RAYMOND JAMES FINANCIAL INC
Form 10-Q
February 07, 2014
Index

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

FORM 10-Q

(Mark one)

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

For the quarterly period ended December 31, 2013

or

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

For the transition period from to

Commission File Number: 1-9109

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

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

880 Carillon Parkway, St. Petersburg, Florida 33716
(Address of principal executive offices) (Zip Code)
(727) 567-1000
(Registrant's telephone number, including area code)
None
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or such shorter period that the registrant was required to submit and post such files). Yes x No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes ¨ No x

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

140,747,875 shares of common stock as of February 3, 2014

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

Form 10-Q for the quarter ended December 31, 2013

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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)

	December 31, 2013	September 30, 2013
	(in thousands)	
Assets:		
Cash and cash equivalents	$2,801,952	$2,596,616
Assets segregated pursuant to regulations and other segregated assets	2,592,164	4,064,827
Securities purchased under agreements to resell and other collateralized financings	638,893	709,120
Financial instruments, at fair value:		
Trading instruments	453,046	579,705
Available for sale securities	659,537	698,844
Private equity investments	209,977	216,391
Other investments	259,062	248,512
Derivative instruments associated with offsetting matched book positions	209,438	250,341
Receivables:		
Brokerage clients, net	1,899,057	1,983,340
Stock borrowed	134,706	146,749
Bank loans, net	9,312,762	8,821,201
Brokers-dealers and clearing organizations	88,697	243,101
Loans to financial advisors, net	412,566	409,080
Other	417,485	407,329
Deposits with clearing organizations	127,028	126,405
Prepaid expenses and other assets	639,603	611,425
Investments in real estate partnerships held by consolidated variable interest entities	268,786	272,096
Property and equipment, net	241,109	244,416
Deferred income taxes, net	198,997	195,160
Goodwill and identifiable intangible assets, net	359,630	361,464
Total assets	$21,924,495	$23,186,122

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

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

	December 31, 2013	September 30, 2013
	($ in thousands)	
Liabilities and equity:		
Trading instruments sold but not yet purchased, at fair value	$216,553	$220,656
Securities sold under agreements to repurchase	345,701	300,933
Derivative instruments associated with offsetting matched book positions, at fair value	209,438	250,341
Payables:		
Brokerage clients	4,189,121	5,942,843
Stock loaned	250,752	354,377
Bank deposits	10,005,438	9,295,371
Brokers-dealers and clearing organizations	73,401	109,611
Trade and other	608,611	630,344
Other borrowings	78,767	84,076
Accrued compensation, commissions and benefits	574,777	741,787
Loans payable of consolidated variable interest entities	52,738	62,938
Corporate debt	1,193,610	1,194,508
Total liabilities	17,798,907	19,187,785
Commitments and contingencies (see Note 16)		
Equity		
Preferred stock; $.10 par value; authorized 10,000,000 shares; issued and outstanding -0- shares	—	—
Common stock; $.01 par value; authorized 350,000,000 shares; issued 145,286,113 at December 31, 2013 and 144,559,772 at September 30, 2013	1,436	1,429
Additional paid-in capital	1,171,989	1,136,298
Retained earnings	2,728,175	2,635,026
Treasury stock, at cost; 5,086,328 common shares at December 31, 2013 and 5,002,666 common shares at September 30, 2013	(125,069)	(120,555)
Accumulated other comprehensive income	5,545	10,726
Total equity attributable to Raymond James Financial, Inc.	3,782,076	3,662,924
Noncontrolling interests	343,512	335,413
Total equity	4,125,588	3,998,337
Total liabilities and equity	$21,924,495	$23,186,122

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

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

	Three months ended December 31,	
	2013	2012
	(in thousands, except per share amounts)	
Revenues:		
Securities commissions and fees	$782,180	$738,584
Investment banking	79,797	84,870
Investment advisory fees	93,414	62,070
Interest	117,093	123,126
Account and service fees	93,574	88,451
Net trading profit	18,151	9,339
Other	24,565	31,069
Total revenues	1,208,774	1,137,509
Interest expense	25,372	28,021
Net revenues	1,183,402	1,109,488
Non-interest expenses:		
Compensation, commissions and benefits	804,945	762,548
Communications and information processing	61,854	60,366
Occupancy and equipment costs	39,685	39,478
Clearance and floor brokerage	9,954	10,168
Business development	32,244	30,629
Investment sub-advisory fees	11,799	8,050
Bank loan loss provision	1,636	2,923
Acquisition related expenses	—	17,382
Other	42,473	30,777
Total non-interest expenses	1,004,590	962,321
Income including noncontrolling interests and before provision for income taxes	178,812	147,167
Provision for income taxes	62,291	53,273
Net income including noncontrolling interests	116,521	93,894
Net (loss) income attributable to noncontrolling interests	(112)	8,020
Net income attributable to Raymond James Financial, Inc.	$116,633	$85,874
Net income per common share – basic	$0.83	$0.62
Net income per common share – diluted	$0.81	$0.61
Weighted-average common shares outstanding – basic	139,089	136,524
Weighted-average common and common equivalent shares outstanding – diluted	142,597	138,694
Net income attributable to Raymond James Financial, Inc.	$116,633	$85,874
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	1,094	10,138
Change in currency translations and net investment hedges	(6,275)	(3,686)
Total comprehensive income	$111,452	$92,326

Other-than-temporary impairment:		
Total other-than-temporary impairment, net	$1,584	$3,354
Portion of pre-tax recoveries recognized in other comprehensive income	(1,611)	(3,739)
Net impairment losses recognized in other revenue	$(27)	$(385)

(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)

	Three months ended December 31,	
	2013	2012
	(in thousands, except per share amounts)	
Common stock, par value $.01 per share:		
Balance, beginning of year	$1,429	$1,404
Other issuances	7	13
Balance, end of period	1,436	1,417
Additional paid-in capital:		
Balance, beginning of year	1,136,298	1,030,288
Employee stock purchases	3,391	3,273
Exercise of stock options and vesting of restricted stock units, net of forfeitures	7,460	18,542
Restricted stock, stock option and restricted stock unit expense	19,148	17,154
Excess tax benefit from share-based payments	5,923	2,071
Other	(231)	252
Balance, end of period	1,171,989	1,071,580
Retained earnings:		
Balance, beginning of year	2,635,026	2,346,563
Net income attributable to Raymond James Financial, Inc.	116,633	85,874
Cash dividends declared	(23,188)	(19,466)
Other	(296)	(410)
Balance, end of period	2,728,175	2,412,561
Treasury stock:		
Balance, beginning of year	(120,555)	(118,762)
Purchases/surrenders	(1,850)	(6,899)
Exercise of stock options and vesting of restricted stock units, net of forfeitures	(2,664)	4,005
Balance, end of period	(125,069)	(121,656)
Accumulated other comprehensive income:(1)		
Balance, beginning of year	$10,726	$9,447
Net change in unrealized losses on available for sale securities and non-credit portion of other-than-temporary impairment losses, net of tax	1,094	10,138
Net change in currency translations and net investment hedges, net of tax	(6,275)	(3,686)
Balance, end of period	5,545	15,899
Total equity attributable to Raymond James Financial, Inc.	$3,782,076	$3,379,801
Noncontrolling interests:		
Balance, beginning of year	$335,413	$411,342
Net (loss) income attributable to noncontrolling interests	(112)	8,020
Capital contributions	11,682	13,281
Distributions	(8,345)	(9,972)
Consolidation of acquired entity (2)	—	7,592

Other	4,874	(482)
Balance, end of period	343,512	429,781
Total equity	$4,125,588	$3,809,582

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

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

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

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

	Three months ended December 31,	
	2013	2012
	(in thousands)	
Cash flows from operating activities:		
Net income attributable to Raymond James Financial, Inc.	$116,633	$85,874
Net (loss) income attributable to noncontrolling interests	(112)	8,020
Net income including noncontrolling interests	116,521	93,894
Adjustments to reconcile net income including noncontrolling interests to net cash provided by operating activities:		
Depreciation and amortization	16,609	16,418
Deferred income taxes	(4,343)	2,104
Premium and discount amortization on available for sale securities and unrealized/realized gain on other investments	(6,664)	(4,501)
Provisions for loan losses, legal proceedings, bad debts and other accruals	5,265	3,954
Share-based compensation expense	20,876	17,783
Other	(8,685)	3,455
Net change in:		
Assets segregated pursuant to regulations and other segregated assets	1,472,663	(637,306)
Securities purchased under agreements to resell and other collateralized financings, net of securities sold under agreements to repurchase	114,995	(8,309)
Stock loaned, net of stock borrowed	(91,582)	(129,825)
(Loans provided to) repayments of loans, to financial advisors, net	(7,058)	2,196
Brokerage client receivables and other accounts receivable, net	228,526	225,982
Trading instruments, net	117,067	(27,780)
Prepaid expenses and other assets	6,767	(46,978)
Brokerage client payables and other accounts payable	(1,812,395)	958,958
Accrued compensation, commissions and benefits	(168,328)	(154,518)
Proceeds from sales of securitizations and loans held for sale, net of purchases and originations of loans held for sale	22,205	(75,467)
Excess tax benefits from share-based payment arrangements	(5,923)	(2,071)
Net cash provided by operating activities	16,516	237,989
Cash flows from investing activities:		
Additions to property and equipment	(12,691)	(18,935)
Increase in bank loans, net	(585,879)	(427,886)
Proceeds from sales of loans held for investment	57,973	40,815
Purchases of private equity and other investments, net of sales	(14,821)	(4,422)
Purchases of available for sale securities	(1,306)	(26)
Available for sale securities maturations, repayments and redemptions	51,060	35,144
Proceeds from sales of available for sale securities	370	—
Investments in real estate partnerships held by consolidated variable interest entities, net of other investing activity	—	(864)
Business acquisition, net of cash acquired	—	(6,450)

Net cash used in investing activities	$(505,294)	$(382,624)

(continued on next page)

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

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

	Three months ended December 31,	
	2013	2012
	(in thousands)	
Cash flows from financing activities:		
Proceeds from borrowed funds, net	$367	$132,000
Repayments of borrowed funds, net	(6,621)	(129,150)
Repayments of borrowings by consolidated variable interest entities which are real estate partnerships	(10,956)	(11,344)
Proceeds from capital contributed to and borrowings of consolidated variable interest entities which are real estate partnerships	11,666	13,224
Exercise of stock options and employee stock purchases	10,598	26,849
Increase in bank deposits	710,067	346,952
Purchase of treasury stock	(5,028)	(8,271)
Dividends on common stock	(20,280)	(17,968)
Excess tax benefits from share-based payment arrangements	5,923	2,071
Net cash provided by financing activities	695,736	354,363
Currency adjustment:		
Effect of exchange rate changes on cash	(1,622)	(2,041)
Net increase in cash and cash equivalents	205,336	207,687
Cash and cash equivalents at beginning of year	2,596,616	1,980,020
Cash and cash equivalents at end of period	$2,801,952	$2,187,707
Supplemental disclosures of cash flow information:		
Cash paid for interest	$24,448	$27,093
Cash paid for income taxes	$78,074	$10,650
Non-cash transfers of loans to other real estate owned	$989	$596

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)
December 31, 2013

NOTE 1 – INTRODUCTION AND BASIS OF PRESENTATION

Description of business

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

Basis of presentation

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

Accounting estimates and assumptions

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

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

Fiscal year 2013 Acquisition

On December 24, 2012, we completed our acquisition of a 45% interest in ClariVest Asset Management, LLC (“ClariVest”), an acquisition that bolsters our platform in the large-cap investment objective. See Note 3 for additional information.

