

RAYMOND JAMES FINANCIAL INC
Form 10-Q
May 08, 2015
Index

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

FORM 10-Q
(Mark one)

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

For the quarterly period ended March 31, 2015

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
(State or other jurisdiction of incorporation or
organization)

No. 59-1517485
(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 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 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 Accelerated filer

Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

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

143,842,998 shares of common stock as of May 4, 2015

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

Form 10-Q for the quarter ended March 31, 2015

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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)

	March 31, 2015	September 30, 2014
	(in thousands)	
Assets:		
Cash and cash equivalents	\$2,540,137	\$2,199,063
Assets segregated pursuant to regulations and other segregated assets	2,560,449	2,489,264
Securities purchased under agreements to resell and other collateralized financings	469,503	446,016
Financial instruments, at fair value:		
Trading instruments	797,531	679,393
Available for sale securities	531,940	562,289
Private equity investments	220,944	211,666
Other investments	208,976	215,751
Derivative instruments associated with offsetting matched book positions	421,850	323,337
Receivables:		
Brokerage clients, net	1,920,558	2,126,804
Stock borrowed	167,338	158,988
Bank loans, net	12,060,663	10,964,299
Brokers-dealers and clearing organizations	118,020	107,116
Loans to financial advisors, net	463,193	424,928
Other	479,575	544,180
Deposits with clearing organizations	216,178	150,457
Prepaid expenses and other assets	713,323	655,256
Investments in real estate partnerships held by consolidated variable interest entities	225,557	235,858
Property and equipment, net	242,071	245,401
Deferred income taxes, net	259,456	231,325
Goodwill and identifiable intangible assets, net	350,673	354,261
Total assets	\$24,967,935	\$23,325,652

(continued on next page)

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

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CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(Unaudited)

(continued from previous page)

	March 31, 2015	September 30, 2014
	(\$ in thousands)	
Liabilities and equity:		
Trading instruments sold but not yet purchased, at fair value	\$372,340	\$238,400
Securities sold under agreements to repurchase	277,383	244,495
Derivative instruments associated with offsetting matched book positions, at fair value	421,850	323,337
Payables:		
Brokerage clients	4,151,420	3,956,104
Stock loaned	395,609	417,383
Bank deposits	11,272,013	10,028,924
Brokers-dealers and clearing organizations	152,762	216,530
Trade and other	637,809	763,235
Other borrowings	721,716	654,916
Accrued compensation, commissions and benefits	689,230	814,359
Loans payable of consolidated variable interest entities	34,977	43,877
Corporate debt	1,188,916	1,190,836
Total liabilities	20,316,025	18,892,396
Commitments and contingencies (see Note 15)		
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 147,830,937 at March 31, 2015 and 146,103,658 at September 30, 2014	1,476	1,444
Additional paid-in capital	1,318,988	1,239,046
Retained earnings	3,211,083	3,023,845
Treasury stock, at cost; 5,062,126 common shares at March 31, 2015 and 4,900,266 common shares at September 30, 2014	(133,327	) (121,211
Accumulated other comprehensive loss	(22,795	) (1,888
Total equity attributable to Raymond James Financial, Inc.	4,375,425	4,141,236
Noncontrolling interests	276,485	292,020
Total equity	4,651,910	4,433,256
Total liabilities and equity	\$24,967,935	\$23,325,652

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 March 31,		Six months ended March 31,	
	2015	2014	2015	2014
	(in thousands, except per share amounts)			
Revenues:				
Securities commissions and fees	\$860,214	\$805,719	\$1,694,223	\$1,587,899
Investment banking	74,240	67,311	151,778	147,108
Investment advisory fees	91,016	88,096	189,777	181,510
Interest	134,413	118,393	266,522	235,486
Account and service fees	111,966	101,024	223,124	194,598
Net trading profit	17,060	14,842	25,941	32,993
Other	23,715	9,240	41,103	33,805
Total revenues	1,312,624	1,204,625	2,592,468	2,413,399
Interest expense	(26,846	) (25,980	) (54,230	) (51,352
Net revenues	1,285,778	1,178,645	2,538,238	2,362,047
Non-interest expenses:				
Compensation, commissions and benefits	882,234	812,291	1,720,488	1,617,236
Communications and information processing	67,635	69,503	126,747	131,357
Occupancy and equipment costs	41,604	39,897	80,831	79,582
Clearance and floor brokerage	13,588	9,876	23,086	19,830
Business development	42,490	36,667	79,480	68,911
Investment sub-advisory fees	14,987	13,798	29,242	25,597
Bank loan loss provision	3,937	1,979	13,302	3,615
Other	43,670	41,635	90,780	84,108
Total non-interest expenses	1,110,145	1,025,646	2,163,956	2,030,236
Income including noncontrolling interests and before provision for income taxes	175,633	152,999	374,282	331,811
Provision for income taxes	66,857	60,904	143,469	123,195
Net income including noncontrolling interests	108,776	92,095	230,813	208,616
Net loss attributable to noncontrolling interests	(4,687	) (12,465	) (8,946	) (12,577
Net income attributable to Raymond James Financial, Inc.	\$113,463	\$104,560	\$239,759	\$221,193
Net income per common share – basic	\$0.79	\$0.74	\$1.68	\$1.57
Net income per common share – diluted	\$0.77	\$0.72	\$1.64	\$1.54
Weighted-average common shares outstanding – basic	142,320	139,888	141,813	139,498
Weighted-average common and common equivalent shares outstanding – diluted	146,050	143,636	146,188	143,065
Net income attributable to Raymond James Financial, Inc.	\$113,463	\$104,560	\$239,759	\$221,193
Other comprehensive income (loss), net of tax: ⁽¹⁾				
Change in unrealized losses on available for sale securities and non-credit portion of other-than-temporary impairment losses	2,337	3,482	2,313	4,576

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Change in currency translations and net investment hedges	(15,279) (10,261) (21,719) (16,536)
Change in cash flow hedges	(1,501	) —	(1,501) —)
Total comprehensive income	\$99,020	\$97,781	\$218,852	\$209,233	
Other-than-temporary impairment:					
Total other-than-temporary impairment, net	\$(627	) \$2,389	\$1,124	\$3,973	
Portion of pre-tax losses (recoveries) recognized in other comprehensive income	627	(2,389	) (1,124	) (4,000)
Net impairment losses recognized in other revenue	\$—	\$—	\$—	\$(27)

(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)

	Six months ended March 31,	
	2015	2014
	(in thousands, except per share amounts)	
Common stock, par value \$.01 per share:		
Balance, beginning of year	\$1,444	\$1,429
Share issuances	32	10
Balance, end of period	1,476	1,439
Additional paid-in capital:		
Balance, beginning of year	1,239,046	1,136,298
Employee stock purchases	11,116	10,002
Exercise of stock options and vesting of restricted stock units, net of forfeitures	22,286	12,747
Restricted stock, stock option and restricted stock unit expense	38,685	34,380
Excess tax benefit from share-based payments	7,577	9,877
Other	278	662
Balance, end of period	1,318,988	1,203,966
Retained earnings:		
Balance, beginning of year	3,023,845	2,635,026
Net income attributable to Raymond James Financial, Inc.	239,759	221,193
Cash dividends declared	(52,526)	(45,733)
Other	5	(296)
Balance, end of period	3,211,083	2,810,190
Treasury stock:		
Balance, beginning of year	(121,211)	(120,555)
Purchases/surrenders	(7,100)	(2,213)
Exercise of stock options and vesting of restricted stock units, net of forfeitures	(5,016)	(3,289)
Balance, end of period	(133,327)	(126,057)
Accumulated other comprehensive income: ⁽¹⁾		
Balance, beginning of year	\$(1,888)	\$10,726
Net change in unrealized losses on available for sale securities and non-credit portion of other-than-temporary impairment losses, net of tax	2,313	4,576
Net change in currency translations and net investment hedges, net of tax	(21,719)	(16,536)
Cash flow hedges, net of tax	(1,501)	—
Balance, end of period	(22,795)	(1,234)
Total equity attributable to Raymond James Financial, Inc.	\$4,375,425	\$3,888,304
Noncontrolling interests:		
Balance, beginning of year	\$292,020	\$335,413
Net loss attributable to noncontrolling interests	(8,946)	(12,577)
Capital contributions	10,008	11,682
Distributions	(10,860)	(14,583)
Other	(5,737)	122

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Balance, end of period	276,485	320,057
Total equity	\$4,651,910	\$4,208,361

(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 CASH FLOWS
 (Unaudited)

