we pledged with a clearing organization in the amount of $189.4 million which were applied against our requirement of $128.5 million.

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Encumbered assets

We pledge certain of our trading instrument assets to collateralize either Repurchase Agreements, other secured borrowings, or to satisfy our settlement requirements, with counterparties who may or may not have the right to deliver or repledge such securities.

The table below presents information about the fair value of our assets that have been pledged for one of the purposes described above:

| | June 30, 2014 | | September 30, 2013 | |
|---|---|---|---|---|
| | (in thousands) | | | |
| Financial instruments owned, at fair value, pledged to counterparties that: | | | | |
| Had the right to deliver or repledge | $339,183 | | $332,079 | |
| Did not have the right to deliver or repledge | 51,952 | (1) | 91,320 | (2) |

(1) Assets delivered or repledged as of June 30, 2014, includes securities which we pledged with a clearing organization in the amount of $22.5 million which were applied against our requirement of $166.6 million (client margin securities we pledged which are described in the preceding table constitute the remainder of the assets pledged to meet the requirement).

(2) Assets delivered or repledged as of September 30, 2013, includes securities which we pledged with a clearing organization in the amount of $18 million which were applied against our requirement of $128.5 million (client margin securities we pledged which are described in the preceding table constitute the remainder of the assets pledged to meet the requirement).

NOTE 15 – INCOME TAXES

For discussion of income tax matters, see Note 2 on page 120, and Note 19 on pages 167-169, of our 2013 Form 10-K.

For the three months ended June 30, 2014, our effective income tax rate was 35.8%, which is higher than the 34.9% effective tax rate for fiscal year 2013. The fiscal year 2013 effective tax rate was favorably impacted by a reversal of deferred taxes provided on foreign earnings, which reduced the rate by 1.9%. This reversal will not recur in fiscal year 2014.

For the nine months ended June 30, 2014, our effective income tax rate was 35.8% , which is higher than the 34.9% effective tax rate for fiscal year 2013. Partially offsetting the impact of the prior year reversal of deferred taxes provided on foreign taxes described above, the current year-to-date effective tax rate benefited from the first quarter fiscal year 2014 recognition of prior year state tax refunds which resulted from a change in our state tax filing position.

As of June 30, 2014, we have not experienced significant changes in our unrecognized tax benefits balances from September 30, 2013.

NOTE 16 – COMMITMENTS, CONTINGENCIES AND GUARANTEES

Commitments and contingencies

In the normal course of business we enter into underwriting commitments. As of June 30, 2014, RJ&A had one open transaction involving such commitments.  Transactions of RJ Ltd. involving such commitments that were recorded and open at June 30, 2014 were approximately $63 million in Canadian currency ("CDN").

As part of our recruiting efforts, we offer loans to prospective financial advisors and certain key revenue producers, primarily for recruiting and/or retention purposes (see Note 2 on page 112 of our 2013 Form 10-K for a discussion of our accounting policies governing these transactions). These commitments are contingent upon certain events occurring, including, but not limited to, the individual joining us and, in most circumstances, require them to meet certain production requirements. As of June 30, 2014, we had made commitments, to either prospects that had accepted our offer, or recently recruited producers, of approximately $28.2 million that had not yet been funded.

As of June 30, 2014, RJ Bank had not settled purchases of $67.1 million in syndicated loans. These loan purchases are expected to be settled within 90 days.

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On October 9, 2013, RJ Bank entered into a forward-starting advance transaction with the FHLB to borrow $25 million on October 13, 2015. Once funded, this borrowing will bear interest at the rate of 3.4% and will mature on October 13, 2020.

See Note 21 for additional information regarding RJ Bank's commitments to extend credit and other credit-related off-balance sheet financial instruments, such as standby letters of credit and loan purchases.

We have unfunded commitments to various venture capital or private equity partnerships, which aggregate to approximately $61 million as of June 30, 2014. Of such total, we have unfunded commitments to internally-sponsored private equity limited partnerships in which we control the general partner, of approximately $18 million.

RJF has committed to lend to RJTCF, or to guarantee obligations in connection with RJTCF's low-income housing development/rehabilitation and syndication activities, in amounts aggregating up to $175 million upon request, subject to certain limitations and to annual review and renewal. At June 30, 2014, RJTCF has $50.1 million in outstanding cash borrowings and $29.1 million in unfunded commitments outstanding against this commitment. RJTCF borrows from RJF in order to make investments in, or fund loans or advances to, either partnerships that purchase and develop properties qualifying for tax credits ("Project Partnerships") or LIHTC Funds. Investments in Project Partnerships are sold to various LIHTC Funds, which have third party investors, and for which RJTCF serves as the managing member or general partner. RJTCF typically sells investments in Project Partnerships to LIHTC Funds within 90 days of their acquisition, and the proceeds from the sales are used to repay RJTCF's borrowings from RJF. RJTCF may also make short-term loans or advances to Project Partnerships, and LIHTC Funds.

