RAYMOND JAMES FINANCIAL INC
Form 10-Q
May 09, 2018

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 March 31, 2018
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, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer x	Accelerated filer o
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o
	Emerging growth company o

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ¨
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.

145,861,837 shares of common stock as of May 7, 2018

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

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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)

$ in thousands, except per share amounts	March 31, 2018	September 30, 2017
Assets:		
Cash and cash equivalents	$3,139,938	$3,669,672
Assets segregated pursuant to regulations and other segregated assets	3,079,483	3,476,085
Securities purchased under agreements to resell	448,474	404,462
Securities borrowed	163,981	138,319
Financial instruments owned, at fair value:		
Trading instruments (includes $603,106 and $357,099 pledged as collateral)	824,886	564,263
Available-for-sale securities	2,559,303	2,188,282
Derivative assets	246,001	318,775
Private equity investments	193,135	198,779
Other investments (includes $41,629 and $6,640 pledged as collateral)	262,925	220,980
Brokerage client receivables, net	2,875,109	2,766,771
Receivables from brokers, dealers and clearing organizations	283,156	268,021
Other receivables	628,375	652,769
Bank loans, net	18,150,913	17,006,795
Loans to financial advisors, net	885,218	873,272
Investments in real estate partnerships held by consolidated variable interest entities	95,055	111,743
Property and equipment, net	468,347	437,374
Deferred income taxes, net	219,094	313,486
Goodwill and identifiable intangible assets, net	646,809	493,183
Other assets	860,669	780,425
Total assets	$36,030,871	$34,883,456
Liabilities and equity:		
Bank deposits	$18,711,903	$17,732,362
Securities sold under agreements to repurchase	142,791	220,942
Securities loaned	304,192	383,953
Financial instruments sold but not yet purchased, at fair value:		
Trading instruments	326,211	221,449
Derivative liabilities	300,959	356,964
Brokerage client payables	5,953,541	5,411,829
Payables to brokers, dealers and clearing organizations	296,075	172,714
Accrued compensation, commissions and benefits	901,723	1,059,996
Other payables	600,538	567,045
Other borrowings	901,588	1,514,012
Senior notes payable	1,549,128	1,548,839
Total liabilities	29,988,649	29,190,105
Commitments and contingencies (see Note 14)		
Equity		
Preferred stock; $.10 par value; 10,000,000 shares authorized; -0- shares issued and outstanding	—	—
	1,559	1,542

Common stock; $.01 par value; 350,000,000 shares authorized; 155,915,215 and 154,228,235 shares issued as of March 31, 2018 and September 30, 2017, respectively, and 145,551,740 and 144,096,521 shares outstanding as of March 31, 2018 and September 30, 2017, respectively		
Additional paid-in capital	1,747,993	1,645,397
Retained earnings	4,626,064	4,340,054
Treasury stock, at cost; 10,332,461 and 10,084,038 common shares as of March 31, 2018 and September 30, 2017, respectively	(412,106)	(390,081)
Accumulated other comprehensive loss	(22,523)	(15,199)
Total equity attributable to Raymond James Financial, Inc.	5,940,987	5,581,713
Noncontrolling interests	101,235	111,638
Total equity	6,042,222	5,693,351
Total liabilities and equity	$36,030,871	$34,883,456