	Six months ended March 31,	
	2015	2014
	(in thousands)	
Cash flows from operating activities:		
Net income attributable to Raymond James Financial, Inc.	\$239,759	\$221,193
Net loss attributable to noncontrolling interests	(8,946	) (12,577
Net income including noncontrolling interests	230,813	208,616
Adjustments to reconcile net income including noncontrolling interests to net cash provided by operating activities:		
Depreciation and amortization	33,929	32,444
Deferred income taxes	(26,277	) (23,518
Premium and discount amortization on available for sale securities and unrealized/realized gain on other investments	(21,278	) (17,911
Provisions for loan losses, legal proceedings, bad debts and other accruals	17,312	9,339
Share-based compensation expense	40,509	37,416
Other	16,137	10,884
Net change in:		
Assets segregated pursuant to regulations and other segregated assets	(71,185	) 1,509,672
Securities purchased under agreements to resell and other collateralized financings, net of securities sold under agreements to repurchase	9,401	148,378
Stock loaned, net of stock borrowed	(30,124	) 38,727
Loans provided to financial advisors, net of repayments	(47,438	) (17,413
Brokerage client receivables and other accounts receivable, net	259,882	80,143
Trading instruments, net	34,333	(59,341
Prepaid expenses and other assets	28,802	82,714
Brokerage client payables and other accounts payable	56,800	(1,802,701
Accrued compensation, commissions and benefits	(125,006	) (92,635
Purchases and originations of loans held for sale, net of proceeds from sales of securitizations and loans held for sale	(18,347	) (1,844
Excess tax benefits from share-based payment arrangements	(7,577	) (9,877
Net cash provided by operating activities	380,686	133,093
Cash flows from investing activities:		
Additions to property and equipment	(29,643	) (31,320
Increase in bank loans, net	(1,279,233	) (1,314,264
(Purchases)/redemptions of Federal Home Loan Bank/Federal Reserve Bank stock	(4,446	) 1,389
Proceeds from sales of loans held for investment	42,255	82,991
(Purchases of or contributions to)/sales proceeds or distributions received from, private equity and other investments, net	(19,776	) 36,469
Purchases of available for sale securities	—	(1,305
Available for sale securities maturations, repayments and redemptions	33,855	69,665
Proceeds from sales of available for sale securities	47	370
Investments in real estate partnerships held by consolidated variable interest entities, net of other investing activity	(8,705	) (4,457

Business acquisition, net of cash acquired	—	(2,007)	
Net cash used in investing activities	\$(1,265,646)	\$(1,162,469)

(continued on next page)

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

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(continued from previous page)

	Six months ended March 31,	
	2015	2014
	(in thousands)	
Cash flows from financing activities:		
Proceeds from borrowed funds, net	\$366,600	\$367
Repayments of borrowed funds, net	(301,814	) (7,829
Repayments of borrowings by consolidated variable interest entities which are real estate partnerships	(9,903	) (10,955
Proceeds from capital contributed to and borrowings of consolidated variable interest entities which are real estate partnerships	110	3,335
Exercise of stock options and employee stock purchases	34,526	21,684
Increase in bank deposits	1,243,089	1,119,433
Purchases of treasury stock	(14,877	) (6,212
Dividends on common stock	(49,405	) (42,760
Excess tax benefits from share-based payment arrangements	7,577	9,877
Net cash provided by financing activities	1,275,903	1,086,940
Currency adjustment:		
Effect of exchange rate changes on cash	(49,869	) (12,304
Net increase in cash and cash equivalents	341,074	45,260
Cash and cash equivalents at beginning of year	2,199,063	2,596,616
Cash and cash equivalents at end of period	\$2,540,137	\$2,641,876
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$53,080	\$49,750
Cash paid for income taxes	\$209,571	\$179,488
Non-cash transfers of loans to other real estate owned	\$3,653	\$2,448

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)
March 31, 2015

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 115 - 118 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, 2014, as filed with the United States (“U.S.”) Securities and Exchange Commission (the “2014 Form 10-K”) and in Note 8 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 2014 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.

Significant subsidiaries

As of March 31, 2015, 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”) a registered investment advisor, and Raymond James Bank, N.A. (“RJ Bank”) a national bank.

Recent acquisition activities

On March 2, 2015, RJF entered into a definitive agreement to acquire Cougar Global Investments, Ltd. (“Cougar”), a Toronto, Canada-based asset manager. Cougar markets its investment services to high net worth individuals, families, foundations, trusts and institutions in Canada and the United States. As of December 31, 2014, Cougar had more than \$1 billion in assets under management. We completed this acquisition on April 30, 2015. Cougar’s activities will be reported in our asset management segment and Eagle will offer Cougar’s global asset allocation strategies to its clients worldwide. For purposes of certain acquisition related financial reporting requirements, the Cougar acquisition is not considered to be material to our overall financial condition.

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Reclassifications

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

NOTE 2 – UPDATE OF SIGNIFICANT ACCOUNTING POLICIES

A summary of our significant accounting policies is included in Note 2 on pages 100 - 118 of our 2014 Form 10-K. There have been no significant changes in our significant accounting policies since September 30, 2014.

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

As more fully described in Note 2 on page 107 - 108 of our 2014 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 \$3.3 million and \$2.5 million at March 31, 2015 and September 30, 2014, respectively. Of the March 31, 2015 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 \$4.9 million.

NOTE 3 – 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 102 of our 2014 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:

	March 31, 2015	September 30, 2014
	(in thousands)	
Cash and cash equivalents:		
Cash in banks	\$2,532,322	\$2,195,683
Money market fund investments	7,815	3,380
Total cash and cash equivalents ⁽¹⁾	2,540,137	2,199,063
Cash segregated pursuant to federal regulations and other segregated assets ⁽²⁾	2,560,449	2,489,264
Deposits with clearing organizations ⁽³⁾	216,178	150,457
	\$5,316,764	\$4,838,784

(1) The total amounts presented include cash and cash equivalents of \$1.21 billion as of March 31, 2015 and September 30, 2014, which is either held directly by RJF in depository accounts at third party financial institutions, held in a depository account at RJ Bank, or is otherwise invested by one of our subsidiaries on behalf of RJF, all of which are available without restrictions.

(2) Consists of cash and cash equivalents 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 4 – 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 102 - 107 of our 2014 Form 10-K. There have been no material changes to our valuation methodologies since our year ended September 30, 2014.

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

March 31, 2015	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 March 31, 2015
Assets at fair value on a recurring basis:					
Trading instruments:					
Municipal and provincial obligations	\$4,955	\$239,564	\$—	\$—	\$244,519
Corporate obligations	15,899	80,174	—	—	96,073
Government and agency obligations	38,717	125,291	—	—	164,008
Agency mortgage-backed securities (“MBS”) and collateralized mortgage obligations (“CMOs”)	603	139,800	—	—	140,403
Non-agency CMOs and asset-backed securities (“ABS”)	—	51,800	10	—	51,810
Total debt securities	60,174	636,629	10	—	696,813
Derivative contracts	—	121,414	—	(79,697)	41,717
Equity securities	36,790	5,579	14	—	42,383
Other	657	15,181	780	—	16,618
Total trading instruments	97,621	778,803	804	(79,697)	797,531
Available for sale securities:					
Agency MBS and CMOs	—	240,488	—	—	240,488
Non-agency CMOs	—	87,362	—	—	87,362
Other securities	2,028	—	—	—	2,028
Auction rate securities (“ARS”):					
Municipals	—	—	89,614	⁽³⁾ —	89,614
Preferred securities	—	—	112,448	—	112,448
Total available for sale securities	2,028	327,850	202,062	—	531,940
Private equity investments	—	—	220,944	⁽⁴⁾ —	220,944
Other investments ⁽⁵⁾	206,888	1,172	916	—	208,976
Derivative instruments associated with offsetting matched book positions	—	421,850	—	—	421,850
Deposits with clearing organizations ⁽⁶⁾	23,592	—	—	—	23,592
Other assets:					

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Derivatives - forward foreign exchange contracts	—	8,000	—	—	8,000
Other assets	—	—	2,196	(7) —	2,196
Total other assets	—	8,000	2,196	—	10,196
Total assets at fair value on a recurring basis	\$330,129	\$1,537,675	\$426,922	\$(79,697)	\$2,215,029
Assets at fair value on a nonrecurring basis:					
Bank loans, net:					
Impaired loans	\$—	\$30,566	\$51,444	\$—	\$82,010
Loans held for sale ⁽⁸⁾	—	49,130	—	—	49,130
Total bank loans, net	—	79,696	51,444	—	131,140
Other real estate owned (“OREO” ⁹)	—	1,196	—	—	1,196
Total assets at fair value on a nonrecurring basis	\$—	\$80,892	\$51,444	\$—	\$132,336

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March 31, 2015	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 March 31, 2015
Liabilities at fair value on a recurring basis:					
Trading instruments sold but not yet purchased:					
Municipal and provincial obligations	\$4,482	\$394	\$—	\$—	\$4,876
Corporate obligations	33	18,615	—	—	18,648
Government obligations	284,821	—	—	—	284,821
Agency MBS and CMOs	1,834	—	—	—	1,834
Total debt securities	291,170	19,009	—	—	310,179
Derivative contracts	—	105,050	—	(79,028)	26,022
Equity securities	34,387	1	—	—	34,388
Other securities	2	1,749	—	—	1,751
Total trading instruments sold but not yet purchased	325,559	125,809	—	(79,028)	372,340
Derivative instruments associated with offsetting matched book positions	—	421,850	—	—	421,850
Trade and other payables:					
Derivative contracts ⁽¹⁰⁾	—	2,481	—	—	2,481
Other liabilities	—	—	58	—	58
Total trade and other payables	—	2,481	58	—	2,539
Total liabilities at fair value on a recurring basis	\$325,559	\$550,140	\$58	\$(79,028)	\$796,729

We had \$600 thousand and \$1.1 million in transfers of financial instruments from Level 1 to Level 2 during the three and six months ended March 31, 2015, respectively. These transfers were a result of a decrease in availability and reliability of the observable inputs utilized in the respective instruments' fair value measurement.

(1) We had \$1.1 million in transfers of financial instruments from Level 2 to Level 1 during the six months ended March 31, 2015. 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.

For derivative transactions not cleared through an exchange, and where permitted, we have elected to net derivative receivables and derivative payables and the related cash collateral received and paid when a legally enforceable (2) master netting agreement exists (see Note 13 for additional information regarding offsetting financial instruments). Deposits associated with derivative transactions cleared through an exchange are included in deposits with clearing organizations on our Condensed Consolidated Statements of Financial Condition.

(3) Includes \$62 million of Jefferson County, Alabama Limited Obligation School Warrants ARS.