Adoption of new accounting guidance

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

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In February 2013, the FASB issued new guidance intended to improve the reporting of reclassifications out of accumulated other comprehensive income (“AOCI”). The new guidance requires us to report the effect of significant reclassifications out of AOCI on the respective line items in net income if the amount being reclassified is required under GAAP to be reclassified in its entirety to net income. For other amounts that are not required under GAAP to be reclassified in their entirety to net income in the same reporting period, we are required to cross-reference other disclosures required under GAAP that provide additional detail about those amounts. This new guidance is first effective for our quarter ended December 31, 2013. See Note 17 for these additional disclosures.

Significant subsidiaries

As of December 31, 2013, our significant subsidiaries, all wholly owned, include: Raymond James & Associates, Inc. (“RJ&A”) a domestic broker-dealer carrying client accounts, Raymond James Financial Services, Inc. (“RJFS”) an introducing domestic broker-dealer, Raymond James Financial Services Advisors, Inc. (“RJFSA”) a registered investment advisor, Raymond James Ltd. (“RJ Ltd.”) a broker-dealer headquartered in Canada, Eagle Asset Management, Inc. (“Eagle”), and Raymond James Bank, N.A. (“RJ Bank”), a national bank.

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

NOTE 2 – UPDATE OF SIGNIFICANT ACCOUNTING POLICIES

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

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

As more fully described in Note 2, page 112, of our 2013 Form 10-K, we have certain financing receivables that arise from businesses other than our banking business. Specifically, we offer loans to financial advisors and certain key revenue producers, primarily for recruiting and retention purposes. We present the outstanding balance of loans to financial advisors on our Condensed Consolidated Statements of Financial Condition, net of their applicable allowances for doubtful accounts. The allowance for doubtful accounts balance associated with all of our loans to financial advisors is $2.7 million and $2.8 million at December 31, 2013 and September 30, 2013, respectively. Of the December 31, 2013 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 $3.4 million.

Reclassifications

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

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

NOTE 3 – ACQUISITIONS

Acquisitions during fiscal year 2013

On December 24, 2012, (the “ClariVest Acquisition Date”) we completed our acquisition of a 45% interest in ClariVest. On the ClariVest Acquisition Date, we paid approximately $8.8 million in cash to the sellers for our interest. A computation based upon the actual earnings of ClariVest during the one year period since the ClariVest Acquisition Date has been performed and an estimate of the additional contingent consideration owed to the sellers has been reflected in these condensed consolidated financial statements.

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

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

Acquisition related expense

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

	Three months ended December 31, 2012
	(in thousands)
Information systems integration and conversion costs (1)	$12,164
Financial advisory fees	1,176
Occupancy and equipment costs (2)	566
Severance (3)	399
Temporary services	214
Legal	24
Other integration costs	2,839
Total acquisition related expense	$17,382

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

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

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

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

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

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

	December 31, 2013	September 30, 2013
	(in thousands)	
Cash and cash equivalents:		
Cash in banks	$2,799,832	$2,593,890
Money market fund investments	2,120	2,726
Total cash and cash equivalents [(1)]	2,801,952	2,596,616
Cash segregated pursuant to federal regulations and other segregated assets [(2)]	2,592,164	4,064,827
Deposits with clearing organizations [(3)]	127,028	126,405
	$5,521,144	$6,787,848

(1) The total amounts presented include cash and cash equivalents of $1.07 billion and $1.02 billion as of December 31, 2013 and September 30, 2013, respectively, which are either held directly by RJF or are otherwise invested by one of our subsidiaries on behalf of RJF, and are available without restrictions.

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

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

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NOTE 5 – FAIR VALUE

For a discussion of our valuation methodologies for assets, liabilities measured at fair value, and the fair value hierarchy, see Note 2, pages 107 - 111, in our 2013 Form 10-K.

There have been no material changes to our valuation methodologies since our year ended September 30, 2013.

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

December 31, 2013	Quoted prices in active markets for identical assets (Level 1) [1] (in thousands)	Significant other observable inputs (Level 2) [1]	Significant unobservable inputs (Level 3)	Netting adjustments [2]	Balance as of December 31, 2013
Assets at fair value on a recurring basis:					
Trading instruments:					
Municipal and provincial obligations	$38	$113,310	$—	$—	$113,348
Corporate obligations	1,959	61,822	—	—	63,781
Government and agency obligations	7,260	95,883	—	—	103,143
Agency mortgage-backed securities (“MBS”) and collateralized mortgage obligations (“CMOs”)	2,209	96,446	—	—	98,655
Non-agency CMOs and asset-backed securities (“ABS”)	—	6,702	13	—	6,715
Total debt securities	11,466	374,163	13	—	385,642
Derivative contracts	—	83,457	—	(61,464)	21,993
Equity securities	25,930	3,591	35	—	29,556
Other	1,405	10,251	4,199	—	15,855
Total trading instruments	38,801	471,462	4,247	(61,464)	453,046
Available for sale securities:					
Agency MBS and CMOs	—	310,162	—	—	310,162
Non-agency CMOs	—	126,598	46	—	126,644
Other securities	2,151	—	—	—	2,151
Auction rate securities (“ARS”):					
Municipals	—	—	108,458 [3]	—	108,458
Preferred securities	—	—	112,122	—	112,122
Total available for sale securities	2,151	436,760	220,626	—	659,537
Private equity investments	—	—	209,977 [4]	—	209,977
Other investments [5]	254,840	2,273	1,949	—	259,062
Derivative instruments associated with offsetting matched book positions	—	209,438	—	—	209,438
Other assets	—	—	15	—	15
	$295,792	$1,119,933	$436,814	$(61,464)	$1,791,075

Total assets at fair value on a recurring basis					
Assets at fair value on a nonrecurring basis: (6)					
Bank loans, net:					
Impaired loans	$—	$40,520	$50,760	$—	$91,280
Loans held for sale(7)	—	15,330	—	—	15,330
Total bank loans, net	—	55,850	50,760	—	106,610
Other real estate owned (“OREO”)(8)	—	180	—	—	180
Total assets at fair value on a nonrecurring basis	$—	$56,030	$50,760	$—	$106,790

(continued on next page)

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December 31, 2013	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 December 31, 2013
Liabilities at fair value on a recurring basis:					
Trading instruments sold but not yet purchased:					
Municipal and provincial obligations	$584	$731	$—	$—	$1,315
Corporate obligations	12	15,910	—	—	15,922
Government obligations	137,369	—	—	—	137,369
Agency MBS and CMOs	2	—	—	—	2
Total debt securities	137,967	16,641	—	—	154,608
Derivative contracts	—	69,348	—	(64,025)	5,323
Equity securities	56,555	67	—	—	56,622
Total trading instruments sold but not yet purchased	194,522	86,056	—	(64,025)	216,553
Derivative instruments associated with offsetting matched book positions	—	209,438	—	—	209,438
Trade and other payables:					
Derivative contracts	—	4,744	—	—	4,744
Other liabilities	—	—	1,417 [(9)]	—	1,417
Total trade and other payables	—	4,744	1,417	—	6,161
Total liabilities at fair value on a recurring basis	$194,522	$300,238	$1,417	$(64,025)	$432,152

(1) We had no transfers of financial instruments from Level 1 to Level 2 during the three months ended December 31, 2013. We had no transfers of financial instruments from Level 2 to Level 1 during the three months ended December 31, 2013. Our policy is that the end of each respective quarterly reporting period determines when transfers of financial instruments between levels are recognized.

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

(3) Includes $56 million of Jefferson County, Alabama Limited Obligation School Warrants ARS.

(4) Of the total private equity investments, the weighted-average portion we own is approximately 41%. Effectively, the economics associated with the portions of these investments we do not own become a component of noncontrolling interests on our Condensed Consolidated Statements of Financial Condition, and amounted to approximately $56 million of the total as of December 31, 2013.

(5)

Other investments include $189 million of financial instruments that are related to MK & Co.'s obligations to perform under certain of its historic deferred compensation plans (see Note 2 page 119, and Note 23, page 176, of our 2013 Form 10-K for further information regarding these plans).

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

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

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

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

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

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

(continued on next page)

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

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

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

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

(4) Of the total private equity investments, the weighted-average portion we own is approximately 41%. Effectively, the economics associated with the portions of these investments we do not own become a component of noncontrolling interests on our Condensed Consolidated Statements of Financial Condition, and amounted to

approximately $63 million of the total as of September 30, 2013.

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

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

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

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

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

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The adjustment to fair value of the nonrecurring fair value measures for the three months ended December 31, 2013 resulted in a $104 thousand reversal of provision for loan losses and $214 thousand in other losses. The adjustment to fair value of the nonrecurring fair value measures for the three months ended December 31, 2012 resulted in $1.6 million in additional provision for loan losses and $114 thousand in other losses.

Changes in Level 3 recurring fair value measurements

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

Additional information about Level 3 assets and liabilities measured at fair value on a recurring basis is presented below:
Three months ended December 31, 2013 Level 3 assets at fair value
(in thousands)

Financial assets											Financial liabilities
	Trading instruments			Available for sale securities			Private equity, other investments and other assets				Payables-trade and other
	Non-agency CMOs & ABS	Equity securities	Other	Non-agency CMOs	ARS – municipals	ARS - preferred securities	Private equity investments	Other investments	Other receivables	Other assets	Other liabilities
Fair value September 30, 2013	$14	$35	$3,956	$78	$130,934	$110,784	$216,391	$4,607	$2,778	$15	$(60)
Total gains (losses) for the period:											
Included in earnings	—	(1)	(169)	(27)	5,521	—	4,768 (1)	25	(2,778)	—	(1,357)
Included in other comprehensive income	—	—	—	15	(911)	1,338	—	—	—	—	—
Purchases and contributions	—	1	7,263	—	—	—	4,015	63	—	—	—
Sales	—	—	(6,851)	—	(370)	—	(7,076)	(2,698)	—	—	—
Redemptions by issuer	—	—	—	—	(26,716)	—	—	—	—	—	—
Distributions	(1)	—	—	(20)	—	—	(8,121)	(48)	—	—	—
Transfers: (2)											
Into Level 3	—	—	—	—	—	—	—	—	—	—	—
Out of Level 3	—	—	—	—	—	—	—	—	—	—	—
Fair value December 31, 2013	$13	$35	$4,199	$46	$108,458	$112,122	$209,977	$1,949	$—	$15	$(1,417)
	$20	$—	$(169)	$(27)	$(911)	$1,338	$2,277	$176	$—	$—	$(1,357)

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

(1) Primarily results from valuation adjustments of certain private equity investments. Since we only own a portion of these investments, our share of the net valuation adjustments resulted in a gain of $4.4 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.

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Three months ended December 31, 2012
Level 3 assets at fair value
(in thousands)

Financial assets										Financial liabilities
	Trading instruments				Available for sale securities			Private equity and other investments		Payables-trade and other
	Municipal & provincial obligations	Non-agency CMOs & ABS	Equity securities	Other	Non-agency CMOs	ARS – municipals	ARS - preferred securities	Private equity investments	Other investments	Other liabilities
Fair value September 30, 2012	$553	$29	$6	$5,850	$249	$123,559	$110,193	$336,927	$4,092	$ (98)
Total gains (losses) for the period:										
Included in earnings	—	(8)	5	(31)	(335)	23	1,164	3,388 (1)	36	—
Included in other comprehensive income	—	—	—	—	223	9,961	1,606	—	—	—
Purchases,and contributions	—	—	44	1,273	—	—	25	3,593	—	—
Sales	(553)	—	(36)	(3)	—	—	—	—	—	—
Redemptions by issuer	—	—	—	—	—	(225)	(8,012)	—	—	—
Distributions	—	(3)	—	(638)	(12)	—	—	(14,141)	(5)	—
Transfers: (2)										
Into Level 3	—	—	—	—	—	—	—	—	—	—
Out of Level 3	—	—	—	—	—	—	—	—	—	—
Fair value December 31, 2012	$—	$18	$19	$6,451	$125	$133,318	$104,976	$329,767	$4,123	$ (98)
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	$—	$18	$3	$(31)	$(335)	$9,961	$1,606	$3,388 (1)	$76	$ —

(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 $1.8 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 $1.6 million.