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

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

	Three months ended March 31,		Six months ended March 31,	
$ in thousands, except per share amounts	2018	2017	2018	2017
Revenues:				
Securities commissions and fees	$1,117,280	$992,112	$2,220,846	$1,976,497
Investment banking	105,815	102,377	170,717	163,802
Investment advisory and related administrative fees	151,433	110,280	293,456	218,523
Interest income	248,846	192,544	480,575	375,326
Account and service fees	191,491	162,981	375,792	311,772
Net trading profit	14,037	15,811	33,907	36,366
Other	28,332	24,209	47,533	46,796
Total revenues	1,857,234	1,600,314	3,622,826	3,129,082
Interest expense	(44,602)	(36,677)	(84,033)	(72,643)
Net revenues	1,812,632	1,563,637	3,538,793	3,056,439
Non-interest expenses:				
Compensation, commissions and benefits	1,196,648	1,035,714	2,349,415	2,042,181
Communications and information processing	96,685	76,067	180,416	148,228
Occupancy and equipment costs	49,701	47,498	99,515	93,550
Business development	42,806	41,519	76,599	76,881
Investment sub-advisory fees	23,121	17,778	45,442	37,073
Bank loan loss provision	7,549	7,928	8,565	6,888
Acquisition-related expenses	—	1,086	3,927	13,752
Losses on extinguishment of debt	—	8,282	—	8,282
Other	65,033	166,462	132,141	260,786
Total non-interest expenses	1,481,543	1,402,334	2,896,020	2,687,621
Income including noncontrolling interests and before provision for income taxes	331,089	161,303	642,773	368,818
Provision for income taxes	88,524	52,758	280,925	112,570
Net income including noncontrolling interests	242,565	108,545	361,848	256,248
Net income/(loss) attributable to noncontrolling interests	(282)	(4,210)	159	(3,074)
Net income attributable to Raymond James Financial, Inc.	$242,847	$112,755	$361,689	$259,322
Earnings per common share – basic	$1.67	$0.78	$2.49	$1.81
Earnings per common share – diluted	$1.63	$0.77	$2.43	$1.77
Weighted-average common shares outstanding – basic	145,385	143,367	144,920	142,732
Weighted-average common and common equivalent shares outstanding – diluted	149,037	146,779	148,530	146,119
Net income attributable to Raymond James Financial, Inc.	$242,847	$112,755	$361,689	$259,322
Other comprehensive income/(loss), net of tax:				
Net change in unrealized gain/(loss) on available-for-sale securities and non-credit portion of other-than-temporary impairment losses	(16,627)	1,952	(28,580)	(2,194)
Net change in unrealized gain/(loss) on currency translations, net of the impact of net investment hedges	(2,035)	2,223	(2,222)	3,224
Net change in unrealized gain on cash flow hedges	16,593	1,531	23,478	27,269
Total comprehensive income	$240,778	$118,461	$354,365	$287,621

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

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

	Six months ended March 31,	
$ in thousands, except per share amounts	2018	2017
Common stock, par value $.01 per share:		
Balance beginning of year	$1,542	$1,513
Share issuances	17	23
Balance end of period	1,559	1,536
Additional paid-in capital:		
Balance beginning of year	1,645,397	1,498,921
Employee stock purchases	16,344	12,741
Exercise of stock options and vesting of restricted stock units, net of forfeitures	29,675	30,732
Restricted stock, stock option and restricted stock unit expense	55,867	52,288
Other	710	632
Balance end of period	1,747,993	1,595,314
Retained earnings:		
Balance beginning of year	4,340,054	3,834,781
Net income attributable to Raymond James Financial, Inc.	361,689	259,322
Cash dividends declared	(75,209)	(66,176)
Other	(470)	—
Balance end of period	4,626,064	4,027,927
Treasury stock:		
Balance beginning of year	(390,081)	(362,937)
Purchases/surrenders	(8,231)	(9,113)
Exercise of stock options and vesting of restricted stock units, net of forfeitures	(13,794)	(17,545)
Balance end of period	(412,106)	(389,595)
Accumulated other comprehensive loss:		
Balance beginning of year	(15,199)	(55,733)
Net change in unrealized loss on available-for-sale securities and non-credit portion of other-than-temporary impairment losses, net of tax	(28,580)	(2,194)
Net change in unrealized gain/(loss) on currency translations, net of the impact of net investment hedges, net of tax	(2,222)	3,224
Net change in unrealized gain on cash flow hedges, net of tax	23,478	27,269
Balance end of period	(22,523)	(27,434)
Total equity attributable to Raymond James Financial, Inc.	$5,940,987	$5,207,748
Noncontrolling interests:		
Balance beginning of year	$111,638	$146,431
Net income attributable to noncontrolling interests	159	(3,074)
Capital contributions	—	9,776
Distributions	(10,721)	(28,435)
Derecognition resulting from sales	—	(4,628)
Other	159	399