The portion of these investments we do not own is approximately \$56 million as of March 31, 2015 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 \$165 million or 75% of the total private equity investments of \$221 million included in our Condensed Consolidated Statements of Financial Condition.

Other investments include \$143 million of financial instruments that are related to obligations to perform under certain deferred compensation plans (see Note 2 on page 114, and Note 24 on page 173, of our 2014 Form 10-K for further information regarding these plans).

Consists of deposits we provide to clearing organizations or exchanges that are in the form of marketable securities.

Includes forward commitments to purchase GNMA or FNMA (as hereinafter defined) MBS arising from our fixed income public finance operations, and to a much lesser extent, other certain commitments. See Note 2 on page 104, and Note 21 on page 167 of our 2014 Form 10-K, as well as Note 15 in this report, for additional information regarding the GNMA or FNMA MBS commitments.

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

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.

Consists of RJ Bank Interest Hedges (as hereinafter defined), see Note 12 for additional information.

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September 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 September 30, 2014
Assets at fair value on a recurring basis:					
Trading instruments:					
Municipal and provincial obligations	\$ 11,407	\$ 192,482	\$—	\$—	\$ 203,889
Corporate obligations	1,989	109,939	—	—	111,928
Government and agency obligations	7,376	93,986	—	—	101,362
Agency MBS and CMOs	247	127,172	—	—	127,419
Non-agency CMOs and ABS	—	58,364	11	—	58,375
Total debt securities	21,019	581,943	11	—	602,973
Derivative contracts	—	89,923	—	(61,718)	28,205
Equity securities	28,834	5,264	44	—	34,142
Corporate loans	—	990	—	—	990
Other	566	10,208	2,309	—	13,083
Total trading instruments	50,419	688,328	2,364	(61,718)	679,393
Available for sale securities:					
Agency MBS and CMOs	—	267,720	—	—	267,720
Non-agency CMOs	—	91,918	—	—	91,918
Other securities	1,916	—	—	—	1,916
ARS:					
Municipals	—	—	86,696	⁽³⁾ —	86,696
Preferred securities	—	—	114,039	—	114,039
Total available for sale securities	1,916	359,638	200,735	—	562,289
Private equity investments	—	—	211,666	⁽⁴⁾ —	211,666
Other investments ⁽⁵⁾	212,753	1,267	1,731	—	215,751
Derivative instruments associated with offsetting matched book positions	—	323,337	—	—	323,337
Other assets:					
Derivative contracts	—	2,462	—	—	2,462
Other assets	—	—	787	⁽⁶⁾ —	787
Total other assets	—	2,462	787	—	3,249
Total assets at fair value on a recurring basis	\$ 265,088	\$ 1,375,032	\$ 417,283	\$ (61,718)	\$ 1,995,685
Assets at fair value on a nonrecurring basis:					
Bank loans, net:					
Impaired loans	\$—	\$ 34,799	\$ 55,528	\$—	\$ 90,327
Loans held for sale ⁽⁷⁾	—	22,611	—	—	22,611

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Total bank loans, net	—	57,410	55,528	—	112,938
OREO ⁽⁸⁾	—	768	—	—	768
Total assets at fair value on a nonrecurring basis	\$—	\$58,178	\$55,528	\$—	\$113,706

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September 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 September 30, 2014
Liabilities at fair value on a recurring basis:					
Trading instruments sold but not yet purchased:					
Municipal and provincial obligations	\$ 11,093	\$ 554	\$—	\$—	\$ 11,647
Corporate obligations	29	15,304	—	—	15,333
Government obligations	187,424	—	—	—	187,424
Agency MBS and CMOs	738	—	—	—	738
Total debt securities	199,284	15,858	—	—	215,142
Derivative contracts	—	75,668	—	(63,296)	12,372
Equity securities	10,884	2	—	—	10,886
Total trading instruments sold but not yet purchased	210,168	91,528	—	(63,296)	238,400
Derivative instruments associated with offsetting matched book positions					
Other liabilities	—	323,337	—	—	323,337
Total liabilities at fair value on a recurring basis	\$ 210,168	\$ 414,865	\$ 58	\$(63,296)	\$ 561,795

We had \$800 thousand in transfers of financial instruments from Level 1 to Level 2 during the year ended September 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 \$1.3 million in transfers of financial (1) instruments from Level 2 to Level 1 during the year ended September 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.

For derivative transactions not cleared through an exchange, and where permitted, we have elected to net derivative receivables and derivative payables and the related cash collateral received and paid when a legally enforceable (2) master netting agreement exists (see Note 13 for additional information regarding offsetting financial instruments). Deposits associated with derivative transactions cleared through an exchange are included in deposits with clearing organizations on our Condensed Consolidated Statements of Financial Condition.

(3) Includes \$58 million of Jefferson County, Alabama Limited Obligation School Warrants ARS.

The portion of these investments we do not own is approximately \$55 million as of September 30, 2014 and are (4) included as a component of noncontrolling interest in our Condensed Consolidated Statements of Financial Condition. The weighted average portion we own is approximately \$157 million or 74% of the total private equity investments of \$212 million included in our Condensed Consolidated Statements of Financial Condition.

Other investments include \$144 million of financial instruments that are related to obligations to perform under (5) certain deferred compensation plans (see Note 2 on page 114, and Note 24 on page 173, of our 2014 Form 10-K for further information regarding these plans).

Primarily comprised of forward commitments to purchase GNMA or FNMA (as hereinafter defined) MBS arising (6) from our fixed income public finance operations (see Note 2 on page 104, and Note 21 on page 167 of our 2014 Form 10-K for additional information).

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

Represents the fair value of foreclosed properties which were measured at a fair value subsequent to their initial (8) 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 six months ended March 31, 2015 resulted in a \$222 thousand additional provision for loan losses relating to impaired loans and \$149 thousand in other losses relating to loans held for sale and OREO. The adjustment to fair value of the nonrecurring fair value measures for the six months ended March 31, 2014 resulted in a \$176 thousand reversal of provision for loan losses relating to impaired loans and \$1.5 million in other losses relating to loans held for sale and OREO.

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 March 31, 2015 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	ARS – municipals	ARS - preferred securities	Private equity investments	Other investments	Other assets	Other liabilities
Fair value December 31, 2014	\$ 11	\$ 14	\$ 5,264	\$ 85,814	\$ 112,955	\$ 208,674	\$ 1,564	\$ 2,407	\$(58)
Total gains (losses) for the period:									
Included in earnings	—	—	(20)	2	25	14,414	(1) 41	(211)	—
Included in other comprehensive income	—	—	—	3,843	(282)	—	—	—	—
Purchases and contributions	—	—	11,358	—	—	2,241	—	—	—
Sales	—	—	(15,822)	(45)	—	—	—	—	—
Redemptions by issuer	—	—	—	—	(250)	—	(663)	—	—
Distributions	(1)	—	—	—	—	(4,385)	(26)	—	—
Transfers: ⁽²⁾									
Into Level 3	—	—	—	—	—	—	—	—	—
Out of Level 3	—	—	—	—	—	—	—	—	—
Fair value March 31, 2015	\$ 10	\$ 14	\$ 780	\$ 89,614	\$ 112,448	\$ 220,944	\$ 916	\$ 2,196	\$(58)
Change in unrealized gains (losses) for the period included in earnings (or changes in net assets) for assets	\$—	\$—	\$—	\$ 3,843	\$(282)	\$ 14,414	\$ 41	\$(211)	\$—

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 \$9.8 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 \$4.6 million.

(2) 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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Six months ended March 31, 2015 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	ARS – municipals	ARS - preferred securities	Private equity investments	Other investments	Other assets	Other liabilities
Fair value September 30, 2014	\$ 11	\$ 44	\$ 2,309	\$ 86,696	\$ 114,039	\$ 211,666	\$ 1,731	\$ 787	\$ (58)
Total gains (losses) for the period:									
Included in earnings	—	5	(40)	2	25	17,060	⁽¹⁾ 81	1,409	—
Included in other comprehensive income	—	—	—	2,961	(1,366)	—	—	—	—
Purchases and contributions	—	20	23,333	—	—	6,343	—	—	—
Sales	—	—	(24,822)	(45)	—	—	—	—	—
Redemptions by issuer	—	—	—	—	(250)	—	(673)	—	—
Distributions	(1)	—	—	—	—	(14,125)	(223)	—	—
Transfers: ⁽²⁾									
Into Level 3	—	—	—	—	—	—	—	—	—
Out of Level 3	—	(55)	—	—	—	—	—	—	—
Fair value March 31, 2015	\$ 10	\$ 14	\$ 780	\$ 89,614	\$ 112,448	\$ 220,944	\$ 916	\$ 2,196	\$ (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	\$—	\$ 5	\$—	\$ 2,961	\$ (1,366)	\$ 17,060	\$ 81	\$ 1,409	\$—

(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 \$12.2 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 \$4.9 million.