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

As of December 31, 2013, 8.2% of our assets and 2% 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 December 31, 2013 represent 24.4% of our assets measured at fair value. In comparison, as of December 31, 2012, 11.7% and 3.4% 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 December 31, 2012 represented 22.3% of our assets measured at fair value. The balances of our level 3 assets have decreased compared to December 31, 2012 primarily as a result of an April 2013 sale of Albion Medical Holdings, Inc., which was one of our indirect investments within our private equity portfolio, and the sale or redemption of a portion of our ARS portfolio, partially offset by valuation increases in the private equity portfolio. Level 3 instruments as a percentage of total financial instruments increased by 2% as compared to December 31, 2012. Total financial instruments at December 31, 2013, primarily trading instruments, derivative instruments associated with offsetting matched book positions, and other investments which are not level 3 financial instruments have decreased as compared to both September 30, 2013 and December 31, 2012, impacting the calculation of Level 3 assets as a percentage of total financial instruments.

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

For the three months ended December 31, 2013	Net trading profit	Other revenues
	(in thousands)	
Total (losses) gains included in revenues	$(170)	$6,152
Change in unrealized (losses) gains for assets held at the end of the reporting period	$(149)	$1,496

For the three months ended December 31, 2012	Net trading profit	Other revenues
	(in thousands)	
Total (losses) gains included in revenues	$(34)	$4,276
Change in unrealized (losses) gains for assets held at the end of the reporting period	$(10)	$14,696

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 December 31, 2013 (in thousands)	Valuation technique(s)	Unobservable input	Range (weighted-average)
Recurring measurements:				
Available for sale securities:				
ARS:				
Municipals	$108,458	Discounted cash flow	Average discount rate[(a)]	3.17% - 9.12% (6.60%)
			Average interest rates applicable to future interest income on the securities[(b)]	0.84% - 7.94% (3.89%)
			Prepayment year[(c)]	2016 - 2023 (2020)
Preferred securities	$112,122	Discounted cash flow	Average discount rate[(a)]	3.12% - 5.18% (4.34%)
			Average interest rates applicable to future interest income on the securities[(b)]	1.51% - 2.79% (2.09%)
			Prepayment year[(c)]	2014 - 2018 (2018)
Private equity investments:	$37,849	Income or market approach:		
		Scenario 1 - income approach - discounted cash flow	Discount rate[(a)]	14% - 15% (14%)
			Terminal growth rate of cash flows	3% - 3% (3%)
			Terminal year	2014 - 2015 (2014)
		Scenario 2 - market approach - market multiple method	EBITDA Multiple[(d)]	4.75 - 7.00 (5.39)
			Projected EBITDA growth[(e)]	

				16.3% - 16.3% (16.3%)
			Weighting assigned to outcome of scenario 1/scenario 2	86%/14%
	$172,128	Transaction price or other investment-specific events[(f)]	Not meaningful[(f)]	Not meaningful[(f)]
Nonrecurring measurements:				
Impaired loans: residential	$25,693	Discounted cash flow	Prepayment rate	0 - 12 yrs. (7.99 yrs.)
Impaired loans: corporate	$25,067	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) Represents discount rates used when we have determined that market participants would take these discounts into account when pricing the investments.

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

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

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

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

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

(g) The valuation techniques used for the impaired corporate loan portfolio as of December 31, 2013 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 December 31, 2013, 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, pages 136 - 137, of our 2013 Form 10-K for discussion of the methods and assumptions we apply to the determination of fair value of our financial instruments that are not otherwise recorded at fair value.

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

	Quoted prices in active markets for identical assets (Level 1) (in thousands)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total estimated fair value	Carrying amount
December 31, 2013					
Financial assets:					
Bank loans, net[1]	$—	$79,633	$9,067,928	$9,147,561	$9,206,151
Financial liabilities:					
Bank deposits	$—	$9,682,359	$328,146	$10,010,505	$10,005,438
Other borrowings	$—	$78,767	$—	$78,767	$78,767
Corporate debt	$350,000	$945,394	$—	$1,295,394	$1,193,610
September 30, 2013					
Financial assets:					
Bank loans, net[1]	$—	$83,012	$8,614,755	$8,697,767	$8,700,027
Financial liabilities:					
Bank deposits	$—	$8,981,996	$320,196	$9,302,192	$9,295,371
Other borrowings	$—	$84,076	$—	$84,076	$84,706
Corporate debt	$352,520	$951,628	$—	$1,304,148	$1,194,508

(1) Excludes all impaired loans and loans held for sale which have been recorded at fair value in the Condensed Consolidated Statement of Financial Condition at December 31, 2013 and September 30, 2013, respectively.

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

	December 31, 2013		September 30, 2013	
	Trading instruments	Instruments sold but not yet purchased	Trading instruments	Instruments sold but not yet purchased
	(in thousands)			
Municipal and provincial obligations	$113,348	$1,315	$202,826	$1,777
Corporate obligations	63,781	15,922	60,406	9,111
Government and agency obligations	103,143	137,369	113,396	169,816
Agency MBS and CMOs	98,655	2	93,149	3,068
Non-agency CMOs and ABS	6,715	—	16,971	—
Total debt securities	385,642	154,608	486,748	183,772
Derivative contracts (1)	21,993	5,323	28,109	5,641
Equity securities	29,556	56,622	53,015	31,243
Other	15,855	—	11,833	—
Total	$453,046	$216,553	$579,705	$220,656

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

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

NOTE 7 – AVAILABLE FOR SALE SECURITIES

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

During the three months ended December 31, 2013, certain ARS were redeemed by their issuer or sold in market transactions. Altogether, such transactions resulted in proceeds of $27.1 million and a gain of $5.5 million in three months ended December 31, 2013 which is recorded in other revenues on our Condensed Consolidated Statements of Income and Comprehensive Income. During the three month period ended December 31, 2012, ARS with an aggregate par value of approximately $8.2 million were redeemed by their issuer at par, or sold at amounts approximating their par value pursuant to tender offers, resulting in a gain of $1.2 million which is recorded in other revenues on our Condensed Consolidated Statements of Income and Comprehensive Income.

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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)			
December 31, 2013				
Available for sale securities:				
Agency MBS and CMOs	$311,636	$628	$(2,102)	$310,162
Non-agency CMOs [1]	137,884	13	(11,253)	126,644
Other securities	1,575	576	—	2,151
Total RJ Bank available for sale securities	451,095	1,217	(13,355)	438,957
Auction rate securities:				
Municipal obligations	103,806	5,704	(1,052)	108,458
Preferred securities	104,808	7,314	—	112,122
Total auction rate securities	208,614	13,018	(1,052)	220,580
Total available for sale securities	$659,709	$14,235	$(14,407)	$659,537
September 30, 2013				
Available for sale securities:				
Agency MBS and CMOs	$326,858	$707	$(1,536)	$326,029
Non-agency CMOs [2]	142,169	4	(13,152)	129,021
Other securities	1,575	501	—	2,076
Total RJ Bank available for sale securities	470,602	1,212	(14,688)	457,126
Auction rate securities:				
Municipal obligations	125,371	6,831	(1,268)	130,934
Preferred securities	104,808	5,976	—	110,784
Total auction rate securities	230,179	12,807	(1,268)	241,718
Total available for sale securities	$700,781	$14,019	$(15,956)	$698,844

(1) As of December 31, 2013, the non-credit portion of other-than-temporary impairment (“OTTI”) recorded in AOCI was $9.5 million (before taxes).

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

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

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

	December 31, 2013				
	Within one year	After one but within five years	After five but within ten years	After ten years	Total
	($ in thousands)				
Agency MBS & CMOs:					
Amortized cost	$—	$11,233	$52,045	$248,358	$311,636
Carrying value	—	11,257	52,154	246,751	310,162
Weighted-average yield	—	0.31 %	0.44 %	1.10 %	0.96 %
Non-agency CMOs:					
Amortized cost	$—	$—	$—	$137,884	$137,884
Carrying value	—	—	—	126,644	126,644
Weighted-average yield	—	—	—	2.58 %	2.58 %
Other securities:					
Amortized cost	$—	$—	$—	$1,575	$1,575
Carrying value	—	—	—	2,151	2,151
Weighted-average yield	—	—	—	—	—
Sub-total agency MBS & CMOs, non-agency CMOs, and other securities:					
Amortized cost	$—	$11,233	$52,045	$387,817	$451,095
Carrying value	—	11,257	52,154	375,546	438,957
Weighted-average yield	—	0.31 %	0.44 %	1.59 %	1.42 %
Auction rate securities:					
Municipal obligations					
Amortized cost	$—	$1,925	$3,659	$98,222	$103,806
Carrying value	—	1,965	3,801	102,692	108,458
Weighted-average yield	—	0.20 %	0.26 %	0.43 %	0.42 %
Preferred securities:					
Amortized cost	$—	$—	$—	$104,808	$104,808
Carrying value	—	—	—	112,122	112,122
Weighted-average yield	—	—	—	0.23 %	0.23 %
Sub-total auction rate securities:					
Amortized cost	$—	$1,925	$3,659	$203,030	$208,614
Carrying value	—	1,965	3,801	214,814	220,580
Weighted-average yield	—	0.20 %	0.26 %	0.33 %	0.33 %

Total available for sale securities:					
Amortized cost	$—	$13,158	$55,704	$590,847	$659,709
Carrying value	—	13,222	55,955	590,360	659,537
Weighted-average yield	—	0.29 %	0.43 %	1.14 %	1.06 %

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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:

	December 31, 2013					
	Less than 12 months		12 months or more		Total	
	Estimated fair value	Unrealized losses	Estimated fair value	Unrealized losses	Estimated fair value	Unrealized losses
	(in thousands)					
Agency MBS and CMOs	$153,116	$(1,576)	$21,674	$(526)	$174,790	$(2,102)
Non-agency CMOs	5,560	(422)	115,995	(10,831)	121,555	(11,253)
ARS municipal obligations	2,763	(276)	18,439	(776)	21,202	(1,052)
Total	$161,439	$(2,274)	$156,108	$(12,133)	$317,547	$(14,407)

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

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

Agency MBS and CMOs

The Federal National Mortgage Association ("FNMA"), the Federal Home Loan Mortgage Corporation ("FHLMC"), as well as the Government National Mortgage Association ("GNMA"), guarantee the contractual cash flows of the agency MBS and CMOs. At December 31, 2013, of the 35 of our U.S. government-sponsored enterprise MBS and CMOs in an unrealized loss position, 23 were in a continuous unrealized loss position for less than 12 months and 12 were for 12 months or more. We do not consider these securities other-than-temporarily impaired due to the guarantee provided by FNMA, FHLMC, and GNMA as to the full payment of principal and interest, and the fact that we have the ability and intent to hold these securities to maturity.

Non-agency CMOs

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

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

	December 31, 2013	
	Range	Weighted-average [1]
Default rate	0% - 29.8%	8.84%
Loss severity	0% - 77.1%	42.47%
Prepayment rate	1.5% - 45.7%	9.50%

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

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At December 31, 2013, 24 of the 25 non-agency CMOs were in a continuous unrealized loss position; 21 of which were in that position for 12 months or more and three 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 December 31, 2013 reflect the uncertainty in the markets for these instruments.

ARS

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

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

Within our ARS preferred securities, we analyze the credit ratings associated with each security as an indicator of potential credit impairment. As of December 31, 2013 and including subsequent ratings changes, all of the ARS preferred securities were rated investment grade by at least one rating agency.