Balance end of period	101,235	120,469
Total equity	$6,042,222	$5,328,217

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

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

$ in thousands	Six months ended March 31, 2018	2017
Cash flows from operating activities:		
Net income attributable to Raymond James Financial, Inc.	$361,689	$259,322
Net income/(loss) attributable to noncontrolling interests	159	(3,074)
Net income including noncontrolling interests	361,848	256,248
Adjustments to reconcile net income including noncontrolling interests to net cash provided by operating activities:		
Depreciation and amortization	46,785	40,959
Deferred income taxes	105,188	(38,181)
Premium and discount amortization on available-for-sale securities and unrealized gain on other investments	(5,314)	(18,976)
Provisions for loan losses, legal and regulatory proceedings and bad debts	13,902	143,993
Share-based compensation expense	58,568	55,384
Compensation expense/(benefit) payable in common stock of an acquiree	(2,273)	10,631
Unrealized gain on company owned life insurance, net of expenses	(14,732)	(19,299)
Losses on extinguishment of debt	—	8,282
Other	13,359	1,683
Net change in:		
Assets segregated pursuant to regulations and other segregated assets	381,164	1,049,275
Securities purchased under agreements to resell, net of securities sold under agreements to repurchase	(124,459)	(36,643)
Securities loaned, net of securities borrowed	(105,056)	(235,070)
Loans provided to financial advisors, net of repayments	(22,324)	(34,560)
Brokerage client receivables and other accounts receivable, net	(125,519)	18,466
Trading instruments, net	(165,699)	99,244
Derivative instruments, net	46,346	84,010
Other assets	(49,266)	97,063
Brokerage client payables and other accounts payable	770,279	(417,338)
Accrued compensation, commissions and benefits	(156,935)	(107,685)
Proceeds from sales of securitizations and loans held for sale, net of purchases and originations of loans held for sale	(38,829)	77,765
Net cash provided by operating activities	987,033	1,035,251
Cash flows from investing activities:		
Additions to property, buildings and equipment, including software	(70,438)	(123,052)
Increase in bank loans, net	(1,237,728)	(1,055,323)
Proceeds from sales of loans held for investment	90,747	106,223
Purchases of available-for-sale securities	(654,847)	(1,012,238)
Available-for-sale securities maturations, repayments and redemptions	234,417	115,976
Proceeds from sales of available-for-sale securities	—	32,841
Business acquisition, net of cash acquired	(159,200)	—
Other investing activities, net	(17,643)	50,881
Net cash used in investing activities	(1,814,692)	(1,884,692)

(continued on next page)

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

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

	Six months ended March 31,	
$ in thousands	2018	2017
Cash flows from financing activities:		
Proceeds from borrowings on the RJF Credit Facility	300,000	—
Repayment of borrowings on the RJF Credit Facility	(300,000)	—
Proceeds from/(repayments of) short-term borrowings, net	(610,000)	50,000
Proceeds from Federal Home Loan Bank advances	—	100,000
Repayments of other borrowed funds	(2,424)	(2,291)
Extinguishment of senior notes payable	—	(350,000)
Exercise of stock options and employee stock purchases	44,144	43,989
Increase in bank deposits	979,541	2,114,997
Purchases of treasury stock	(22,586)	(29,063)
Dividends on common stock	(70,628)	(63,027)
Distributions to noncontrolling interests, net	(5,980)	(23,657)
Net cash provided by financing activities	312,067	1,840,948
Currency adjustment:		
Effect of exchange rate changes on cash	(14,142)	(5,633)
Net increase/(decrease) in cash and cash equivalents	(529,734)	985,874
Cash and cash equivalents at beginning of year	3,669,672	1,650,452
Cash and cash equivalents at end of period	$3,139,938	$2,636,326
Supplemental disclosures of cash flow information:		
Cash paid for interest	$83,772	$76,990
Cash paid for income taxes	$82,673	$144,672

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

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
March 31, 2018

NOTE 1 – ORGANIZATION AND BASIS OF PRESENTATION

Organization

Raymond James Financial, Inc. (“RJF,” the “firm” or the “Company”) is a financial holding company whose broker-dealer subsidiaries are engaged in various financial services 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 services, and trust services. For further information about our business segments, see Note 20 of this Form 10-Q. 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 and Note 10 of our Annual Report on Form 10-K (the “2017 Form 10-K”) for the year ended September 30, 2017, as filed with the United States (“U.S.”) Securities and Exchange Commission (“SEC”) 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 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 of Financial Condition and Results of Operations and the consolidated financial statements and notes thereto included in our 2017 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 for the reporting period. Actual results could differ from those estimates and could have a material impact on the condensed consolidated financial statements.