(2) 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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Three months ended March 31, 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 assets	Other liabilities
Fair value December 31, 2013	\$ 13	\$ 35	\$ 4,199	\$ 46	\$ 108,458	\$ 112,122	\$ 209,977	\$ 1,949	\$ 15	\$(1,417)
Total gains (losses) for the period:										
Included in earnings	—	5	(32)	—	63	44	13	48	—	1,335
Included in other comprehensive income	—	—	—	6	1,849	374	—	—	—	—
Purchases and contributions	—	23	3,185	—	—	—	5,317	—	—	—
Sales	—	(26)	(4,649)	—	—	—	—	—	—	—
Redemptions by issuer	—	—	—	—	(410)	(325)	—	(28)	—	—
Distributions	—	—	—	(14)	—	—	(5,329)	(181)	—	—
Transfers: ⁽¹⁾										
Into Level 3	—	—	—	—	—	—	—	—	—	—
Out of Level 3	—	—	—	—	—	—	(18,577) ⁽²⁾	—	—	—
Fair value March 31, 2014	\$ 13	\$ 37	\$ 2,703	\$ 38	\$ 109,960	\$ 112,215	\$ 191,401	\$ 1,788	\$ 15	\$(82)
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	\$—	\$ 5	\$(32)	\$—	\$ 63	\$ 44	\$ 13	\$ 60	\$—	\$—

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

The transfers out of Level 3 were primarily comprised of the portion of private equity investments which do not represent equity investments, whose balances were transferred to cash and cash equivalents or other receivables on our Condensed Consolidated Statements of Financial Condition, and whose carrying values approximate fair value.

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Six months ended March 31, 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	—	4	(201)	(27)	5,584	44	4,781	(1) 73	(2,778)	—	(22)
Included in other comprehensive income	—	—	—	21	938	1,712	—	—	—	—	—
Purchases and contributions	—	24	10,448	—	—	—	9,332	63	—	—	—
Sales	—	(26)	(11,500)	—	(370)	—	(7,076)	(2,698)	—	—	—
Redemptions by issuer	—	—	—	—	(27,126)	(325)	—	(28)	—	—	—
Distributions	(1)	—	—	(34)	—	—	(13,450)	(229)	—	—	—
Transfers: ⁽²⁾											
Into Level 3	—	—	—	—	—	—	—	—	—	—	—
Out of Level 3	—	—	—	—	—	—	(18,577)	(3)	—	—	—
Fair value											
March 31, 2014	\$13	\$37	\$2,703	\$38	\$109,960	\$112,215	\$191,401	\$1,788	\$—	\$15	\$(82)
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	\$20	\$4	\$(201)	\$(27)	\$938	\$1,712	\$4,781	\$166	\$—	\$—	\$(22)

(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 \$4.4 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 \$400 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 out of Level 3 were primarily comprised of the portion of private equity investments which do not represent equity investments, whose balances were transferred to cash and cash equivalents or other receivables on our Condensed Consolidated Statements of Financial Condition, and whose carrying values approximate fair value.

As of March 31, 2015, 8.9% of our assets and 3.9% of our liabilities are instruments measured at fair value on a recurring basis. Instruments measured at fair value on a recurring basis categorized as Level 3 as of March 31, 2015 represent 19% of our assets measured at fair value. In comparison, as of March 31, 2014, 8.7% and 3% of our assets and liabilities, respectively, represented instruments measured at fair value on a recurring basis. Instruments measured at fair value on a recurring basis categorized as Level 3 as of March 31, 2014 represented 21% of our assets measured at fair value. Level 3 instruments as a percentage of total financial instruments decreased by 2% as compared to March 31, 2014, a result of the increase in total instruments measured at fair value on a recurring basis as of March 31, 2015. As of March 31, 2015, the balances of our level 3 assets have increased compared to March 31, 2014 primarily as a result of the increase in the value of our private equity investments since March 31, 2014.

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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 March 31, 2015	Net trading profit (in thousands)	Other revenues
Total (losses) gains included in revenues	\$(20)	) \$14,271
Change in unrealized gains for assets held at the end of the reporting period	\$—	) \$17,805
For the six months ended March 31, 2015	Net trading profit (in thousands)	Other revenues
Total (losses) gains included in revenues	\$(35)	) \$18,577
Change in unrealized gains for assets held at the end of the reporting period	\$5	) \$20,145
For the three months ended March 31, 2014	Net trading profit (in thousands)	Other revenues
Total (losses) gains included in revenues	\$(27)	) \$1,503
Change in unrealized (losses) gains for assets held at the end of the reporting period	\$(27)	) \$180
For the six months ended March 31, 2014	Net trading profit (in thousands)	Other revenues
Total (losses) gains included in revenues	\$(197)	) \$7,655
Change in unrealized (losses) gains for assets held at the end of the reporting period	\$(177)) \$7,548

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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 March 31, 2015 (in thousands)	Valuation technique(s)	Unobservable input	Range (weighted-average)
Recurring measurements: Available for sale securities: ARS:				
Municipals	\$61,500	Recent trades	Observed trades (in inactive markets) of in-portfolio securities Comparability adjustments ^(a)	94% of par - 94% of par (94% of par) +/- 3% of par (+/- 3% of par)
Municipals	\$10,505	Income or market approach: Scenario 1 - recent trades Scenario 2 - discounted cash flow	Observed trades (in inactive markets) of in-portfolio securities Average discount rate ^(b) Average interest rates applicable to future interest income on the securities ^(c) Prepayment year ^(d) Weighting assigned to outcome of scenario1/ scenario 2	70% of par - 70% of par (70% of par) 5.10% - 6.94% (6.02%) 1.49% - 3.19% (2.34%) 2017 - 2024 (2021) 20%/80%
Municipals	\$17,609	Discounted cash flow	Average discount rate ^(b) Average interest rates applicable to future interest income on the securities ^(c) Prepayment year ^(d)	3.32% - 5.94% (3.84%) 1.28% - 4.25% (1.41%) 2017 - 2024 (2020)
Preferred securities	\$112,448	Discounted cash flow	Average discount rate ^(b) Average interest rates applicable to future interest income on the securities ^(c) Prepayment year ^(d)	3.43% - 4.91% (4.13%) 1.88% - 3.21% (1.99%) 2015 - 2019 (2019)
Private equity investments:	\$46,402	Income or market approach: Scenario 1 - income approach - discounted cash flow	Discount rate ^(b) Terminal growth rate of cash flows	13% - 17.5% (15.9%) 3% - 3% (3%)

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			Terminal year	2016 - 2018 (2017)
		Scenario 2 - market approach - market multiple method	EBITDA Multiple ^(e)	4.75 - 7.5 (6.3)
			Weighting assigned to outcome of scenario 1/scenario 2	72%/28%
	\$174,542	Transaction price or other investment-specific events ^(f)	Not meaningful ^(f)	Not meaningful ^(f)
Nonrecurring measurements:				
Impaired loans: residential	\$24,075	Discounted cash flow	Prepayment rate	7 yrs. - 12 yrs. (10.3 yrs.)
Impaired loans: corporate	\$27,369	Appraisal, discounted cash flow, or distressed enterprise value ^(g)	Not meaningful ^(g)	Not meaningful ^(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) Management estimates that market participants apply this range of either discount or premium, as applicable, to the limited observable trade data in order to assess the value of the securities within this portfolio segment.
- (b) Represents discount rates used when we have determined that market participants would take these discounts into account when pricing the investments.
 - (c) Future interest rates are projected based upon a forward interest rate path, 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.
- (d) Assumed year of at least a partial redemption of the outstanding security by the issuer.
- (e) Represents amounts used when we have determined that market participants would use such multiples when pricing the investments.
 - (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 March 31, 2015 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 March 31, 2015, 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 131 - 132 of our 2014 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
March 31, 2015					
Financial assets:					
Bank loans, net ⁽¹⁾	\$—	\$38,848	\$11,854,431	\$11,893,279	\$11,935,121
Financial liabilities:					
Bank deposits	\$—	\$10,921,350	\$353,769	\$11,275,119	\$11,272,013
Corporate debt	\$378,700	\$958,688	\$—	\$1,337,388	\$1,188,916
September 30, 2014					
Financial assets:					
Bank loans, net ⁽¹⁾	\$—	\$23,678	\$10,738,136	\$10,761,814	\$10,857,662
Financial liabilities:					
Bank deposits	\$—	\$9,684,221	\$344,234	\$10,028,455	\$10,028,924
Corporate debt	\$366,100	\$955,170	\$—	\$1,321,270	\$1,190,836

⁽¹⁾ Excludes all impaired loans and loans held for sale which have been recorded at fair value in the Condensed Consolidated Statements of Financial Condition at March 31, 2015 and September 30, 2014, respectively.

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NOTE 5 – TRADING INSTRUMENTS AND TRADING INSTRUMENTS SOLD BUT NOT YET PURCHASED

	March 31, 2015		September 30, 2014	
	Trading instruments	Instruments sold but not yet purchased	Trading instruments	Instruments sold but not yet purchased
	(in thousands)			
Municipal and provincial obligations	\$244,519	\$4,876	\$203,889	\$11,647
Corporate obligations	96,073	18,648	111,928	15,333
Government and agency obligations	164,008	284,821	101,362	187,424
Agency MBS and CMOs	140,403	1,834	127,419	738
Non-agency CMOs and ABS	51,810	—	58,375	—
Total debt securities	696,813	310,179	602,973	215,142
Derivative contracts ⁽¹⁾	41,717	26,022	28,205	12,372
Equity securities	42,383	34,388	34,142	10,886
Corporate loans	—	—	990	—
Other	16,618	1,751	13,083	—
Total	\$797,531	\$372,340	\$679,393	\$238,400

Represents the derivative contracts held for trading purposes. These balances do not include all derivative (1) instruments. See Note 12 for further information regarding all of our derivative transactions, and see Note 13 for additional information regarding offsetting financial instruments.

See Note 4 for additional information regarding the fair value of trading instruments and trading instruments sold but not yet purchased.

NOTE 6 – 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 104 - 106 of our 2014 Form 10-K.

There were no proceeds from the sale of available for sale securities held by RJ Bank in either of the three or six month periods ended March 31, 2015 or 2014.