Other-than-temporarily impaired securities

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

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

	Three months ended December 31,	
	2013	2012
	(in thousands)	
Amount related to credit losses on securities we held at the beginning of the period	$28,217	$27,581
Additional increases to the amount related to credit loss for which an OTTI was previously recognized	27	385
Amount related to credit losses on securities we held at the end of the period	$28,244	$27,966

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NOTE 8 – BANK LOANS, NET

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

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 pages 112 – 116 in our 2013 Form 10-K.

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

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:

	December 31, 2013		September 30, 2013	
	Balance	%	Balance	%
	($ in thousands)			
Loans held for sale, net[1]	$95,219	1 %	$110,292	1 %
Loans held for investment:				
Domestic:				
C&I loans	4,620,206	49 %	4,439,668	50 %
CRE construction loans	55,352	1 %	38,964	—
CRE loans	1,141,956	12 %	1,075,986	12 %
Residential mortgage loans	1,763,413	19 %	1,743,787	20 %
Consumer loans	665,621	7 %	554,210	6 %
Foreign:				
C&I loans	898,101	9 %	806,337	9 %
CRE construction loans	42,714	—	21,876	—
CRE loans	206,662	2 %	207,060	2 %
Residential mortgage loans	1,854	—	1,863	—
Consumer loans	1,740	—	1,595	—
Total loans held for investment	9,397,619		8,891,346	
Net unearned income and deferred expenses	(41,952)		(43,936)	
Total loans held for investment, net[1]	9,355,667		8,847,410	
Total loans held for sale and investment	9,450,886	100 %	8,957,702	100 %
Allowance for loan losses	(138,124)		(136,501)	
Bank loans, net	$9,312,762		$8,821,201	

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

RJ Bank originated or purchased $292.9 million and $381.7 million of loans held for sale during the three months ended December 31, 2013 and 2012, respectively. There were proceeds from the sale of held for sale loans of $59.8

million and $60.4 million for the three months ended December 31, 2013 and 2012, respectively, resulting in net gains of $83 thousand and $1.2 million, respectively. Unrealized losses recorded in the Condensed Consolidated Statements of Income and Comprehensive Income to reflect the loans held for sale at the lower of cost or market value were $95 thousand and $114 thousand for the three months ended December 31, 2013 and 2012, respectively.

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

	Three months ended December 31,			
	2013		2012	
	Purchases	Sales	Purchases	Sales
	(in thousands)			
C&I loans	$127,330	$60,973	$39,273	$16,539
Residential mortgage loans	27,595	—	2,410	—
Total	$154,925	$60,973	$41,683	$16,539

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

	December 31, 2013	September 30, 2013
	($ in thousands)	
Nonaccrual loans:		
C&I loans	$—	$89
CRE loans	25,068	25,512
Residential mortgage loans:		
First mortgage loans	72,168	75,889
Home equity loans/lines	387	468
Total nonaccrual loans	97,623	101,958
Real estate owned and other repossessed assets, net:		
Residential first mortgage	2,863	2,434
Total nonperforming assets, net	$100,486	$104,392
Total nonperforming assets, net as a % of RJ Bank total assets	0.89 %	0.99 %

The table of nonperforming assets above excludes $10.8 million and $10.2 million, as of December 31, 2013 and September 30, 2013, respectively, of residential TDRs which were returned to accrual status in accordance with our policy. There are no accruing loans which are 90 days past due as of December 31, 2013 and September 30, 2013.

As of December 31, 2013 and September 30, 2013, RJ Bank had no outstanding commitments on nonperforming loans.

The gross interest income related to the nonperforming loans reflected in the previous table, which would have been recorded had these loans been current in accordance with their original terms, totaled $887 thousand and $1.2 million for the three months ended December 31, 2013 and 2012, respectively. The interest income recognized on nonperforming loans was $569 thousand and $424 thousand for the three months ended December 31, 2013 and 2012, respectively.

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

	30-59 days	60-89 days	90 days or more	Total past due	Current [1]	Total loans held for investment [2]
	(in thousands)					
As of December 31, 2013:						
C&I loans	$132	$—	$—	$132	$5,518,175	$5,518,307
CRE construction loans	—	—	—	—	98,066	98,066
CRE loans	—	—	10,337	10,337	1,338,281	1,348,618
Residential mortgage loans:						
First mortgage loans	4,055	3,246	41,591	48,892	1,692,195	1,741,087
Home equity loans/lines	23	16	371	410	23,770	24,180
Consumer loans	—	—	—	—	667,361	667,361
Total loans held for investment, net	$4,210	$3,262	$52,299	$59,771	$9,337,848	$9,397,619
As of September 30, 2013:						
C&I loans	$135	$—	$—	$135	$5,245,870	$5,246,005
CRE construction loans	—	—	—	—	60,840	60,840
CRE loans	—	—	17	17	1,283,029	1,283,046
Residential mortgage loans:						
First mortgage loans	4,756	2,068	43,004	49,828	1,673,619	1,723,447
Home equity loans/lines	—	—	372	372	21,831	22,203
Consumer loans	—	—	—	—	555,805	555,805
Total loans held for investment, net	$4,891	$2,068	$43,393	$50,352	$8,840,994	$8,891,346

(1) Includes $42.4 million and $55.5 million of nonaccrual loans at December 31, 2013 and September 30, 2013, respectively, which are performing pursuant to their contractual terms.

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

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

	December 31, 2013			September 30, 2013		
	Gross recorded investment	Unpaid principal balance	Allowance for losses	Gross recorded investment	Unpaid principal balance	Allowance for losses
	(in thousands)					
Impaired loans with allowance for loan losses:[1]						
C&I loans	$—	$—	$—	$—	$—	$—
CRE loans	17	26	1	17	26	1
Residential mortgage loans:						
First mortgage loans	50,606	73,469	6,404	52,624	77,240	6,646
Home equity loans/lines	36	74	4	36	74	4
Total	50,659	73,569	6,409	52,677	77,340	6,651
Impaired loans without allowance for loan losses:[2]						

C&I loans	—	—	—	89	94	—
CRE loans	25,051	45,054	—	25,495	45,229	—
Residential - first mortgage loans	21,979	33,734	—	21,445	32,617	—
Total	47,030	78,788	—	47,029	77,940	—
Total impaired loans	$97,689	$152,357	$6,409	$99,706	$155,280	$6,651

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

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

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The preceding table includes $2.1 million CRE, and $37.6 million residential first mortgage TDR's at December 31, 2013, and $2.2 million CRE and $36.6 million residential first mortgage TDR's at September 30, 2013.

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

	Three months ended December 31,	
	2013	2012
	(in thousands)	
Average impaired loan balance:		
C&I loans	$59	$19,250
CRE loans	25,195	8,276
Residential mortgage loans:		
First mortgage loans	72,359	80,991
Home equity loans/lines	36	128
Total	$97,649	$108,645
Interest income recognized:		
Residential mortgage loans:		
First mortgage loans	$626	$326
Home equity loans/lines	—	1
Total	$626	$327

During the three months ended December 31, 2013 and 2012, RJ Bank granted concessions to borrowers having financial difficulties, for which the resulting modification was deemed a TDR. All of the concessions granted for first mortgage residential loans were generally interest rate reductions, interest capitalization, principal forbearance, amortization and maturity date extensions, or release of liability ordered under chapter 7 bankruptcy not reaffirmed by the borrower. The table below presents the TDRs that occurred during the respective periods presented:

	Number of contracts	Pre-modification outstanding recorded investment	Post-modification outstanding recorded investment
	($ in thousands)		
Three months ended December 31, 2013			
Residential – first mortgage loans	8	$1,885	$1,997
Three months ended December 31, 2012			
Residential – first mortgage loans	47	$16,123	$16,071

During the three months ended December 31, 2013, there were no residential first mortgage TDRs for which there was a payment default and for which the respective loan was modified as a TDR within the 12 months prior to the default. At December 31, 2012 there were two residential first mortgage TDRs with a recorded investment of $291 thousand, for which there was a payment default and for which the respective loan was modified as a TDR within the 12 months prior to the default.

As of December 31, 2013 and September 30, 2013, RJ Bank had no outstanding commitments on TDRs.

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

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

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

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

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

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

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

				Residential mortgage			
	C&I	CRE construction	CRE	First mortgage	Home equity	Consumer	Total
	(in thousands)						
December 31, 2013							
Pass	$5,328,633	$98,066	$1,323,155	$1,645,922	$23,778	$667,361	$9,086,915
Special mention (1)	121,729	—	193	20,263	15	—	142,200
Substandard (1)	67,945	—	23,128	74,902	387	—	166,362
Doubtful (1)	—	—	2,142	—	—	—	2,142
Total	$5,518,307	$98,066	$1,348,618	$1,741,087	$24,180	$667,361	$9,397,619
September 30, 2013							
Pass	$5,012,786	$60,840	$1,257,130	$1,627,090	$21,582	$555,805	$8,535,233
Special mention (1)	139,159	—	195	18,912	150	—	158,416
Substandard (1)	94,060	—	23,524	77,446	470	—	195,500
Doubtful (1)	—	—	2,197	—	—	—	2,197
Total	$5,246,005	$60,840	$1,283,046	$1,723,448	$22,202	$555,805	$8,891,346

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

The credit quality of RJ Bank's performing residential first mortgage loan portfolio is additionally assessed utilizing updated loan-to-value ("LTV") ratios. RJ Bank further 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.

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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%	$404,647
LTV greater than 50% but less than 80%	740,806
LTV greater than 80% but less than 100%	263,416
LTV greater than 100%, but less than 120%	47,273
LTV greater than 120% but less than 140%	10,420
LTV greater than 140%	2,289
Total	$1,468,851

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

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

	Loans held for investment					
	C&I	CRE construction	CRE	Residential mortgage	Consumer	Total
	(in thousands)					
Three months ended December 31, 2013:						
Balance at beginning of year:	$95,994	$1,000	$19,266	$19,126	$1,115	$136,501
Provision (benefit) for loan losses	902	655	929	(1,061)	211	1,636
Net (charge-offs)/recoveries:						
Charge-offs	(40)	—	—	(209)	—	(249)
Recoveries	4	—	80	444	12	540
Net (charge-offs)/recoveries	(36)	—	80	235	12	291
Foreign exchange translation adjustment	(231)	(8)	(65)	—	—	(304)
Balance at December 31, 2013	$96,629	$1,647	$20,210	$18,300	$1,338	$138,124

	Loans held for investment					
	C&I	CRE construction	CRE	Residential mortgage	Consumer	Total
	(in thousands)					
Three months ended December 31, 2012:						
Balance at beginning of year:	$92,409	$739	$27,546	$26,138	$709	$147,541
Provision (benefit) for loan losses	3,736	139	(844)	(226)	118	2,923
Net charge-offs:						
Charge-offs	(90)	—	—	(3,208)	—	(3,298)
Recoveries	—	—	544	369	5	918
Net charge-offs	(90)	—	544	(2,839)	5	(2,380)
Foreign exchange translation adjustment	(45)	(4)	(14)	—	—	(63)
Balance at December 31, 2012	$96,010	$874	$27,232	$23,073	$832	$148,021

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

	Loans held for investment					
	C&I	CRE construction	CRE	Residential mortgage	Consumer	Total
	($ in thousands)					
December 31, 2013						
Allowance for loan losses:						
Individually evaluated for impairment	$—	$—	$1	$2,417	$—	$2,418
Collectively evaluated for impairment	96,629	1,647	20,209	15,883	1,338	135,706
Total allowance for loan losses	$96,629	$1,647	$20,210	$18,300	$1,338	$138,124
Recorded investment:(1)						
Individually evaluated for impairment	$—	$—	$25,068	$37,615	$—	$62,683
Collectively evaluated for impairment	5,518,307	98,066	1,323,550	1,727,652	667,361	9,334,936
Total recorded investment	$5,518,307	$98,066	$1,348,618	$1,765,267	$667,361	$9,397,619
September 30, 2013						
Allowance for loan losses:						
Individually evaluated for impairment	$—	$—	$1	$2,379	$—	$2,380
Collectively evaluated for impairment	95,994	1,000	19,265	16,747	1,115	134,121
Total allowance for loan losses	$95,994	$1,000	$19,266	$19,126	$1,115	$136,501
Recorded investment:(1)						
Individually evaluated for impairment	$89	$—	$25,512	$36,648	$—	$62,249
Collectively evaluated for impairment	5,245,916	60,840	1,257,534	1,709,002	555,805	8,829,097
Total recorded investment	$5,246,005	$60,840	$1,283,046	$1,745,650	$555,805	$8,891,346

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

RJ Bank had no recorded investment in loans acquired with deteriorated credit quality as of either December 31, 2013 or September 30, 2013.