A subsidiary of RJ Bank has committed $31.8 million as an investor member in a low-income housing tax credit fund in which a subsidiary of RJTCF is the managing member. As of June 30, 2014, the RJ Bank subsidiary has invested $14.1 million of the committed amount.

RJ Bank has a committed limited partner investment of $3 million to a limited partnership, $735 thousand of this committed amount has been invested as of June 30, 2014.

As a part of our fixed income public finance operations, RJ&A enters into forward commitments to purchase GNMA MBS. The MBS securities are issued on behalf of various state and local housing finance agencies ("HFA") and consist of the mortgages originated through their lending programs. RJ&A's forward GNMA MBS purchase commitment arises at the time of the loan reservation for a borrower in the HFA lending program (these loan reservations fix the terms of the mortgage, including the interest rate and maximum principal amount). The underlying terms of the GNMA MBS purchase, including the price for the MBS security (which is dependent upon the interest rates associated with the underlying mortgages) are also fixed at loan reservation. At June 30, 2014, RJ&A had approximately $359 million principal amount of outstanding forward MBS purchase commitments which are expected to be purchased over the following 90 days. Upon acquisition of the MBS security, RJ&A typically sells such security in open market transactions as part of its fixed income operations. Given that the actual principal amount of the MBS security is not fixed and determinable at the date of RJ&A's commitment to purchase, these forward MBS purchase commitments do not meet the definition of a "derivative instrument." In order to hedge the market interest rate risk to which RJ&A would otherwise be exposed between the date of the commitment and the date of sale of the MBS, RJ&A enters into to be announced ("TBA") security contracts with investors for generic MBS securities at specific rates and prices to be delivered on settlement dates in the future. These TBA securities are accounted for at fair value and are included in Agency MBS securities in the table of assets and liabilities measured at fair value included in Note 5, and at June 30, 2014 aggregate to a net liability having a fair value of $3 million. The estimated fair value of the purchase commitment is a $3 million asset balance as of June 30, 2014.

As a result of extensive regulation of financial holding companies, banks, broker-dealers and investment advisory entities, RJF and certain of its subsidiaries are subject to regular reviews and inspections by regulatory authorities and self-regulatory organizations. The reviews can result in the imposition of sanctions for regulatory violations, ranging from non-monetary censure to fines and, in serious cases, temporary or permanent suspension from conducting business. In addition, regulatory agencies and self-regulatory organizations institute investigations from time to time into industry practices, which can also result in the imposition of sanctions. See Note 20 for additional information regarding regulatory capital requirements applicable to RJF and certain of its broker-dealer subsidiaries.

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Guarantees

RJ Bank provides to its affiliate, Raymond James Capital Services, Inc. ("RJ Cap Services"), on behalf of certain corporate borrowers, a guarantee of payment in the event of the borrower's default for exposure under interest rate swaps entered into with RJ Cap Services. At June 30, 2014, the exposure under these guarantees is $3.7 million, which was underwritten as part of RJ Bank's corporate credit relationship with such borrowers. The outstanding interest rate swaps at June 30, 2014 have maturities ranging from August 2014 through May 2019. RJ Bank records an estimated reserve for its credit risk associated with the guarantee of these client swaps, which was insignificant as of June 30, 2014. The estimated total potential exposure under these guarantees is $7.4 million at June 30, 2014.

RJ Bank guarantees the forward foreign exchange contract obligations of its U.S. subsidiaries. See Note 13 for additional information regarding these derivatives.

RJF guarantees interest rate swap obligations of RJ Cap Services. See Note 13 for additional information regarding interest rate swaps.

We have from time to time authorized performance guarantees for the completion of trades with counterparties in Argentina. At June 30, 2014, there were no such outstanding performance guarantees.

In March 2008, RJF guaranteed an $8 million letter of credit issued for settlement purposes that was requested by the Capital Markets Board ("CMB") for a joint venture we were at one time affiliated with in the country of Turkey. While our Turkish joint venture ceased operations in December 2008, the CMB has not released this letter of credit. The issuing bank has instituted an action seeking payment of its fees on the underlying letter of credit and to confirm that the guarantee remains in effect.