Certain securities in the ARS portion of the available for sale securities portfolio have been redeemed by their issuer or sold in market transactions. Sale or redemption activities within the ARS portion of the portfolio resulted in aggregate proceeds of \$295 thousand and an insignificant gain which is included in other revenues on our Condensed Consolidated Statements of Income and Comprehensive Income in the three and six months ended March 31, 2015. During the three and six months ended March 31, 2014, sale or redemption activities within the ARS portion of the portfolio resulted in aggregate proceeds of approximately \$700 thousand and \$27.8 million, respectively, and an insignificant gain in the three months ended March 31, 2014, and a gain of \$5.6 million in the six months ended March 31, 2014, which are recorded in other revenues on our Condensed Consolidated Statements of Income and Comprehensive Income. Nearly all of the ARS proceeds and gain in the prior year six month period ended March 31, 2014 resulted from the redemption of the Jefferson County Sewer Revenue Refunding Warrants ARS.

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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)			
March 31, 2015				
Available for sale securities:				
Agency MBS and CMOs	\$239,776	\$1,066	\$(354)	) \$240,488
Non-agency CMOs ⁽¹⁾	93,272	24	(5,934)	) 87,362
Other securities	1,575	453	—	) 2,028
Total RJ Bank available for sale securities	334,623	1,543	(6,288)	) 329,878
Auction rate securities:				
Municipal obligations	81,492	9,683	(1,561)	) 89,614
Preferred securities	104,302	8,146	—	) 112,448
Total auction rate securities	185,794	17,829	(1,561)	) 202,062
Total available for sale securities	\$520,417	\$19,372	\$(7,849)	) \$531,940
September 30, 2014				
Available for sale securities:				
Agency MBS and CMOs	\$267,927	\$822	\$(1,029)	) \$267,720
Non-agency CMOs ⁽²⁾	98,946	56	(7,084)	) 91,918
Other securities	1,575	341	—	) 1,916
Total RJ Bank available for sale securities	368,448	1,219	(8,113)	) 361,554
Auction rate securities:				
Municipal obligations	81,535	6,240	(1,079)	) 86,696
Preferred securities	104,526	9,513	—	) 114,039
Total auction rate securities	186,061	15,753	(1,079)	) 200,735
Total available for sale securities	\$554,509	\$16,972	\$(9,192)	) \$562,289

As of March 31, 2015, the non-credit portion of other-than-temporary impairment (“OTTI”) recorded in accumulated (1) other comprehensive income (loss) (“AOCI”) was \$4.9 million (before taxes). See Note 16 for additional information.

(2) As of September 30, 2014, the non-credit portion of OTTI recorded in AOCI was \$6.1 million (before taxes).

See Note 4 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 (MBS & CMOs) 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.

	March 31, 2015					
	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	\$—	\$7,463	\$10,466	\$221,847	\$239,776	
Carrying value	—	7,480	10,541	222,467	240,488	
Weighted-average yield	—	0.26	% 0.48	% 0.97	% 0.94	%
Non-agency CMOs:						
Amortized cost	\$—	\$—	\$—	\$93,272	\$93,272	
Carrying value	—	—	—	87,362	87,362	
Weighted-average yield	—	—	—	2.39	% 2.39	%
Other securities:						
Amortized cost	\$—	\$—	\$—	\$1,575	\$1,575	
Carrying value	—	—	—	2,028	2,028	
Weighted-average yield	—	—	—	—	—	
Sub-total agency MBS & CMOs, non-agency CMOs, and other securities:						
Amortized cost	\$—	\$7,463	\$10,466	\$316,694	\$334,623	
Carrying value	—	7,480	10,541	311,857	329,878	
Weighted-average yield	—	0.26	% 0.48	% 1.36	% 1.32	%
Auction rate securities:						
Municipal obligations						
Amortized cost	\$—	\$—	\$—	\$81,492	\$81,492	
Carrying value	—	—	—	89,614	89,614	
Weighted-average yield	—	—	—	0.42	% 0.42	%
Preferred securities:						
Amortized cost	\$—	\$—	\$—	\$104,302	\$104,302	
Carrying value	—	—	—	112,448	112,448	
Weighted-average yield	—	—	—	0.27	% 0.27	%
Sub-total auction rate securities:						
Amortized cost	\$—	\$—	\$—	\$185,794	\$185,794	
Carrying value	—	—	—	202,062	202,062	
Weighted-average yield	—	—	—	0.34	% 0.34	%

Total available for sale
securities:

Amortized cost	\$—	\$7,463	\$10,466	\$502,488	\$520,417	
Carrying value	—	7,480	10,541	513,919	531,940	
Weighted-average yield	—	0.26	% 0.48	% 0.96	% 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:

	March 31, 2015					
	Less than 12 months		12 months or more		Total	
	Estimated	Unrealized	Estimated	Unrealized	Estimated	Unrealized
	fair value	losses	fair value	losses	fair value	losses
	(in thousands)					
Agency MBS and CMOs	\$—	\$—	\$54,584	\$(354)	\$54,584	\$(354)
Non-agency CMOs	18,921	(769)	64,519	(5,165)	83,440	(5,934)
ARS municipal obligations	226	(2)	11,593	(1,559)	11,819	(1,561)
Total	\$19,147	\$(771)	\$130,696	\$(7,078)	\$149,843	\$(7,849)
	September 30, 2014					
	Less than 12 months		12 months or more		Total	
	Estimated	Unrealized	Estimated	Unrealized	Estimated	Unrealized
	fair value	losses	fair value	losses	fair value	losses
	(in thousands)					
Agency MBS and CMOs	\$18,062	\$(53)	\$71,688	\$(976)	\$89,750	\$(1,029)
Non-agency CMOs	5,506	(357)	69,970	(6,727)	75,476	(7,084)
ARS municipal obligations	—	—	12,072	(1,079)	12,072	(1,079)
Total	\$23,568	\$(410)	\$153,730	\$(8,782)	\$177,298	\$(9,192)

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 March 31, 2015, all seven of our U.S. government-sponsored enterprise MBS and CMOs were in a continuous unrealized loss position 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:

	March 31, 2015	
	Range	Weighted-average ⁽¹⁾
Default rate	0% - 10.2%	4.06%
Loss severity	0% - 73.4%	41.23%
Prepayment rate	5% - 20%	8.78%

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

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At March 31, 2015, 17 of the 19 non-agency CMOs were in a continuous unrealized loss position. Of these, 12 were in that position for 12 months or more and five 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 March 31, 2015 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. The par value of the ARS we hold as of March 31, 2015 is \$221.5 million. 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. All of our ARS securities are evaluated for OTTI on a quarterly basis.

Within our ARS preferred securities, we analyze the credit ratings associated with each security as an indicator of potential credit impairment. As of March 31, 2015, and including subsequent ratings changes, all of the ARS preferred securities were rated investment grade by at least one rating agency and there is no potential impairment since the fair values of these securities exceed their cost basis.

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, as of March 31, 2015 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 March 31,		Six months ended March 31,	
	2015	2014	2015	2014
	(in thousands)			
Amount related to credit losses on securities we held at the beginning of the period	\$18,703	\$28,244	\$18,703	\$28,217
Additional increases to the amount related to credit loss for which an OTTI was previously recognized	—	—	—	27
Amount related to credit losses on securities we held at the end of the period	\$18,703	\$28,244	\$18,703	\$28,244

NOTE 7 – BANK LOANS, NET

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

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 108 – 112 of our 2014 Form 10-K.

We segregate our loan portfolio into six loan portfolio segments: C&I, commercial real estate (“CRE”), CRE construction, tax-exempt, residential mortgage, and SBL. These portfolio segments also serve as the portfolio loan classes for purposes of credit analysis, except for residential mortgage loans which are further disaggregated into residential first mortgage and residential home equity classes.

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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:

	March 31, 2015			September 30, 2014		
	Balance	%		Balance	%	
	(\$ in thousands)					
Loans held for sale, net ⁽¹⁾	\$87,974	1	%	\$45,988	—	
Loans held for investment:						
Domestic:						
C&I loans	5,776,977	47	%	5,378,592	49	%
CRE construction loans	78,820	1	%	76,733	1	%
CRE loans	1,468,813	12	%	1,415,093	13	%
Tax-exempt loans	361,644	3	%	122,218	1	%
Residential mortgage loans	1,963,336	16	%	1,749,513	16	%
SBL	1,249,930	10	%	1,021,358	9	%
Foreign:						
C&I loans	1,036,223	8	%	1,043,755	9	%
CRE construction loans	22,094	—		17,462	—	
CRE loans	204,132	2	%	274,070	2	%
Residential mortgage loans	2,865	—		2,234	—	
SBL	1,954	—		2,390	—	
Total loans held for investment	12,166,788			11,103,418		
Net unearned income and deferred expenses	(34,091)			(37,533)		
Total loans held for investment, net ⁽¹⁾	12,132,697			11,065,885		
Total loans held for sale and investment	12,220,671	100	%	11,111,873	100	%
Allowance for loan losses	(160,008)			(147,574)		
Bank loans, net	\$12,060,663			\$10,964,299		

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

At March 31, 2015, 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. See Note 11 for more information regarding borrowings from the FHLB.

Loans held for sale

RJ Bank originated or purchased \$219.7 million and \$617.6 million of loans held for sale during the three and six months ended March 31, 2015, respectively, and \$255.4 million and \$548.3 million during the three and six months ended March 31, 2014, respectively. Proceeds from the sale of held for sale loans amounted to \$60.2 million and \$97.5 million during the three and six months ended March 31, 2015, respectively, and \$34.3 million and \$94.1 million during the three and six months ended March 31, 2014, respectively. Both the net gains resulting from such sales, and unrealized losses resulting from adjustments of the carrying value of loans held for sale to reflect the lower of cost or market, were insignificant in each of the three and six months ended March 31, 2015 and 2014.