Reclassifications

Certain prior period amounts have been reclassified to conform to the current period’s presentation.

NOTE 2 – UPDATE OF SIGNIFICANT ACCOUNTING POLICIES

A summary of our significant accounting policies is included in Note 2 of our 2017 Form 10-K. There have been no significant changes to our significant accounting policies since September 30, 2017.

Loans to financial advisors, net

As more fully described in Note 2 of our 2017 Form 10-K, we offer loans to financial advisors and certain other key revenue producers, primarily for recruiting, transitional cost assistance, and retention purposes. We present the outstanding balance of “Loans to financial advisors, net” on our Condensed Consolidated Statements of Financial Condition, net of the allowance for doubtful accounts. Of the gross balance outstanding, the portion associated with financial advisors who are no longer affiliated with us was approximately $20 million and $22 million at March 31, 2018 and September 30, 2017, respectively. Our allowance for doubtful accounts was approximately $8 million at both March 31, 2018 and September 30, 2017.

Recent accounting developments

Accounting guidance recently adopted

Income Taxes - In March 2018, the Financial Accounting Standards Board ("FASB") issued ASU 2018-05 which amended income tax accounting guidance to include guidance issued by the SEC related to the implementation of the Tax Cuts and Jobs Act (the "Tax Act"), which we applied during our first fiscal quarter of 2018 when it was issued by the SEC. See Note 13 for more information.

Reclassification of certain tax effects from accumulated other comprehensive income ("AOCI") - In February 2018, the FASB issued guidance (ASU 2018-02) allowing companies to reclassify from AOCI to retained earnings the tax effects related to items within AOCI that the FASB refers to having been stranded as a result of the Tax Act. This guidance is effective for our fiscal year beginning October 1, 2019 and allows for retrospective or modified retrospective adoption. Early adoption is permitted. We adopted this amended guidance on January 1, 2018 on a modified retrospective approach. The amount reclassified from AOCI to retained earnings related to the Tax Act was insignificant. See Note 15 for more information.

Accounting guidance not yet adopted

Revenue recognition - In May 2014, the FASB issued new guidance regarding revenue recognition (ASU 2014-09). The new guidance is a comprehensive new revenue recognition model that requires a company to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. It also provides guidance on accounting for certain contract costs and requires additional disclosures. This new revenue recognition guidance, including subsequent amendments, is first effective for our fiscal year beginning on October 1, 2018 and allows for full retrospective adoption or modified retrospective adoption. Although permitted for fiscal years beginning after December 15, 2016, we do not plan to early adopt. Upon adoption, we plan to use a modified retrospective approach, with a cumulative effect adjustment to opening retained earnings. Our implementation efforts include analyzing contracts related to revenues within the scope of the new guidance and reviewing potential changes to our existing revenue recognition accounting policies. We are also evaluating the impact to our disclosures as a result of adopting this new guidance. Based on our implementation efforts to date, we expect that we will be required to change our current presentation of certain costs from a net presentation within revenues to a gross presentation, particularly with respect to merger & acquisitions advisory transactions and underwriting transactions. We are still evaluating the impact the adoption of this new guidance will have on our financial position and results of operations.

Financial instruments - In January 2016, the FASB issued new guidance related to the accounting for financial instruments (ASU 2016-01). Among its provisions, including subsequent amendments, this new guidance:

- Requires equity investments (other than those accounted for under the equity method or those that result from the consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income. However, an entity may choose to measure equity investments that do not have readily determinable fair values at cost minus impairment, if any.
- Simplifies the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment.

- Eliminates the requirement to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet.
- Requires the use of the exit price notion when measuring the fair value of financial instruments for disclosure purposes.
- Requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset (that is, securities or loans and receivables) on the balance sheet or the accompanying notes to the financial statements.