The reserve for unfunded lending commitments, included in trade and other payables on our Condensed Consolidated Statements of Financial Condition, was $9.8 million and $9.3 million at December 31, 2013 and September 30, 2013, respectively.

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NOTE 9 – VARIABLE INTEREST ENTITIES

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

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

Refer to Note 2 pages 120 - 122 in our 2013 Form 10-K for a description of our principal involvement with VIEs and the accounting policies regarding the determinations of whether we are deemed to be the primary beneficiary of any VIEs which we hold a variable interest. Other than as described below, as of December 31, 2013 there have been no significant changes in either the nature of our involvement with, or the accounting policies associated with the analysis of VIEs as described in the 2013 Form 10-K.

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 entities we consolidate are provided in the table below.

	Aggregate assets [1]	Aggregate liabilities [1]
	(in thousands)	
December 31, 2013		
LIHTC Funds	$203,786	$54,161
Guaranteed LIHTC Fund [2]	81,038	—
Restricted Stock Trust Fund	13,435	6,679
EIF Funds	6,573	—
Total	$304,832	$60,840
September 30, 2013		
LIHTC Funds	$208,634	$78,055
Guaranteed LIHTC Fund [2]	81,712	—
Restricted Stock Trust Fund	13,075	6,710
EIF Funds	7,588	—
Total	$311,009	$84,765

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

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

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The following table presents information about the carrying value of the assets, liabilities and equity of the VIEs which we consolidate and 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.

	December 31, 2013	September 30, 2013
	(in thousands)	
Assets:		
Assets segregated pursuant to regulations and other segregated assets	$10,710	$11,857
Receivables, other	5,800	5,763
Investments in real estate partnerships held by consolidated variable interest entities	268,786	272,096
Trust fund investment in RJF common stock (1)	13,433	13,073
Prepaid expenses and other assets	8,127	8,230
Total assets	$306,856	$311,019
Liabilities and equity:		
Trade and other payables	$7,236	$1,428
Intercompany payables	6,663	6,390
Loans payable of consolidated variable interest entities (2)	52,738	62,938
Total liabilities	66,637	70,756
RJF equity	6,164	6,175
Noncontrolling interests	234,055	234,088
Total equity	240,219	240,263
Total liabilities and equity	$306,856	$311,019

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

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

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

	Three months ended December 31,	
	2013	2012
	(in thousands)	
Revenues:		
Interest	$—	$3
Other	184	1,515
Total revenues	184	1,518
Interest expense	787	1,049
Net revenues (expense)	(603)	469
Non-interest expenses	8,966	4,691
Net loss including noncontrolling interests	(9,569)	(4,222)
Net loss attributable to noncontrolling interests	(9,558)	(4,253)
Net income (loss) attributable to RJF	$(11)	$31

Low-income housing tax credit funds

RJTCF is the managing member or general partner in approximately 87 separate low-income housing tax credit funds having one or more investor members or limited partners, 75 of which are determined to be VIEs and 12 of which are determined not to be VIEs. RJTCF has concluded that it is the primary beneficiary of eight non-guaranteed LIHTC Fund VIEs and accordingly, consolidates these funds. In addition, RJTCF consolidates the one Guaranteed LIHTC Fund VIE it sponsors (see Note 16 for further discussion of the guarantee obligation as well as other RJTCF commitments). RJTCF also consolidates seven of the funds it determined not to be VIEs.

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

Low-income housing tax credit funds

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

New market tax credit funds

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

Other real estate limited partnerships and LLCs

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

Aggregate assets, liabilities and risk of loss

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

	December 31, 2013			September 30, 2013		
	Aggregate assets	Aggregate liabilities	Our risk of loss	Aggregate assets	Aggregate liabilities	Our risk of loss
	(in thousands)					
LIHTC Funds	$2,625,931	$749,905	$16,198	$2,532,457	$762,346	$14,387
NMTC Funds	140,510	123	13	140,499	278	13
Other Real Estate Limited Partnerships and LLCs	29,647	36,377	205	30,240	35,512	212
Total	$2,796,088	$786,405	$16,416	$2,703,196	$798,136	$14,612

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

Managed Funds

As described in Note 2 on page 122 of our 2013 Form 10-K, we have subsidiaries which serve as the general partner of the Managed Funds, which we determined to be VIEs that we are not required to consolidate since these funds satisfy the conditions for deferral of the determination of who is the primary beneficiary and therefore, the obligation to consolidate.

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:

	December 31, 2013			September 30, 2013		
	Aggregate assets	Aggregate liabilities	Our risk of loss	Aggregate assets	Aggregate liabilities	Our risk of loss

	(in thousands)					
Managed Funds	$55,454	$1	$207	$56,321	$1,415	$202

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NOTE 10 - GOODWILL AND IDENTIFIABLE INTANGIBLE ASSETS

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

	December 31, 2013	September 30, 2013
	(in thousands)	
Goodwill	$295,486	$295,486
Identifiable intangible assets, net	64,144	65,978
Total goodwill and identifiable intangible assets, net	$359,630	$361,464

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

Goodwill

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

	Segment Private client group (in thousands)	Capital markets	Total
Three months ended December 31, 2013			
Goodwill as of beginning of period	$174,584	$120,902	$295,486
Impairment losses	—	—	—
Goodwill as of December 31, 2013	$174,584	$120,902	$295,486
Three months ended December 31, 2012			
Goodwill as of beginning of period	$173,317	$126,794	$300,111
Adjustments to prior year additions (1)	1,267	1,041	2,308
Impairment losses	—	—	—
Goodwill as of December 31, 2012	$174,584	$127,835	$302,419

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

We performed our latest annual goodwill impairment testing during the quarter ended March 31, 2013, evaluating the balances as of December 31, 2012. See pages 156 - 157 of our 2013 Form 10-K for information regarding the outcome of our evaluations. No events have occurred since September 30, 2013 that would cause us to update our latest annual impairment testing.

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Identifiable intangible assets, net

The following summarizes 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 December 31, 2013					
Net identifiable intangible assets as of September 30, 2013	$9,191	$43,474	$12,329	$984	$65,978
Additions	—	—	—	71	71
Amortization expense	(156)	(1,375)	(333)	(41)	(1,905)
Impairment losses	—	—	—	—	—
Net identifiable intangible assets as of December 31, 2013	$9,035	$42,099	$11,996	$1,014	$64,144
For the three months ended December 31, 2012					
Net identifiable intangible assets as of September 30, 2012	$9,829	$51,306	$—	$—	$61,135
Additions	—	—	13,329 (1)	—	13,329
Amortization expense	(165)	(2,208)	—	—	(2,373)
Impairment losses	—	—	—	—	—
Net identifiable intangible assets as of December 31, 2012	$9,664	$49,098	$13,329	$—	$72,091

(1) The additions in the prior year period are directly attributable to the customer list asset associated with our first quarter fiscal year 2013 acquisition of a 45% interest in ClariVest (see Note 3 for additional information). Since we are consolidating ClariVest, the amount represents the entire customer relationship intangible asset associated with the acquisition transaction; the amount shown is unadjusted by the 55% share of ClariVest attributable to others. The estimated useful life associated with this addition is approximately 10 years.

Identifiable intangible assets by type are presented below:

	December 31, 2013		September 30, 2013	
	Gross carrying value (in thousands)	Accumulated amortization	Gross carrying value	Accumulated amortization
Customer relationships	$65,957	$(9,977)	$65,957	$(8,663)
Trade name	2,000	(2,000)	2,000	(2,000)
Developed technology	11,000	(3,850)	11,000	(3,300)
Non-compete agreements	1,000	(1,000)	1,000	(1,000)
Mortgage servicing rights	1,156	(142)	1,085	(101)
Total	$81,113	$(16,969)	$81,042	$(15,064)

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NOTE 11 – BANK DEPOSITS

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

	December 31, 2013			September 30, 2013		
	Balance	Weighted-average rate [1]		Balance	Weighted-average rate [1]	
	($ in thousands)					
Bank deposits:						
NOW accounts	$8,976	0.01	%	$7,003	0.01	%
Demand deposits (non-interest-bearing)	5,126	—		8,555	—	
Savings and money market accounts	9,668,257	0.02	%	8,966,439	0.02	%
Certificates of deposit	323,079	1.94	%	313,374	1.96	%
Total bank deposits[2]	$10,005,438	0.08	%	$9,295,371	0.09	%

(1) Weighted-average rate calculation is based on the actual deposit balances at December 31, 2013 and September 30, 2013, respectively.

(2) Bank deposits exclude affiliate deposits of approximately $7 million and $6 million at December 31, 2013 and September 30, 2013, respectively.

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

Scheduled maturities of certificates of deposit are as follows:

	December 31, 2013		September 30, 2013	
	Denominations greater than or equal to $100,000	Denominations less than $100,000	Denominations greater than or equal to $100,000	Denominations less than $100,000
	(in thousands)			
Three months or less	$6,934	$6,437	$7,343	$8,540
Over three through six months	4,388	6,058	5,908	6,264
Over six through twelve months	15,903	17,019	9,459	13,976
Over one through two years	26,104	36,395	31,123	37,918
Over two through three years	43,616	33,449	33,404	27,873
Over three through four years	34,501	24,254	47,822	35,270
Over four through five years	51,823	16,198	36,574	11,900
Total	$183,269	$139,810	$171,633	$141,741

Interest expense on deposits is summarized as follows:

	Three months ended December 31,	
	2013	2012
	(in thousands)	
Certificates of deposit	$1,548	$1,663
Money market, savings and NOW accounts	397	813

Total interest expense on deposits	$1,945	$2,476

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NOTE 12 – OTHER BORROWINGS

The following table details the components of other borrowings:

	December 31, 2013	September 30, 2013
	(in thousands)	
Other borrowings:		
Borrowings on secured lines of credit (1)	$78,767	$84,076
Borrowings on unsecured lines of credit (2)	—	—
Total other borrowings	$78,767	$84,076

(1) Other than a $5 million borrowing outstanding on the Regions Credit Facility (as hereinafter defined) as of December 31, 2013, any borrowings on secured lines of credit are day-to-day and are generally utilized to finance certain fixed income securities.

A subsidiary of RJF (the "Borrower") is a party to a Revolving Credit Agreement (the "Regions Credit Facility") with Regions Bank, an Alabama banking corporation (the "Lender"). The Regions Credit Facility provides for a revolving line of credit from the Lender to the Borrower and is subject to a guarantee in favor of the Lender provided by RJF. The proceeds from any borrowings under the line will be 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 under the Regions Credit Facility was $100 million as of December 31, 2013, the outstanding borrowings were $5 million on such date. The Regions Credit Facility bears interest at a variable rate which is 2.75% in excess of LIBOR, and expires on April 2, 2015.

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

RJ Bank had no advances outstanding from the Federal Home Loan Bank of Atlanta ("FHLB") as of either December 31, 2013 or September 30, 2013.

As of December 31, 2013, there were other collateralized financings outstanding in the amount of $346 million. As of September 30, 2013, there were other collateralized financings outstanding in the amount of $301 million. These other collateralized financings are included in securities sold under agreements to repurchase on the Condensed Consolidated Statements of Financial Condition. These financings are collateralized by non-customer, RJ&A-owned securities. See Note 14 for additional information regarding offsetting asset and liability balances.