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Purchases and sales of loans held for investment

As more fully described in Note 2 of our 2014 Form 10-K, corporate loan sales generally occur as part of a loan workout situation.

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

	Three months ended March 31,				Six months ended March 31,			
	2015		2014		2015		2014	
	Purchases	Sales	Purchases	Sales	Purchases	Sales	Purchases	Sales
	(in thousands)							
C&I loans	\$106,197	\$25,500	\$110,406	\$70,350	\$260,281	\$32,360	\$237,736	\$131,323
Residential mortgage loans	1,337	—	140	—	213,309	(1) —	27,735	—
Total	\$107,534	\$25,500	\$110,546	\$70,350	\$473,590	\$32,360	\$265,471	\$131,323

(1) Includes the purchase of a loan portfolio totaling \$207.3 million in principal loan balance.

Aging analysis of loans held for investment

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

	30-89 days and accruing	90 days or more and accruing	Total past due and accruing	Nonaccrual (1)	Current and accruing	Total loans held for investment (2)
	(in thousands)					
As of March 31, 2015:						
C&I loans	\$173	\$—	\$173	\$—	\$6,813,027	\$6,813,200
CRE construction loans	—	—	—	—	100,914	100,914
CRE loans	—	—	—	17,171	1,655,774	1,672,945
Tax-exempt loans	—	—	—	—	361,644	361,644
Residential mortgage loans:						
First mortgage loans	2,795	—	2,795	52,182	1,890,746	1,945,723
Home equity loans/lines	30	—	30	285	20,163	20,478
SBL	—	—	—	—	1,251,884	1,251,884
Total loans held for investment, net	\$2,998	\$—	\$2,998	\$69,638	\$12,094,152	\$12,166,788
As of September 30, 2014:						
C&I loans	\$124	\$—	\$124	\$—	\$6,422,223	\$6,422,347
CRE construction loans	—	—	—	—	94,195	94,195
CRE loans	—	—	—	18,876	1,670,287	1,689,163
Tax-exempt	—	—	—	—	122,218	122,218
Residential mortgage loans:						
First mortgage loans	1,648	—	1,648	61,391	1,668,724	1,731,763
Home equity loans/lines	57	—	57	398	19,529	19,984
SBL	—	—	—	—	1,023,748	1,023,748
Total loans held for investment, net	\$1,829	\$—	\$1,829	\$80,665	\$11,020,924	\$11,103,418

(1)

Includes \$36.9 million and \$41.4 million of nonaccrual loans at March 31, 2015 and September 30, 2014, respectively, which are performing pursuant to their contractual terms.

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

Nonperforming loans represent those loans on nonaccrual status, troubled debt restructurings, and accruing loans which are 90 days or more past due and in the process of collection. 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 \$487 thousand and \$1.2 million for the three and six months ended March 31, 2015, respectively, and \$1 million and \$1.8 million for the three and six months ended March 31, 2014, respectively. The interest income recognized on nonperforming loans was \$417 thousand and \$645 thousand for the three and six months ended March 31, 2015, respectively, and \$326 thousand and \$888 thousand for the three and six months ended March 31, 2014, respectively.

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Other real estate owned, included in other assets on our Condensed Consolidated Statements of Financial Condition, was \$6.5 million at March 31, 2015 and \$5.4 million at September 30, 2014.

Impaired loans and troubled debt restructurings

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

	March 31, 2015			September 30, 2014		
	Gross recorded investment (in thousands)	Unpaid principal balance	Allowance for losses	Gross recorded investment	Unpaid principal balance	Allowance for losses
Impaired loans with allowance for loan losses: ⁽¹⁾						
C&I loans	\$11,418	\$12,022	\$1,220	\$11,959	\$12,563	\$1,289
Residential - first mortgage loans	39,266	54,529	4,376	43,806	61,372	5,012
Total	50,684	66,551	5,596	55,765	73,935	6,301
Impaired loans without allowance for loan losses: ⁽²⁾						
CRE loans	17,171	28,446	—	18,876	39,717	—
Residential - first mortgage loans	19,751	29,451	—	21,987	32,949	—
Total	36,922	57,897	—	40,863	72,666	—
Total impaired loans	\$87,606	\$124,448	\$5,596	\$96,628	\$146,601	\$6,301

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

When the discounted cash flow, collateral value or market value equals or exceeds the carrying value of the loan, (2) 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 \$17.2 million CRE, \$11.4 million of C&I, and \$33.9 million residential first mortgage TDR's at March 31, 2015, and \$18.9 million CRE, \$12 million C&I, and \$36.6 million residential first mortgage TDR's at September 30, 2014.

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 March 31,		Six months ended March 31,	
	2015	2014	2015	2014
(in thousands)				
Average impaired loan balance:				
C&I loans	\$11,613	\$—	\$11,732	\$35
CRE loans	17,257	24,702	17,394	24,949
Residential mortgage loans:				
First mortgage loans	59,875	71,277	61,493	71,818
Home equity loans/lines	—	36	—	36
Total	\$88,745	\$96,015	\$90,619	\$96,838

Interest income recognized:

Residential mortgage loans:

First mortgage loans	\$426	\$391	\$741	\$1,027
Total	\$426	\$391	\$741	\$1,027

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During the three and six months ended March 31, 2015 and 2014, RJ Bank granted concessions to borrowers having financial difficulties, for which the resulting modification was deemed a TDR. The concessions granted for the respective first mortgage residential loans presented in the table below were interest rate reductions, amortization and maturity date extensions, capitalization of past due payments, 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 (\$ in thousands)	Pre-modification outstanding recorded investment	Post-modification outstanding recorded investment
Three months ended March 31, 2015 Residential – first mortgage loans	1	\$ 133	\$ 134
Three months ended March 31, 2014 Residential – first mortgage loans	4	\$ 654	\$ 702
Six months ended March 31, 2015 Residential – first mortgage loans	3	\$ 290	\$ 293
Six months ended March 31, 2014 Residential – first mortgage loans	12	\$ 2,539	\$ 2,699

There were no 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 three and six months ended March 31, 2015. During the three and six months ended March 31, 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.

As of March 31, 2015 and as of September 30, 2014, RJ Bank had one outstanding commitment on a C&I TDR in the amount of \$560 thousand.

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 SBL and residential mortgage loan portfolios and internal risk ratings, which correspond to the same standard asset classifications for the corporate 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.

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.

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

	C&I (in thousands)	CRE construction	CRE	Tax-exempt	Residential mortgage First mortgage	Home equity	SBL	Total
March 31, 2015								
Pass	\$6,712,843	\$100,914	\$1,640,839	\$361,644	\$1,867,841	\$20,125	\$1,251,884	\$11,956,090
Special mention ⁽¹⁾	69,647	—	14,566	—	16,336	66	—	100,615
Substandard ⁽¹⁾	30,710	—	17,540	—	61,546	287	—	110,083
Total	\$6,813,200	\$100,914	\$1,672,945	\$361,644	\$1,945,723	\$20,478	\$1,251,884	\$12,166,788
September 30, 2014								
Pass	\$6,321,662	\$94,195	\$1,669,897	\$122,218	\$1,647,325	\$19,572	\$1,023,748	\$10,898,617
Special mention ⁽¹⁾	83,101	—	191	—	15,346	—	—	98,638
Substandard ⁽¹⁾	17,584	—	18,167	—	69,092	412	—	105,255
Doubtful ⁽¹⁾	—	—	908	—	—	—	—	908
Total	\$6,422,347	\$94,195	\$1,689,163	\$122,218	\$1,731,763	\$19,984	\$1,023,748	\$11,103,418

(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%	\$557,456
LTV greater than 50% but less than 80%	976,306
LTV greater than 80% but less than 100%	169,304
LTV greater than 100%, but less than 120%	23,864
LTV greater than 120%	4,011
Total	\$1,730,941

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

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Allowance for loan losses and reserve for unfunded lending commitments

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

	Loans held for investment						Total
	C&I	CRE construction	CRE	Tax-exempt	Residential mortgage	SBL	
	(in thousands)						
Three months ended March 31, 2015							
Balance at beginning of period	\$109,582	\$1,709	\$25,095	\$2,738	\$15,319	2,324	\$156,767
Provision (benefit) for loan losses	1,530	(8)	900	1,171	168	176	3,937
Net (charge-offs)/recoveries:							
Charge-offs	—	—	—	—	(411)	—	(411)
Recoveries	536	—	—	—	—	6	542
Net (charge-offs)/recoveries	536	—	—	—	(411)	6	131
Foreign exchange translation adjustment	(523)	(26)	(278)	—	—	—	(827)
Balance at March 31, 2015	\$111,125	\$1,675	\$25,717	\$3,909	\$15,076	\$2,506	\$160,008
Six months ended March 31, 2015							
Balance at beginning of period	\$103,179	\$1,594	\$25,022	1,380	14,350	2,049	\$147,574
Provision for loan losses	8,364	117	1,062	2,529	787	443	13,302
Net (charge-offs)/recoveries:							
Charge-offs	(238)	—	—	—	(638)	—	(876)
Recoveries	536	—	—	—	577	14	1,127
Net (charge-offs)/recoveries	298	—	—	—	(61)	14	251
Foreign exchange translation adjustment	(716)	(36)	(367)	—	—	—	(1,119)
Balance at March 31, 2015	\$111,125	\$1,675	\$25,717	\$3,909	\$15,076	\$2,506	\$160,008
Three months ended March 31, 2014							
Balance at beginning of period	\$96,629	\$1,647	\$20,210	—	18,300	1,338	\$138,124
Provision (benefit) for loan losses	1,113	169	2,133	—	(1,641)	205	1,979
Net (charge-offs)/recoveries:							
Charge-offs	(1,805)	—	—	—	(670)	—	(2,475)
Recoveries	12	—	—	—	625	6	643
Net (charge-offs)/recoveries	(1,793)	—	—	—	(45)	6	(1,832)
Foreign exchange translation adjustment	(247)	(17)	(67)	—	—	—	(331)
Balance at March 31, 2014	\$95,702	\$1,799	\$22,276	\$—	\$16,614	\$1,549	\$137,940
Six months ended March 31, 2014							
Balance at beginning of period	\$95,994	\$1,000	\$19,266	—	19,126	1,115	\$136,501
Provision (benefit) for loan losses	2,015	824	3,062	—	(2,702)	416	3,615
Net (charge-offs)/recoveries:							
Charge-offs	(1,845)	—	—	—	(879)	—	(2,724)
Recoveries	16	—	80	—	1,069	18	1,183
Net (charge-offs)/recoveries	(1,829)	—	80	—	190	18	(1,541)
Foreign exchange translation adjustment	(478)	(25)	(132)	—	—	—	(635)
Balance at March 31, 2014	\$95,702	\$1,799	\$22,276	\$—	\$16,614	\$1,549	\$137,940