RJF has guaranteed the Borrower's performance under the Regions Credit Facility. See further discussion in Note 12.

RJF guarantees the existing mortgage debt of RJ&A of approximately $42.8 million.

Our U.S. broker-dealer subsidiaries are required by federal law to be members of the Securities Investors Protection Corporation ("SIPC"). The SIPC fund provides protection for securities held in customer accounts up to $500 thousand per customer, with a limitation of $250 thousand on claims for cash balances. We have purchased excess SIPC coverage through various syndicates of Lloyd's (the "Excess SIPC Insurer"). For RJ&A, our clearing broker-dealer, the additional protection currently provided has an aggregate firm limit of $750 million, including a sub-limit of $1.9 million per customer for cash above basic SIPC. Account protection applies when a SIPC member fails financially and is unable to meet obligations to clients. This coverage does not protect against market fluctuations. RJF has provided an indemnity to the Excess SIPC Insurer against any and all losses they may incur associated with the excess SIPC policies.

RJTCF issues certain guarantees to various third parties related to Project Partnerships whose interests have been sold to one or more of the funds in which RJTCF is the managing member or general partner. In some instances, RJTCF is not the primary guarantor of these obligations, which aggregate to approximately $1.6 million as of June 30, 2014.

RJF has guaranteed RJTCF's performance to various third parties on certain obligations arising from RJTCF's sale and/or transfer of units in one of its fund offerings ("Fund 34"). Under such arrangements, RJTCF has provided either: (1) certain specific performance guarantees, including a provision whereby in certain circumstances, RJTCF will refund a portion of the investors' capital contribution, or (2) a guaranteed return on their investment. Under the terms of the performance guarantees, neither RJF nor RJTCF have any further obligations. Further, based upon its most recent projections and performance of Fund 34, RJTCF does not anticipate that any future payments will be owed to these third parties under the guarantee of the return on investment. Under the guarantee of returns, should the underlying LIHTC project partnerships held by Fund 34 fail to deliver a certain amount of tax credits and other tax benefits over the next eight years, RJTCF is obligated to provide the investor with a specified return. A $28.4 million financing asset is included in prepaid expenses and other assets, and a related $28.4 million liability is included in trade and other payables on our Condensed Consolidated Statements of Financial Condition as of June 30, 2014. The maximum exposure to loss under this guarantee is approximately $35.4 million at June 30, 2014, which represents the undiscounted future payments due to investors.

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Legal matter contingencies

Indemnification from Regions

On the Closing Date RJF completed its acquisition of all of the issued and outstanding shares of Morgan Keegan. The terms of the stock purchase agreement provide that Regions will indemnify RJF for losses incurred in connection with legal proceedings pending as of the closing date or commenced after the closing date and related to pre-closing matters, as well as any cost of defense pertaining thereto (see Note 3 on page 124 of our 2013 Form 10-K for a discussion of the indemnifications provided to RJF by Regions). All of the Morgan Keegan matters described below are subject to such indemnification provisions. Management estimates the range of potential liability of all such matters subject to indemnification, including the cost of defense, to be from $20 million to $185 million. Any loss arising from such matters, after consideration of the applicable annual deductible, if any, will be borne by Regions. As of June 30, 2014, a receivable from Regions of approximately $1 million is included in other receivables, an indemnification asset of approximately $157 million is included in other assets, and a liability for potential losses of approximately $155 million is included within trade and other payables, all of which are reflected on our Condensed Consolidated Statements of Financial Condition pertaining to the matters described below and the related indemnification from Regions. The amount included within trade and other payables is the amount within the range of potential liability related to such matters which management estimates is more likely than any other amount within such range.

Morgan Keegan matters subject to indemnification

In July 2006, MK & Co. and a former MK & Co. analyst were named as defendants in a lawsuit filed by a Canadian insurance and financial services company, Fairfax Financial Holdings, and its American subsidiary in the Circuit Court of Morris County, New Jersey. Plaintiffs made claims under a civil Racketeer Influenced and Corrupt Organizations (“RICO”) statute, for commercial disparagement, tortious interference with contractual relationships, tortious interference with prospective economic advantage and common law conspiracy. Plaintiffs alleged that defendants engaged in a multi-year conspiracy to publish and disseminate false and defamatory information about plaintiffs to improperly drive down plaintiff’s stock price, so that others could profit from short positions. Plaintiffs alleged that defendants’ actions damaged their reputations and harmed their business relationships. Plaintiffs alleged a number of categories of damages they sustained, including lost insurance business, lost financings and increased financing costs, increased audit fees and directors and officers insurance premiums and lost acquisitions, and have requested monetary damages. On May 11, 2012, the trial court ruled that New York law applied to plaintiff’s RICO claims, therefore the claims were not subject to treble damages. On June 27, 2012, the trial court dismissed plaintiffs’ tortious interference with prospective relations claim, but allowed other claims to go forward. A jury trial was set to begin on September 10, 2012. Prior to its commencement the court dismissed the remaining claims with prejudice. Plaintiffs have appealed the court’s rulings.