NOTE 13 – DERIVATIVE FINANCIAL INSTRUMENTS

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

Derivatives arising from our fixed income business operations

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

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

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Either Raymond James Financial Products, LLC or Raymond James Capital Services, LLC (collectively referred to as the Raymond James matched book swap subsidiaries or "RJSS") enter into derivative transactions (primarily interest rate swaps) with customers. In these activities, we do not use derivative instruments for trading or hedging purposes. For every derivative transaction RJSS enters into with a customer, RJSS enters into an offsetting transaction with terms that mirror the customer transaction with a credit support provider who 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 and therefore, the ultimate credit and market risk resides with the third party financial institution. RJSS only has credit risk related to its uncollected derivative transaction fee revenues. As a result of the structure of these transactions, we refer to the derivative contracts we enter into as a result of these operations as our offsetting "matched book" derivative operations (the "Offsetting Matched Book Derivatives Operations").

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

The receivable for uncollected derivative transaction fee revenues of RJSS is $7 million and $8 million at December 31, 2013 and September 30, 2013, respectively, and is included in other receivables on our Condensed Consolidated Statements of Financial Condition.

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

Derivatives arising from RJ Bank's business operations

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

Description of the collateral we hold related to derivative contracts

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

This cash collateral is recorded net-by-counterparty at the related fair value. The cash collateral included in the net fair value of all open derivative asset positions arising from our OTC Derivatives Operations aggregates to a net liability of $11 million at December 31, 2013 and $13 million at September 30, 2013. 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 $14 million and $22 million at December 31, 2013 and September 30, 2013, respectively. Our maximum loss exposure under the interest rate swap contracts arising from our OTC Derivatives Operations at December 31, 2013 is $22 million.

RJ Bank provides to counterparties for the benefit of its U.S. subsidiaries, a guarantee of payment in the event of the subsidiaries' default under forward foreign exchange contracts. Due to this RJ Bank guarantee and the short-term nature of these derivatives, RJ Bank's U.S. subsidiaries are not required to post collateral and do not receive collateral with respect to certain derivative contracts with the respective counterparties. RJ Bank's maximum loss exposure under the forward foreign exchange contracts at December 31, 2013 is $5 million.

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Derivative balances included in our financial statements

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

	Asset derivatives December 31, 2013			September 30, 2013		
	Balance sheet location	Notional amount	Fair value[1]	Balance sheet location	Notional amount	Fair value[1]
	(in thousands)					
Derivatives not designated as hedging instruments:						
Interest rate contracts [2]	Trading instruments	$2,698,822	$83,457	Trading instruments	$2,407,387	$89,633
Interest rate contracts [3]	Derivative instruments associated with offsetting matched book positions	$1,944,408	$209,438	Derivative instruments associated with offsetting matched book positions	$1,944,408	$250,341

	Liability derivatives December 31, 2013			September 30, 2013		
	Balance sheet location	Notional amount	Fair value[1]	Balance sheet location	Notional amount	Fair value[1]
	(in thousands)					
Derivatives designated as hedging instruments:						
Forward foreign exchange contracts	Trade and other payables	$640,936	$4,236	Trade and other payables	$655,828	$637
Derivatives not designated as hedging instruments:						
Interest rate contracts [2]	Trading instruments sold	$2,343,053	$69,348	Trading instruments sold	$2,420,531	$74,920
Interest rate contracts [3]	Derivative instruments associated with offsetting matched book positions	$1,944,408	$209,438	Derivative instruments associated with offsetting matched book positions	$1,944,408	$250,341
Forward foreign exchange contracts	Trade and other payables	$77,097	$508	Trade and other payables	$79,588	$77

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

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

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

Gains recognized on forward foreign exchange derivatives in AOCI totaled $11.6 million, net of income taxes, for the three months ended December 31, 2013 (see Note 17 for additional information). There was no hedge ineffectiveness and no components of derivative gains or losses were excluded from the assessment of hedge effectiveness for the three months ended December 31, 2013.

Gains recognized on forward foreign exchange derivatives in AOCI totaled $3 million, net of income taxes, for the three months ended December 31, 2012. There was no hedge ineffectiveness and no components of derivative gains or losses were excluded from the assessment of hedge effectiveness for the three months ended December 31, 2012.

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See the table below for the impact of the derivatives not designated as hedging instruments on the Condensed Consolidated Statements of Income and Comprehensive Income:

	Location of gain (loss) recognized on derivatives in the Condensed Consolidated Statements of Income and Comprehensive Income	Amount of gain (loss) on derivatives recognized in income Three months ended December 31,	
		2013	2012
		(in thousands)	
Derivatives not designated as hedging instruments:			
Interest rate contracts [1]	Net trading profit	$649	$194
Interest rate contracts [2]	Other revenues	$20	$190
Forward foreign exchange contracts	Other revenues	$2,281	$374

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

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

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

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

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

Certain of the derivative instruments arising from our OTC Derivatives Operations and from RJ Bank's forward foreign exchange contracts contain provisions that require our debt to maintain an investment grade rating from one or more of the major credit rating agencies. If our debt were to fall below investment grade, we would be in breach of these provisions, and the counterparties to the derivative instruments could request immediate payment or demand immediate and ongoing overnight collateralization on our derivative instruments in liability positions. The aggregate fair value of all derivative instruments with such credit-risk-related contingent features that are in a liability position at

December 31, 2013 is $5.8 million, for which we have posted collateral of $3.1 million in the normal course of business. If the credit-risk-related contingent features underlying these agreements were triggered on December 31, 2013, we would have been required to post an additional $2.7 million of collateral to our counterparties.

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

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NOTE 14 – DISCLOSURE OF OFFSETTING ASSETS AND LIABILITIES

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

				Gross amounts not offset in the Statement of Financial Condition		
	Gross amounts of recognized assets (liabilities)	Gross amounts offset in the Statement of Financial Condition	Net amounts presented in the Statement of Financial Condition	Financial instruments	Cash collateral received (paid)	Net amount
	(in thousands)					
As of December 31, 2013:						
Assets						
Securities purchased under agreements to resell and other collateralized financings	$638,893	$—	$638,893	$(658,203)	$—	$(19,310)
Derivatives - interest rate contracts[1]	83,457	(61,464)	21,993	(6,240)	—	15,753
Derivative instruments associated with offsetting matched book positions	209,438	—	209,438	(209,438)[2]	—	—
Stock borrowed	134,706	—	134,706	—	(132,278)	2,428
Total assets	$1,066,494	$(61,464)	$1,005,030	$(873,881)	$(132,278)	$(1,129)
Liabilities						
Securities sold under agreements to repurchase	$(345,701)	$—	$(345,701)	$360,954	$—	$15,253
Derivatives - interest rate contracts[1]	(69,348)	64,025	(5,323)	—	—	(5,323)
Derivative instruments associated with offsetting matched book positions	(209,438)	—	(209,438)	209,438[2]	—	—
Derivatives - forward foreign exchange contracts[3]	(4,744)	—	(4,744)	—	—	(4,744)
Stock loaned	(250,752)	—	(250,752)	—	242,865	(7,887)
Total liabilities	$(879,983)	$64,025	$(815,958)	$570,392	$242,865	$(2,701)

As of September 30, 2013:
Assets

Securities purchased under agreements to resell and other collateralized financings	$709,120	$—	$709,120	$(725,935)	$—	$(16,815)
Derivatives - interest rate contracts[1]	89,633	(61,524)	28,109	(6,409)	—	21,700
Derivative instruments associated with offsetting matched book positions	250,341	—	250,341	(250,341)[2]	—	—
Stock borrowed	146,749	—	146,749	—	(143,108)	3,641
Total assets	$1,195,843	$(61,524)	$1,134,319	$(982,685)	$(143,108)	$8,526
Liabilities						
Securities sold under agreements to repurchase	$(300,933)	$—	$(300,933)	$313,548	$—	$12,615
Derivatives - interest rate contracts[1]	(74,920)	69,279	(5,641)	—	—	(5,641)
Derivative instruments associated with offsetting matched book positions	(250,341)	—	(250,341)	250,341[2]	—	—
Derivatives - forward foreign exchange contracts[3]	(714)	—	(714)	—	—	(714)
Stock loaned	(354,377)	—	(354,377)	—	342,096	(12,281)
Total liabilities	$(981,285)	$69,279	$(912,006)	$563,889	$342,096	$(6,021)

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

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

(1) Derivatives - interest rate contracts are included in Trading instruments on our condensed consolidated statements of financial condition. See Note 13 for additional information.

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

(3) Derivatives - forward foreign exchange contracts are included in Trade and other payables on our condensed consolidated statements of financial condition. See Note 13 for additional information.

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

NOTE 15 – INCOME TAXES

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

For the three months ended December 31, 2013, our effective income tax rate was 34.8%, which approximates our effective income tax rate for fiscal year 2013.

The effective income tax rate for the three months ended December 31, 2013 is lower than the 38.3% effective income tax rate for three months ended December 31, 2012. The current period effective income tax rate was favorably impacted primarily by the recognition of prior year state tax refunds which resulted from a change in state tax filing position. The current period effective income tax rate also benefited from an increase in our non-taxable income, which includes gains associated with our corporate owned life insurance portfolio.

As of December 31, 2013, we have not experienced significant changes in our unrecognized tax benefits balances as of September 30, 2013.

NOTE 16 – COMMITMENTS, CONTINGENCIES AND GUARANTEES

Commitments and contingencies

In the normal course of business we enter into underwriting commitments. As of December 31, 2013, RJ&A had no open transactions involving such commitments. Transactions involving such commitments of RJ Ltd. that were recorded and open at December 31, 2013, were approximately $1 million in Canadian currency ("CDN").

We utilize client marginable securities to satisfy deposits with clearing organizations. At December 31, 2013, we had client margin securities valued at $207 million pledged with a clearing organization to meet our requirement of $144 million.

As part of our recruiting efforts, we offer loans to prospective financial advisors and certain key revenue producers primarily for recruiting and/or retention purposes (see Note 2 page 112 in our 2013 Form 10-K for a discussion of our accounting policies governing these transactions). These commitments are contingent upon certain events occurring, including, but not limited to, the individual joining us and, in most circumstances, require them to meet certain production requirements. As of December 31, 2013 we had made commitments, to either prospects that have accepted our offer, or recently recruited producers, of approximately $34.9 million that have not yet been funded.

As of December 31, 2013, RJ Bank had not settled purchases of $76.1 million in syndicated loans. These loan purchases are expected to be settled within 90 days.

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

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

We have committed a total of $126.6 million, in amounts ranging from $200 thousand to $29.7 million, to 50 different independent venture capital or private equity partnerships. As of December 31, 2013, we have invested $103.3 million of the committed amounts and have received $76.3 million in distributions. We also control the general partner in seven internally sponsored private equity limited partnerships to which we have committed $69.6 million. As of December 31, 2013, we have invested $48.9 million of the committed amounts and have received $39.1 million in distributions.

RJF has committed to lend to RJTCF, or guarantee obligations in connection with RJTCF's low-income housing development/rehabilitation and syndication activities, amounts aggregating up to $170 million upon request, subject to certain limitations as well as annual review and renewal. At December 31, 2013, RJTCF has $33 million in outstanding cash borrowings and $82 million in unfunded commitments outstanding against this aggregate commitment. RJTCF borrows from RJF in order to make investments in, or fund loans or advances to, either partnerships which purchase and develop properties qualifying for tax credits ("Project Partnerships") or LIHTC Funds. Investments in Project Partnerships are sold to various LIHTC Funds, which have third party investors, and for which RJTCF serves as the managing member or general partner. RJTCF typically sells investments in Project Partnerships to LIHTC Funds within 90 days of their acquisition, and the proceeds from the sales are used to repay RJTCF's borrowings from RJF. RJTCF may also make short-term loans or advances to Project Partnerships, or to LIHTC Funds.