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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						Total
	C&I	CRE construction	CRE	Tax-exempt	Residential mortgage	SBL	
	(in thousands)						
March 31, 2015							
Allowance for loan losses:							
Individually evaluated for impairment	\$1,220	\$—	\$—	\$—	\$4,376	\$—	\$5,596
Collectively evaluated for impairment	109,905	1,675	25,717	3,909	10,700	2,506	154,412
Total allowance for loan losses	\$111,125	\$1,675	\$25,717	\$3,909	\$15,076	\$2,506	\$160,008
Recorded investment: ⁽¹⁾							
Individually evaluated for impairment	\$11,418	\$—	\$17,171	\$—	\$59,017	\$—	\$87,606
Collectively evaluated for impairment	6,801,782	100,914	1,655,774	361,644	1,907,184	1,251,884	12,079,182
Total recorded investment	\$6,813,200	\$100,914	\$1,672,945	\$361,644	\$1,966,201	\$1,251,884	\$12,166,788
September 30, 2014							
Allowance for loan losses:							
Individually evaluated for impairment	\$1,289	\$—	\$—	\$—	\$5,012	\$—	\$6,301
Collectively evaluated for impairment	101,890	1,594	25,022	1,380	9,338	2,049	141,273
Total allowance for loan losses	\$103,179	\$1,594	\$25,022	\$1,380	\$14,350	\$2,049	\$147,574
Recorded investment: ⁽¹⁾							
Individually evaluated for impairment	\$11,959	\$—	\$18,876	\$—	\$65,793	\$—	\$96,628
Collectively evaluated for impairment	6,410,388	94,195	1,670,287	122,218	1,685,954	1,023,748	11,006,790
Total recorded investment	\$6,422,347	\$94,195	\$1,689,163	\$122,218	\$1,751,747	\$1,023,748	\$11,103,418

(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 \$13.2 million and \$10 million at March 31, 2015 and September 30, 2014, respectively.

NOTE 8 – 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 115 - 118 of our 2014 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 March 31, 2015 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 2014 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⁾ (in thousands)	Aggregate liabilities ⁽¹⁾
March 31, 2015		
LIHTC Funds	\$156,603	\$49,467
Guaranteed LIHTC Fund ⁽²⁾	73,151	2,101
Restricted Stock Trust Fund	9,727	9,727
EIF Funds	5,559	—
Total	\$245,040	\$61,295
September 30, 2014		
LIHTC Funds	\$179,050	\$60,180
Guaranteed LIHTC Fund ⁽²⁾	74,798	—
Restricted Stock Trust Fund	6,608	6,608
EIF Funds	6,041	—
Total	\$266,497	\$66,788

⁽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.

In connection with one of the multi-investor tax credit funds in which RJTCF is the managing member, RJTCF has ⁽²⁾provided one investor member with a guaranteed return on their investment in the fund (the “Guaranteed LIHTC Fund”). See Note 15 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.

	March 31, 2015	September 30, 2014
	(in thousands)	
Assets:		
Assets segregated pursuant to regulations and other segregated assets	\$10,221	\$10,887
Receivables, other	5,817	5,812
Investments in real estate partnerships held by consolidated variable interest entities	225,557	235,858
Trust fund investment in RJF common stock ⁽¹⁾	9,726	6,607
Prepaid expenses and other assets	5,197	5,728
Total assets	\$256,518	\$264,892
Liabilities and equity:		
Trade and other payables	\$18,913	\$10,157
Intercompany payables	9,721	6,608
Loans payable of consolidated variable interest entities ⁽²⁾	34,977	43,877
Total liabilities	63,611	60,642
RJF equity	6,152	6,165
Noncontrolling interests	186,755	198,085
Total equity	192,907	204,250
Total liabilities and equity	\$256,518	\$264,892

(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 March 31,		Six months ended March 31,	
	2015	2014	2015	2014
	(in thousands)			
Revenues:				
Interest	\$2	\$—	\$2	\$1
Other	(382)	) (1,580	) 292	(1,416)
Total revenues	(380)	) (1,580	) 294	(1,415)
Interest expense	(537)	) (797	) (1,066	) (1,584)
Net revenues (expense)	(917)	) (2,377	) (772	) (2,999)
Non-interest expenses ⁽¹⁾				
Net loss including noncontrolling interests	11,085	12,052	19,099	21,017
Net loss attributable to noncontrolling interests	(12,002)	) (14,429	) (19,871	) (24,016)
Net loss attributable to RJF	(11,975)	) (14,420	) (19,858	) (23,996)
	\$(27)	) \$(9	) \$(13	) \$(20)

(1) Primarily comprised of items reported in other expense on our Condensed Consolidated Statements of Income and Comprehensive Income.

Low-income housing tax credit funds

RJTFCF is the managing member or general partner in 98 separate low-income housing tax credit funds having one or more investor members or limited partners, 86 of which are determined to be VIEs and 12 of which are determined not to be VIEs. RJTFCF has concluded that it is the primary beneficiary of eight non-guaranteed LIHTC Fund VIEs and, accordingly, consolidates these funds. In addition, RJTFCF consolidates the one Guaranteed LIHTC Fund VIE it sponsors (see Note 15 for further discussion of the guarantee obligation as well as other RJTFCF commitments). RJTFCF also consolidates six 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

RJTFCF 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 six NMTC Funds, and, as discussed in Note 2 on page 117 of our 2014 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 117 of our 2014 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.

	March 31, 2015			September 30, 2014		
	Aggregate assets	Aggregate liabilities	Our risk of loss	Aggregate assets	Aggregate liabilities	Our risk of loss
	(in thousands)					
LIHTC Funds	\$3,266,464	\$946,849	\$20,033	\$2,988,224	\$899,586	\$48,915
NMTC Funds	65,503	30	12	83,474	2	13
Other Real Estate Limited Partnerships and LLCs	29,671	36,369	172	30,202	36,262	183
Total	\$3,361,638	\$983,248	\$20,217	\$3,101,900	\$935,850	\$49,111

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

Managed Funds

As described in Note 2 on page 117 - 118 of our 2014 Form 10-K, we have subsidiaries which serve as the general partner of the Managed Funds. 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:

	March 31, 2015			September 30, 2014		
	Aggregate	Aggregate	Our risk	Aggregate	Aggregate	Our risk

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	assets	liabilities	of loss	assets	liabilities	of loss
	(in thousands)					
Managed Funds	\$102,524	\$47	\$94	\$103,618	\$11	\$94

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NOTE 9 - GOODWILL AND IDENTIFIABLE INTANGIBLE ASSETS

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

	March 31, 2015	September 30, 2014
	(in thousands)	
Goodwill	\$295,486	\$295,486
Identifiable intangible assets, net	55,187	58,775
Total goodwill and identifiable intangible assets, net	\$350,673	\$354,261

Our goodwill and identified intangible assets result from various acquisitions. See Note 13 on pages 150 - 154 of our 2014 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 page 113 of our 2014 Form 10-K.