Certain of the Morgan Keegan entities, along with Regions, have been named in class-action lawsuits filed in federal and state courts on behalf of shareholders of Regions and investors who purchased shares of certain mutual funds in the Regions Morgan Keegan Fund complex (the “Regions Funds”). The Regions Funds were formerly managed by Morgan Asset Management (“MAM”), an entity which was at one time a subsidiary of one of the Morgan Keegan affiliates, but an entity which was not part of our Morgan Keegan acquisition (see further information regarding the Morgan Keegan acquisition in Note 3 on pages 123 - 124 of our 2013 Form 10-K). The complaints contain various allegations, including claims that the Regions Funds and the defendants misrepresented or failed to disclose material facts relating to the activities of the funds. In August 2013, the United States District Court for the Western District of Tennessee approved the settlement of the class action and the derivative action regarding the closed end funds for $62 million and $6 million, respectively. No class has been certified. Certain of the shareholders in the funds and other interested parties have entered into arbitration proceedings and individual civil claims, in lieu of participating in the class action lawsuits.

The states of Missouri and Texas are investigating alleged securities law violations by MK & Co. in the underwriting and sale of certain municipal bonds. An enforcement action was brought by the Missouri Secretary of State in April 2013, seeking monetary penalties and other relief. In November 2013, the state dismissed this enforcement action and refiled the same claims as a civil action in the Circuit Court for Boone County, Missouri. Civil actions were brought by certain investors of the bonds beginning in March 2012, seeking a return of their investment and unspecified compensatory and punitive damages. Trial of this case is currently set for January 2015 in the Circuit Court for Cole County, Missouri. A putative, but currently uncertified class action was brought on behalf of purchasers of the bonds on September 4, 2012, seeking unspecified compensatory and punitive damages. These actions are in various stages of litigation, with the putative class action set for trial in September 2014. These matters are subject to the indemnification agreement with Regions.

Prior to the Closing Date, Morgan Keegan was involved in other litigation arising in the normal course of its business. On all such matters, RJF is subject to indemnification from Regions pursuant to the terms of the stock purchase agreement as summarized above.

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Other matters

We are a defendant or co-defendant in various lawsuits and arbitrations incidental to our securities business as well as other corporate litigation. We are contesting the allegations in these cases and believe that there are meritorious defenses in each of these lawsuits and arbitrations. In view of the number and diversity of claims against us, the number of jurisdictions in which litigation is pending and the inherent difficulty of predicting the outcome of litigation and other claims, we cannot state with certainty what the eventual outcome of pending litigation or other claims will be. Refer to Note 2 on page 118 of our 2013 Form 10-K for a discussion of our criteria for establishing a range of possible loss related to such matters. Excluding any amounts subject to indemnification from Regions related to pre-Closing Date Morgan Keegan matters discussed above, as of June 30, 2014, management currently estimates the aggregate range of possible loss is from $0 to an amount of up to $8 million in excess of the accrued liability (if any) related to these matters. In the opinion of management, based on current available information, review with outside legal counsel, and consideration of the accrued liability amounts provided for in the accompanying condensed consolidated financial statements with respect to these matters, ultimate resolution of these matters will not have a material adverse impact on our financial position or cumulative results of operations. However, resolution of one or more of these matters may have a material effect on the results of operations in any future period, depending upon the ultimate resolution of those matters and upon the level of income for such period.

NOTE 17 – ACCUMULATED OTHER COMPREHENSIVE INCOME

Accumulated other comprehensive income

The following table presents the after-tax changes in each component of accumulated other comprehensive income for the three and nine months ended June 30, 2014:

| | Three months ended June 30, 2014 | | | Nine months ended June 30, 2014 | | |
|---|---|---|---|---|---|---|
| | Unrealized gains on available for sale securities | Net currency translations and net investment hedges (1) | Total | Unrealized gains on available for sale securities | Net currency translations and net investment hedges (1) | Total |
| | (in thousands) | | | | | |
| Accumulated other comprehensive income (loss) as of the beginning of the period | $3,300 | $(4,534) | $(1,234) | $(1,276) | $12,002 | $10,726 |
| Other comprehensive income (loss) before reclassifications | 2,577 | 5,906 | 8,483 | 9,447 | (10,630) | (1,183) |
| Amounts reclassified from accumulated other comprehensive income | (331) | — | (331) | (2,625) | — | (2,625) |
| Net other comprehensive income (loss) for the period | 2,246 | 5,906 | 8,152 | 6,822 | (10,630) | (3,808) |
| Accumulated other comprehensive income as of the end of the period | $5,546 | $1,372 | $6,918 | $5,546 | $1,372 | $6,918 |