A subsidiary of RJ Bank has committed $31.8 million as an investor member in a low-income housing tax credit fund in which a subsidiary of RJTCF is the managing member. As of December 31, 2013, the RJ Bank subsidiary has invested $4.7 million of the committed amount.

At December 31, 2013, the approximate market values of collateral received that we can repledge were:

	Sources of collateral (in thousands)
Securities purchased under agreements to resell and other collateralized financings	$658,203
Securities received in securities borrowed vs. cash transactions	132,278
Collateral received for margin loans	1,410,184
Securities received as collateral related to derivative contracts	6,240
Total	$2,206,905

Certain collateral was repledged. At December 31, 2013, the approximate market values of this portion of collateral and financial instruments that we own and pledged were:

	Uses of collateral and trading securities (in thousands)
Securities sold under agreements to repurchase	$360,954
Securities delivered in securities loaned vs. cash transactions	242,865
Securities pledged as collateral under secured borrowing arrangements	98,659
Collateral used for deposits at clearing organizations	225,211

Total	$927,689

Refer to Note 14 for additional information regarding offsetting asset and liability balances related to certain of the collateral balances reflected in the tables above.

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As a part of our fixed income public finance operations, RJ&A enters into forward commitments to purchase GNMA MBS. The MBS securities are issued on behalf of various state and local housing finance agencies ("HFA") and consist of the mortgages originated through their lending programs. RJ&A's forward GNMA MBS purchase commitment arises at the time of the loan reservation for a borrower in the HFA lending program (these loan reservations fix the terms of the mortgage, including the interest rate and maximum principal amount). The underlying terms of the GNMA MBS purchase, including the price for the MBS security (which is dependent upon the interest rates associated with the underlying mortgages) are also fixed at loan reservation. At December 31, 2013, RJ&A had approximately $199 million principal amount of outstanding forward MBS purchase commitments which are expected to be purchased by RJ&A over the following 90 days. Upon acquisition of the MBS security, RJ&A typically sells such security in open market transactions as part of its fixed income operations. Given that the actual principal amount of the MBS security is not fixed and determinable at the date of RJ&A's commitment to purchase, these forward MBS purchase commitments do not meet the definition of a derivative instrument. In order to hedge the market interest rate risk to which RJ&A would otherwise be exposed between the date of the commitment and the date of sale of the MBS in the market, RJ&A enters into to be announced ("TBA") security contracts with investors for generic MBS securities at specific rates and prices to be delivered on settlement dates in the future. These TBA securities are accounted for at fair value and are included in Agency MBS securities in the table of assets and liabilities measured at fair value included in Note 5, and at December 31, 2013 aggregate to a net asset having a fair value of $1 million. The estimated fair value of the purchase commitment at December 31, 2013 is a liability of $1 million, which is included in trade and other payables on our Condensed Consolidated Statements of Financial Condition.

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

Guarantees

RJ Bank provides to its affiliate, Raymond James Capital Services, Inc. ("RJ Cap Services"), on behalf of certain corporate borrowers, a guarantee of payment in the event of the borrower's default for exposure under interest rate swaps entered into with RJ Cap Services. At December 31, 2013, the exposure under these guarantees is $5.3 million, which was underwritten as part of RJ Bank's corporate credit relationship with such borrowers. The outstanding interest rate swaps at December 31, 2013 have maturities ranging from August 2014 through May 2019. RJ Bank records an estimated reserve for its credit risk associated with the guarantee of these client swaps, which was insignificant as of December 31, 2013. The estimated total potential exposure under these guarantees is $9.6 million at December 31, 2013.

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

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

We have from time to time authorized performance guarantees for the completion of trades with counterparties in Argentina. At December 31, 2013, there were no such outstanding performance guarantees.

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

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

RJF guarantees the existing mortgage debt of RJ&A of approximately $44.7 million.

RJTCF issues certain guarantees to various third parties related to Project Partnerships whose interests have been sold to one or more of the funds in which RJTCF is the managing member or general partner. In some instances, RJTCF is not the primary guarantor of these obligations which aggregate to a cumulative maximum obligation of approximately $1.7 million as of December 31, 2013.

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RJF has guaranteed RJTCF's performance to various third parties on certain obligations arising from RJTCF's sale and/or transfer of units in one of its fund offerings ("Fund 34"). Under such arrangements, RJTCF has provided either: (1) certain specific performance guarantees including a provision whereby in certain circumstances, RJTCF will refund a portion of the investors' capital contribution, or (2) a guaranteed return on their investment. Under the performance guarantees, the conditions which would result in a payment by RJTCF not being required to be made under the guarantees have been satisfied, and neither RJF nor RJTCF have any further obligations under such guarantees. Further, based upon its most recent projections and performance of Fund 34, RJTCF does not anticipate that any future payments will be owed to these third parties under the guarantee of the return on investment. Under the guarantee of returns, should the underlying LIHTC project partnerships held by Fund 34 fail to deliver a certain amount of tax credits and other tax benefits over the next eight years, RJTCF is obligated to provide the investor with a specified return. A $32.3 million financing asset is included in prepaid expenses and other assets, and a related $32.3 million liability is included in trade and other payables on our Condensed Consolidated Statements of Financial Condition as of December 31, 2013. The maximum exposure to loss under this guarantee is the undiscounted future payments due to investors for the return on and of their investment, and approximates $35.5 million at December 31, 2013.

Legal matter contingencies

Indemnification from Regions

On the Closing Date RJF completed its acquisition of all of the issued and outstanding shares of Morgan Keegan. The terms of the stock purchase agreement provide that Regions will indemnify RJF for losses incurred in connection with legal proceedings pending as of the closing date or commenced after the closing date and related to pre-closing matters as well as any cost of defense pertaining thereto (see Note 3 on page 124 of our 2013 Form 10-K for a discussion of the indemnifications provided to RJF by Regions). All of the Morgan Keegan matters described below are subject to such indemnification provisions. Management estimates the range of potential liability of all such matters subject to indemnification, including the cost of defense, to be from $30 million to $220 million. Any loss arising from such matters, after consideration of the applicable annual deductible, if any, will be borne by Regions. As of December 31, 2013, a receivable from Regions of approximately $1 million is included in other receivables, an indemnification asset of approximately $165 million is included in other assets, and a liability for potential losses of approximately $164 million is included within trade and other payables, all of which are reflected on our Condensed Consolidated Statements of Financial Condition pertaining to the matters described below and the related indemnification from Regions. The amount included within trade and other payables is the amount within the range of potential liability related to such matters which management estimates is more likely than any other amount within such range. Through December 31, 2013, Regions has reimbursed us over $28 million for costs we incurred in excess of the accrued liability amounts for legal matters subject to indemnification included in the final Closing Date tangible net book value computation.

Morgan Keegan matters subject to indemnification

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

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

The SEC and states of Missouri and Texas are investigating alleged securities law violations by MK & Co. in the underwriting and sale of certain municipal bonds. An enforcement action was brought by the Missouri Secretary of State in April 2013, seeking monetary penalties and other relief. In November 2013, the state dismissed this enforcement action and refiled the same claims as a civil action in the Circuit Court for Boone County, Missouri. A civil action was brought by institutional investors of the bonds on March 19, 2012, seeking a return of their investment and unspecified compensatory and punitive damages. A class action was brought on behalf of retail purchasers of the bonds on September 4, 2012, seeking unspecified compensatory and punitive damages. These actions are in the early stages. These matters are subject to the indemnification agreement with Regions.

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

Other matters

We are a defendant or co-defendant in various lawsuits and arbitrations incidental to our securities business as well as other corporate litigation. We are contesting the allegations in these cases and believe that there are meritorious defenses in each of these lawsuits and arbitrations. In view of the number and diversity of claims against us, the number of jurisdictions in which litigation is pending and the inherent difficulty of predicting the outcome of litigation and other claims, we cannot state with certainty what the eventual outcome of pending litigation or other claims will be. Refer to Note 2 on page 118 of our 2013 Form 10-K for a discussion of our criteria for establishing a range of possible loss related to such matters. Excluding any amounts subject to indemnification from Regions related to pre-Closing Date Morgan Keegan matters discussed above, as of December 31, 2013, management currently estimates the aggregate range of possible loss is from $0 to an amount of up to $6 million in excess of the accrued liability (if any) related to these matters. In the opinion of management, based on current available information, review with outside legal counsel, and consideration of the accrued liability amounts provided for in the accompanying condensed consolidated financial statements with respect to these matters, ultimate resolution of these matters will not have a material adverse impact on our financial position or cumulative results of operations. However, resolution of one or more of these matters may have a material effect on the results of operations in any future period, depending upon the ultimate resolution of those matters and upon the level of income for such period.

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NOTE 17 – ACCUMULATED OTHER COMPREHENSIVE INCOME

Accumulated other comprehensive income

The following table presents the after-tax changes in each component of accumulated other comprehensive income for the three months ended December 31, 2013:

	Unrealized loss on available for sale securities (in thousands)	Net currency translations and net investment hedges [1]	Total
Accumulated other comprehensive (loss) income as of September 30, 2013	$(1,276)	$12,002	$10,726
Other comprehensive income (loss) before reclassifications	3,364	(6,275)	(2,911)
Amounts reclassified from accumulated other comprehensive income	(2,270)	—	(2,270)
Net other comprehensive income (loss) for the period	1,094	(6,275)	(5,181)
Accumulated other comprehensive (loss) income as of December 31, 2013	$(182)	$5,727	$5,545

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

Reclassifications out of AOCI

The following table presents the income statement line items impacted by reclassifications out of accumulated other comprehensive income during the three months ended December 31, 2013:

Accumulated other comprehensive income components:	Increase (decrease) in amounts reclassified from accumulated other comprehensive income Three months ended December 31, 2013 (in thousands)	Affected line items in income statement
Available for sale securities: [1]		
Auction rate securities	$(3,719) [2]	Other revenue
RJ Bank available for sale securities	27	Other revenue
	(3,692)	Total before tax
	1,422	Provision for income taxes
Total reclassifications for the period	$(2,270)	Net of tax

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

(2) For the three months ended December 31, 2013, other revenues include a realized gain on the redemption or sale of ARS in the amount of $5.5 million (see Note 7 for further information). The amount presented in the above table represents the reversal out of AOCI associated with such ARS' redeemed or sold. The net of such realized gain and this reversal out of AOCI represents the net effect of such redemptions and sales activities on other comprehensive income ("OCI") for the period, on a pre-tax basis.

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

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NOTE 18 – INTEREST INCOME AND INTEREST EXPENSE

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

	Three months ended December 31,	
	2013	2012
	(in thousands)	
Interest income:		
Margin balances	$17,787	$16,164
Assets segregated pursuant to regulations and other segregated assets	4,630	4,085
Bank loans, net of unearned income	81,209	87,310
Available for sale securities	1,923	2,217
Trading instruments	4,528	5,850
Stock loan	1,873	1,391
Loans to financial advisors	1,656	1,360
Corporate cash and all other	3,487	4,749
Total interest income	$117,093	$123,126
Interest expense:		
Brokerage client liabilities	$431	$548
Retail bank deposits	1,945	2,476
Trading instruments sold but not yet purchased	868	798
Stock borrow	492	504
Borrowed funds	972	1,314
Senior notes	19,010	19,066
Interest expense of consolidated VIEs	787	1,049
Other	867	2,266
Total interest expense	25,372	28,021
Net interest income	91,721	95,105
Less: provision for loan losses	(1,636)	(2,923)
Net interest income after provision for loan losses	$90,085	$92,182

NOTE 19 – SHARE-BASED COMPENSATION

We have one share-based compensation plan for our employees, Board of Directors and non-employees (comprised of independent contractor financial advisors). The 2012 Stock Incentive Plan (the “2012 Plan”), permits us to grant share-based and cash-based awards designed to be exempt from the limitation on deductible compensation under Section 162(m) of the Internal Revenue Code. In our 2013 Form 10-K, our share-based compensation accounting policies are described in Note 2, page 119. Other information relating to our employee and Board of Director share-based awards are outlined in our 2013 Form 10-K in Note 23, pages 175 – 179, while Note 24, pages 179 – 181, discusses our non-employee share-based awards. For purposes of this report, we have combined our presentation of both our employee and Board of Director share-based awards with our non-employee share-based awards, both of which are described below.