Goodwill

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

	Three months ended March 31,			Six months ended March 31,		
	Private client group	Capital markets	Total	Private client group	Capital markets	Total
	(in thousands)					
Fiscal year 2015						
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 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

We performed our annual goodwill impairment testing during the quarter ended March 31, 2015, evaluating the balances as of December 31, 2014. 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, 2014 was required, and we concluded that none of the goodwill allocated to any of our reporting units as of December 31, 2014 was impaired. No events have occurred since December 31, 2014 that would cause us to update this 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 March 31, 2015					
Net identifiable intangible assets as of beginning of period	\$8,472	\$36,600	\$10,663	\$1,253	\$56,988
Additions	—	—	—	118	118
Amortization expense	(139)	(1,375)	(333)	(72)	(1,919)
Impairment losses	—	—	—	—	—
Net identifiable intangible assets as of end of period	\$8,333	\$35,225	\$10,330	\$1,299	\$55,187
For the six months ended March 31, 2015					
Net identifiable intangible assets as of beginning of period	\$8,611	\$37,975	\$10,996	\$1,193	\$58,775
Additions	—	—	—	233	233
Amortization expense	(278)	(2,750)	(666)	(127)	(3,821)
Impairment losses	—	—	—	—	—
Net identifiable intangible assets as of end of period	\$8,333	\$35,225	\$10,330	\$1,299	\$55,187
For the three months ended March 31, 2014					
Net identifiable intangible assets as of beginning of period	\$9,035	\$42,099	\$11,996	\$1,014	\$64,144
Additions	—	—	—	118	118
Amortization expense	(146)	(1,375)	(333)	(48)	(1,902)
Impairment losses	—	—	—	—	—
Net identifiable intangible assets as of end of period	\$8,889	\$40,724	\$11,663	\$1,084	\$62,360
For the six months ended March 31, 2014					
Net identifiable intangible assets as of beginning of period	\$9,191	\$43,474	\$12,329	\$984	\$65,978
Additions	—	—	—	189	189
Amortization expense	(302)	(2,750)	(666)	(89)	(3,807)
Impairment losses	—	—	—	—	—
Net identifiable intangible assets as of end of period	\$8,889	\$40,724	\$11,663	\$1,084	\$62,360

Identifiable intangible assets by type are presented below:

	March 31, 2015		September 30, 2014	
	Gross carrying value	Accumulated amortization	Gross carrying value	Accumulated amortization

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	(in thousands)			
Customer relationships	\$65,957	\$(16,469) \$65,957	\$(13,875)
Trade name	—	—	2,000	(2,000)
Developed technology	11,000	(6,600	) 11,000	(5,500)
Non-compete agreements	—	—	1,000	(1,000)
Mortgage servicing rights	1,726	(427) 1,493	(300)
Total	\$78,683	\$(23,496) \$81,450	\$(22,675)

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NOTE 10 – 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:

	March 31, 2015		September 30, 2014		
	Balance	Weighted-average rate ⁽¹⁾	Balance	Weighted-average rate ⁽¹⁾	
	(\$ in thousands)				
Bank deposits:					
NOW accounts	\$6,027	0.01	% \$5,792	0.01	%
Demand deposits (non-interest-bearing)	4,776	—	8,386	—	
Savings and money market accounts	10,910,547	0.02	% 9,670,043	0.02	%
Certificates of deposit	350,663	1.71	% 344,703	1.81	%
Total bank deposits ⁽²⁾	\$11,272,013	0.07	% \$10,028,924	0.09	%

(1) Weighted-average rate calculation is based on the actual deposit balances at March 31, 2015 and September 30, 2014, respectively.

Bank deposits exclude affiliate deposits of approximately \$421 million and \$509 million at March 31, 2015 and (2) September 30, 2014, respectively. These affiliate deposits include \$400 million and \$500 million, held in a deposit account on behalf of RJF as of March 31, 2015 and September 30, 2014, 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:

	March 31, 2015		September 30, 2014	
	Denominations greater than or equal to \$100,000 (in thousands)	Denominations less than \$100,000	Denominations greater than or equal to \$100,000	Denominations less than \$100,000
Three months or less	\$8,631	\$8,928	\$11,761	\$9,482
Over three through six months	9,127	12,614	9,067	10,317
Over six through twelve months	15,917	14,311	15,809	21,002
Over one through two years	46,987	35,468	33,366	27,722
Over two through three years	17,555	13,742	45,842	33,529
Over three through four years	58,808	19,563	35,362	11,301
Over four through five years	62,053	26,959	55,556	24,587
Total	\$219,078	\$131,585	\$206,763	\$137,940

Interest expense on deposits is summarized as follows:

	Three months ended March 31, 2015		Six months ended March 31, 2014	
	2015	2014	2015	2014
	(in thousands)			
Certificates of deposit	\$1,459	\$1,508	\$2,983	\$3,056

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Money market, savings and NOW accounts	631	431	1,244	828
Total interest expense on deposits	\$2,090	\$1,939	\$4,227	\$3,884

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NOTE 11 – OTHER BORROWINGS

The following table details the components of other borrowings:

	March 31, 2015	September 30, 2014
	(in thousands)	
Other borrowings:		
FHLB advances	\$ 550,000	(1) \$ 500,000 (2)
Borrowings on secured lines of credit (3)	171,600	154,700
Borrowings on ClariVest revolving credit facility (4)	116	216
Borrowings on unsecured lines of credit (5)	—	—
Total other borrowings	\$721,716	\$654,916

Borrowings from the FHLB as of March 31, 2015 are comprised of two floating-rate advances. One FHLB advance in the amount of \$250 million, matures in September 2017, and has an interest rate which resets monthly. RJ Bank has the option to prepay this advance on each interest reset date without penalty. The other FHLB advance, in the amount of \$300 million, matures in March 2017 and has an interest rate which resets quarterly. We (1) use interest rate swaps to manage the risk of increases in interest rates associated with this floating-rate advance by converting a portion of the variable interest rate to a fixed interest rate. Refer to Note 12 for information regarding these interest rate swaps which are accounted for as hedging instruments. Both of the FHLB advances are secured by a blanket lien granted to the FHLB on RJ Bank's residential mortgage loan portfolio. The weighted average interest rate on these advances is 0.27%.

Borrowings from the FHLB as of September 30, 2014 are comprised of two \$250 million floating-rate advances. The weighted average interest rate on these advances is 0.20%. These advances are secured by a (2) blanket lien granted to the FHLB on RJ Bank's residential mortgage loan portfolio and mature in September, 2017. The interest rate resets on a monthly basis for one of the advances and a quarterly basis for the other. RJ Bank has the option to prepay each advance without penalty on each interest reset date.

Other than a \$5 million borrowing outstanding on the Regions Credit Facility (as hereinafter defined) as of both (3) March 31, 2015 and September 30, 2014, any borrowings on secured lines of credit are day-to-day and are generally utilized to finance certain fixed income securities.

As of both March 31, 2015 and September 30, 2014, a subsidiary of RJF (the "Borrower") is a party to a Revolving Credit Agreement (the "Regions Credit Facility") with Regions Bank. The Regions Credit Facility provides for a revolving line of credit and is subject to a guarantee in favor of Regions Bank 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 \$91 million and the outstanding borrowings were \$5 million as of March 31, 2015. The Regions Credit Facility bears interest at a variable rate which is 2.75% over LIBOR. On April 2, 2015, the Regions Credit Facility expired, was not renewed, and the outstanding balance was paid to the Lender.

The outstanding balance on the revolving line of credit provided to ClariVest Asset Management, LLC ("ClariVest"), (4) a subsidiary of Eagle, by a third party lender (the "ClariVest Facility"). The maximum amount available to borrow under ClariVest Facility is \$500 thousand, bearing interest at a variable rate which is 1% over the lenders prime rate. The ClariVest Facility expires on September 10, 2018.

(5) 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 \$277 million and \$244 million as of March 31, 2015 and September 30, 2014, 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 13 for additional information regarding offsetting asset and liability balances as well as additional information regarding the collateral.

NOTE 12 – 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 page 106 of our 2014 Form 10-K.

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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 client 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 either directly with financial institutions or trades cleared through an exchange (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, Inc. or Morgan Keegan Capital Services, LLC (collectively the Raymond James matched book swap subsidiaries or “RJSS”) enter into derivative transactions (primarily interest rate swaps) with clients. 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 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. In these activities, we do not use derivative instruments for trading or hedging purposes. 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 client 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 \$7 million as of both March 31, 2015 and September 30, 2014, 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

We enter into derivatives contracts as part of RJ Bank’s business operations through its hedging activities, which include forward foreign exchange contracts and interest rate swaps. Each of these activities is described further below.

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.

The cash flows associated with certain assets held by RJ Bank provide interest income at fixed interest rates. Therefore, the value of these assets, absent any risk mitigation, is subject to fluctuation based upon changes in market

rates of interest over time. In February 2015, we entered into certain interest rate swap contracts (the “RJ Bank Interest Hedges”) which swap variable interest payments on certain debt for fixed interest payments. Through the RJ Bank Interest Hedges, RJ Bank is able to mitigate a significant portion of the market risk associated with certain fixed interest earning assets held by RJ Bank.

The RJ Bank Interest Hedges are recorded at fair value on the Condensed Consolidated Statements of Financial Condition and are designated as cash flow hedges. The effective portion of the related gain or loss is recorded, net of tax, in shareholders’ equity as part of the cash flow hedge component of AOCI and subsequently reclassified to earnings when the hedged transaction affects earnings, specifically upon the incurrence of interest expense on certain borrowings. The ineffective portions of the related gain and loss are immediately recognized into earnings in the Condensed Consolidated Statements of Income and Comprehensive Income. Hedge effectiveness is assessed at inception and each reporting period utilizing regression analysis and performed using the hypothetical derivative method. However, as the key terms of the hedging instrument and hedged transaction match at inception, management expects there to be no ineffectiveness impacting earnings from this hedge while it is outstanding. As a result of these derivative transactions being executed through a clearing exchange, the cash deposit associated with this transaction that we have

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provided to the exchange, is included as a component of deposits with clearing organizations on our Condensed Consolidated Statements of Financial Condition. The fair value of RJ Bank Interest Hedges is obtained from internal pricing models that consider current market trading levels and the contractual prices for the underlying financial instruments, as well as time value, yield curve and other volatility factors underlying the positions. Since our model inputs can be observed in a liquid market and the models do not require significant judgment, such derivative contracts are classified within Level 2 of the fair value hierarchy. We utilize values obtained from a third party to corroborate the output of our internal pricing models.

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. 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 13 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 \$19 million as of March 31, 2015 and \$21 million as of September 30, 2014. 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 \$19 million and \$23 million at March 31, 2015 and September 30, 2014, respectively. Our maximum loss exposure under the interest rate swap contracts arising from our OTC Derivatives Operations at March 31, 2015 is \$42 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. As of March 31, 2015, all of RJ Bank's forward foreign exchange contracts are assets, therefore we consider there to be no significant exposure to loss under these contracts.

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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.