(1) Includes net gains (losses) recognized on forward foreign exchange derivatives associated with hedges of RJ Bank's foreign currency exposure due to its non-U.S. dollar net investments (see Note 13 for additional information on

these derivatives).

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Reclassifications out of AOCI

The following table presents the income statement line items impacted by reclassifications out of accumulated other comprehensive income during the three and nine months ended June 30, 2014:

| Accumulated other comprehensive income components: | Increase (decrease) in amounts reclassified from accumulated other comprehensive income | | Affected line items in income statement |
|---|---|---|---|
| | Three months ended June 30, 2014 | Nine months ended June 30, 2014 | |
| | (in thousands) | | |
| Available for sale securities: [1] | | | |
| Auction rate securities [2] | $(273) | $(4,031) | Other revenue |
| RJ Bank available for sale securities [3] | (262) | (235) | Other revenue |
| | (535) | (4,266) | Total before tax |
| | 204 | 1,641 | Provision for income taxes |
| Total reclassifications for the period | $(331) | $(2,625) | Net of tax |

(1) See Note 7 for additional information regarding the available for sale securities, and Note 5 for additional fair value information regarding these securities.

(2) For the three and nine months ended June 30, 2014, other revenues include realized gains on the redemption or sale of ARS in the amount of $542 thousand and $6.2 million, respectively (see Note 7 for further information). The amounts presented in the table represent the reversal out of AOCI associated with such ARS' redeemed or sold. The net of such realized gain and this reversal out of AOCI represents the net effect of such redemptions and sales activities on other comprehensive income ("OCI") for each respective period, on a pre-tax basis.

(3) For the three and nine months ended June 30, 2014, other revenues include realized gains on the sale of certain available for sale securities held by RJ Bank in the amount of $264 thousand (see Note 7 for further information). The amounts presented in the table represent the reversal out of AOCI associated with such securities sold. The net of such realized gain and this reversal out of AOCI represents the net effect of such sales activities on OCI for each respective period, on a pre-tax basis.

All of the components of other comprehensive income (loss) described above, net of tax, are attributable to RJF.

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NOTE 18 – INTEREST INCOME AND INTEREST EXPENSE

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

| | Three months ended June 30, | | Nine months ended June 30, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | (in thousands) | | | |
| Interest income: | | | | |
| Margin balances | $16,894 | $14,935 | $51,309 | $46,039 |
| Assets segregated pursuant to regulations and other segregated assets | 3,666 | 4,206 | 11,854 | 12,644 |
| Bank loans, net of unearned income | 86,231 | 82,508 | 251,079 | 254,421 |
| Available for sale securities | 1,598 | 1,937 | 5,176 | 6,141 |
| Trading instruments | 4,750 | 5,225 | 13,893 | 16,185 |
| Stock loan | 2,200 | 3,222 | 6,882 | 6,564 |
| Loans to financial advisors | 1,528 | 1,699 | 4,831 | 4,851 |
| Corporate cash and all other | 2,524 | 3,644 | 9,853 | 11,689 |
| Total interest income | $119,391 | $117,376 | $354,877 | $358,534 |
| | | | | |
| Interest expense: | | | | |
| Brokerage client liabilities | $273 | $511 | $990 | $1,651 |
| Retail bank deposits | 1,980 | 2,191 | 5,864 | 7,079 |
| Trading instruments sold but not yet purchased | 1,075 | 994 | 3,198 | 2,762 |
| Stock borrow | 900 | 619 | 2,206 | 1,732 |
| Borrowed funds | 1,128 | 1,149 | 2,976 | 3,816 |
| Senior notes | 19,010 | 19,010 | 57,030 | 57,104 |
| Interest expense of consolidated VIEs | 653 | 917 | 2,237 | 3,029 |
| Other | 2,033 | 2,801 | 3,903 | 6,243 |
| Total interest expense | 27,052 | 28,192 | 78,404 | 83,416 |
| Net interest income | 92,339 | 89,184 | 276,473 | |