Stock option awards

Expense and income tax benefits related to our stock option awards granted to employees, members of our Board of Directors and independent contractor financial advisors are presented below:

	Three months ended December 31,	
	2013	2012
	(in thousands)	
Total share-based expense	$3,733	$3,248
Income tax benefits related to share-based expense	795	394

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For the three months ended December 31, 2013, we realized $321 thousand of excess tax benefits related to our stock option awards.

During the three months ended December 31, 2013 we granted 933,950 stock options to employees and 55,500 stock options were granted to our independent contractor financial advisors. During the three months ended December 31, 2013, no stock options were granted to outside directors.

Unrecognized pre-tax expense for stock option awards granted to employees, directors and independent contractor financial advisors, net of estimated forfeitures, and the remaining period over which the expense will be recognized as of December 31, 2013 are presented below:

	Unrecognized pre-tax expense	Remaining weighted-average period
	(in thousands)	(in years)
Employees and directors	$26,982	3.6
Independent contractor financial advisors	2,050	3.7

The weighted-average grant-date fair value of stock option awards granted to employees for the three months ended December 31, 2013 is $16.17.

The fair value of each option grant awarded to our independent contractor financial advisors is estimated on the date of grant and periodically revalued using the Black-Scholes option pricing model. The weighted-average fair value for unvested options granted to independent contractor financial advisors as of December 31, 2013 is $23.47.

Restricted stock and stock unit awards

Expense and income tax benefits related to our restricted equity awards (which include restricted stock and restricted stock units) granted to employees, members of our Board of Directors and independent contractor financial advisors are presented below:

	Three months ended December 31,	
	2013	2012
	(in thousands)	
Total share-based expense	$16,635	$14,044
Income tax benefits related to share-based expense	5,916	4,920

For the three months ended December 31, 2013, we realized $5.6 million of excess tax benefits related to our restricted equity awards.

During the three months ended December 31, 2013, we granted 923,289 restricted stock units to employees; no restricted stock units were granted to outside directors. We granted no restricted stock units to independent contractor financial advisors during the three months ended December 31, 2013.

Unrecognized pre-tax expense for restricted equity awards granted to employees, directors and independent contractor financial advisors, net of estimated forfeitures, and the remaining period over which the expense will be recognized as of December 31, 2013 are presented below:

	Unrecognized pre-tax expense	Remaining weighted-average period
	(in thousands)	(in years)

Employees and directors	$115,913	3.0
Independent contractor financial advisors	234	1.8

The weighted-average grant-date fair value of restricted stock unit awards granted to employees for the three months ended December 31, 2013 is $48.44.

The fair value of each restricted equity awards granted to our independent contractor financial advisors is valued on the date of grant and periodically revalued at the current stock price. The fair value for unvested restricted equity awards granted to independent contractor financial advisors as of December 31, 2013 is $51.90.

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NOTE 20 – REGULATIONS AND CAPITAL REQUIREMENTS

For a discussion of the various regulations and capital requirements applicable to certain of our businesses and subsidiaries, see Note 25, pages 181-184, of our 2013 Form 10-K.

RJF, as a financial holding company, and RJ Bank, are subject to various regulatory capital requirements administered by bank regulators. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on our and RJ Bank's financial results. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, RJF and RJ Bank must meet specific capital guidelines that involve quantitative measures of our assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. RJF's and RJ Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

RJF and RJ Bank are required to maintain minimum amounts and ratios of total and Tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined), and Tier 1 capital to average assets (as defined). RJF and RJ Bank each calculate the Total Capital and Tier I Capital ratios in order to assess compliance with both regulatory requirements and their internal capital policies in addition to providing a measure of underutilized capital should these ratios become excessive. Capital levels are continually monitored to assess both RJF and RJ Bank's capital position. At current capital levels, RJF and RJ Bank are each categorized as "well capitalized" under the regulatory framework for prompt corrective action.

To be categorized as "well capitalized," RJF must maintain total risk-based, Tier 1 risk-based, and Tier 1 leverage ratios as set forth in the table below.

	Actual			Requirement for capital adequacy purposes			To be well capitalized under prompt corrective action provisions		
	Amount	Ratio		Amount	Ratio		Amount	Ratio	
	($ in thousands)								
RJF as of December 31, 2013:									
Total capital (to risk-weighted assets)	$3,573,614	20.4	%	$1,401,417	8.0	%	$1,751,772	10.0	%
Tier I capital (to risk-weighted assets)	3,419,341	19.5	%	701,403	4.0	%	1,052,105	6.0	%
Tier I capital (to adjusted assets)	3,419,341	15.2	%	899,827	4.0	%	1,124,783	5.0	%
RJF as of September 30, 2013:									
Total capital (to risk-weighted assets)	$3,445,136	19.8	%	$1,391,974	8.0	%	$1,739,968	10.0	%
Tier I capital (to risk-weighted assets)	3,294,595	18.9	%	697,269	4.0	%	1,045,903	6.0	%
Tier I capital (to adjusted assets)	3,294,595	14.5	%	908,854	4.0	%	1,136,067	5.0	%

The increase in RJF's Total capital (to risk-weighted assets) and Tier I capital (to risk-weighted assets) at December 31, 2013 compared to September 30, 2013 was the result of positive earnings during the three month period ended December 31, 2013 offset by an increase in market risk equivalent assets. The increase in RJF's Tier I capital (to adjusted assets) ratio at December 31, 2013 compared to September 30, 2013 was primarily due to earnings during the three month period ended December 31, 2013 as well as a decrease in average segregated assets.

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To be categorized as “well capitalized,” RJ Bank must maintain minimum total risk-based, Tier I risk-based, and Tier I leverage ratios as set forth in the table below.

	Actual		Requirement for capital adequacy purposes		To be well capitalized under prompt corrective action provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
	($ in thousands)					
RJ Bank as of December 31, 2013:						
Total capital (to risk-weighted assets)	$1,271,878	12.7 %	$802,736	8.0 %	$1,003,419	10.0 %
Tier I capital (to risk-weighted assets)	1,145,913	11.4 %	401,368	4.0 %	602,052	6.0 %
Tier I capital (to adjusted assets)	1,145,913	10.7 %	429,319	4.0 %	536,648	5.0 %
RJ Bank as of September 30, 2013:						
Total capital (to risk-weighted assets)	$1,234,268	13.0 %	$758,996	8.0 %	$948,745	10.0 %
Tier I capital (to risk-weighted assets)	1,115,113	11.8 %	379,498	4.0 %	569,247	6.0 %
Tier I capital (to adjusted assets)	1,115,113	10.4 %	430,154	4.0 %	537,692	5.0 %

The decrease in RJ Bank’s Total capital (to risk-weighted assets) ratio and Tier I capital (to risk-weighted assets) ratio at December 31, 2013 compared to September 30, 2013 were primarily due to corporate loan growth during the three month period ended December 31, 2013. The increase in RJ Bank’s Tier I Capital (to adjusted assets) ratio at December 31, 2013 compared to September 30, 2013 was due to an increase in earnings and lower average assets.

Certain of our broker-dealer subsidiaries are subject to the requirements of the Uniform Net Capital Rule (Rule 15c3-1) under the Securities Exchange Act of 1934.

The net capital position of our wholly owned broker-dealer subsidiary RJ&A is as follows:

	As of December 31, 2013	September 30, 2013
	($ in thousands)	
Raymond James & Associates, Inc.:		
(Alternative Method elected)		
Net capital as a percent of aggregate debit items	26.77 %	23.14 %
Net capital	$488,864	$435,343
Less: required net capital	(36,517)	(37,625)
Excess net capital	$452,347	$397,718

The net capital position of our wholly owned broker-dealer subsidiary RJFS is as follows:

	As of December 31, 2013	September 30, 2013
	(in thousands)	
Raymond James Financial Services, Inc.:		
(Alternative Method elected)		

Net capital	$13,947	$18,103
Less: required net capital	(250)	(250)
Excess net capital	$13,697	$17,853

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The risk adjusted capital of RJ Ltd. is as follows (in Canadian dollars):

	As of December 31, 2013	September 30, 2013
	(in thousands)	
Raymond James Ltd.:		
Risk adjusted capital before minimum	$65,716	$52,777
Less: required minimum capital	(250)	(250)
Risk adjusted capital	$65,466	$52,527

At December 31, 2013, all of our other active regulated domestic and international subsidiaries are in compliance with and met all capital requirements.

NOTE 21 – FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

For a discussion of our financial instruments with off-balance-sheet risk, see Note 26 pages 184 - 186, of our 2013 Form 10-K.

RJ Bank has outstanding at any time a significant number of commitments to extend credit and other credit-related off-balance sheet financial instruments such as standby letters of credit and loan purchases, which then extend over varying periods of time. These arrangements are subject to strict credit control assessments and each customer's credit worthiness is evaluated on a case-by-case basis. Fixed-rate commitments, if any, are also subject to market risk resulting from fluctuations in interest rates and RJ Bank's exposure is limited to the replacement value of those commitments. A summary of commitments to extend credit and other credit-related off-balance sheet financial instruments outstanding follows:

	December 31, 2013
	(in thousands)
Standby letters of credit	$112,261
Open end consumer lines of credit	931,554
Commercial lines of credit	1,811,392
Unfunded loan commitments	344,765

Because many lending commitments expire without being funded in whole or part, the contract amounts are not estimates of RJ Bank's actual future credit exposure or future liquidity requirements. RJ Bank maintains a reserve to provide for potential losses related to the unfunded lending commitments. See Note 8 for further discussion of this reserve for unfunded lending commitments.

RJ Ltd. is subject to foreign exchange risk primarily due to financial instruments denominated in U.S. dollars that may be impacted by fluctuation in foreign exchange rates. In order to mitigate this risk, RJ Ltd. enters into forward foreign exchange contracts. The fair value of these contracts is not significant. As of December 31, 2013, forward contracts outstanding to buy and sell U.S. dollars totaled CDN $1.7 million and CDN $1.4 million, respectively. Additionally, as of December 31, 2013, RJ Ltd. held an outstanding forward contract to buy Euro's totaling CDN $1.1 million. RJ Bank is also subject to foreign exchange risk related to its net investment in a Canadian subsidiary. See Note 13 for information regarding how RJ Bank utilizes net investment hedges to mitigate a significant portion of this risk.

As a part of our fixed income public finance operations, RJ&A enters into forward commitments to purchase GNMA MBS. See Note 16 for information on these commitments. We utilize TBA security contracts to hedge our interest rate risk associated with these commitments. We are subject to loss if the timing of, or the actual amount of, GNMA MBS securities differs significantly from the term and notional amount of the TBA security contracts we enter into.

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NOTE 22 – EARNINGS PER SHARE

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

	Three months ended December 31,	
	2013	2012
	(in thousands, except per share amounts)	
Income for basic earnings per common share:		
Net income attributable to RJF	$116,633	$85,874
Less allocation of earnings and dividends to participating securities [1]	(884)	(1,204)
Net income attributable to RJF common shareholders	$115,749	$84,670
Income for diluted earnings per common share:		
Net income attributable to RJF	$116,633	$85,874
Less allocation of earnings and dividends to participating securities [1]	(866)	(1,190)
Net income attributable to RJF common shareholders	$115,767	