This new guidance, including subsequent amendments, is effective for our fiscal year beginning on October 1, 2018, generally under a modified retrospective approach, with the exception of the amendments related to equity investments without a readily determinable fair value and the use of an exit price notion to measure financial instruments for disclosure purposes, which will be applied prospectively as of the date of adoption. Early adoption is generally not permitted. Upon adoption, our investments in equity securities classified as available-for-sale prior to the adoption date will be accounted for at fair value with unrealized gains/(losses) reflected in earnings. Previously, such unrealized gains/(losses) were reflected in other comprehensive income. The adoption of this new guidance is not expected to have a material impact on our financial position and results of operations.

Lease accounting - In February 2016, the FASB issued new guidance related to the accounting for leases (ASU 2016-02). The new guidance requires the recognition of assets and liabilities on the balance sheet related to the rights and obligations created by lease agreements with terms greater than twelve months, regardless of whether they are classified as finance or operating leases. Consistent with current guidance, the recognition, measurement and presentation of expenses and cash flows arising from a lease will primarily depend upon its classification as a finance or operating lease. The new guidance requires new disclosures to help financial statement users better understand the amount, timing and cash flows arising from leases. This new guidance, including subsequent amendments, is first effective for our fiscal year beginning on October 1, 2019. Although permitted, we do not plan to early adopt. Upon adoption, we will use a modified retrospective approach, with a cumulative effect adjustment to opening retained earnings. Our implementation efforts include reviewing existing leases and service contracts, which may include embedded leases. This new guidance will impact our financial position and results of operations. We are evaluating the magnitude of such impact.

Credit losses - In June 2016, the FASB issued new guidance related to the measurement of credit losses on financial instruments (ASU 2016-13). The amended guidance involves several aspects of the accounting for credit losses related to certain financial instruments including assets measured at amortized cost, available-for-sale debt securities and certain off-balance sheet commitments. The new guidance broadens the information that an entity must consider in developing its estimated credit losses expected to occur over the remaining life of assets measured either collectively or individually to include historical experience, current conditions and reasonable and supportable forecasts, replacing the existing incurred credit loss model and other models with the Current Expected Credit Losses (“CECL”) model. The new guidance expands the disclosure requirements regarding an entity’s assumptions, models, and methods for estimating credit losses and requires new disclosures of the amortized cost balance for each class of financial asset by credit quality indicator, disaggregated by the year of origination. This new guidance is first effective for our fiscal year beginning October 1, 2020 and will be adopted under a modified retrospective approach. Early adoption is permitted although not prior to our fiscal year beginning October 1, 2019. We have begun our implementation and evaluation efforts by establishing a cross-functional team to assess the required changes to our credit loss estimation methodologies and systems, as well as determine additional data and resources required to comply with the new guidance. We are evaluating the impact the adoption of this new guidance will have on our financial position and results of operations, which will depend on, among other things, the current and expected macroeconomic conditions and the nature and characteristics of financial assets held by us on the date of adoption.

Statement of Cash Flows (classification of certain cash receipts and cash payments) - In August 2016, the FASB issued amended guidance related to the Statement of Cash Flows (ASU 2016-15). The amended guidance involves several aspects of the classification of certain cash receipts and cash payments including debt prepayment or debt extinguishment costs, settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing, contingent consideration payments made after a business combination, proceeds from the settlement of insurance claims, proceeds from the settlement of corporate-owned life insurance policies (including bank-owned life insurance policies), distributions received from equity method investees, beneficial interests in securitization transactions and separately identifiable cash flows and application of the predominance principle. This amended guidance is first effective for our fiscal year beginning October 1, 2018 and will be adopted under a retrospective approach. Although permitted, we do not plan to early adopt. The adoption of this new guidance will impact our Consolidated Statement of Cash Flows and will not have an impact on our financial position and results of operations.

Statement of Cash Flows (restricted cash) - In November 2016, the FASB issued new guidance related to the classification and presentation of changes in restricted cash on the Statement of Cash Flows (ASU 2016-18). Current GAAP does not provide guidance to address how to classify and present changes in restricted cash or restricted cash equivalents that occur when there are transfers between cash, cash equivalents and restricted cash or restricted cash equivalents and when there are direct cash receipts into restricted cash or restricted cash equivalents or direct cash payments made from restricted cash or restricted cash equivalents. Under the new guidance, an entity should present in their Statement of Cash Flows the changes during the period in the total of cash and cash equivalents and amounts described as restricted cash or restricted cash equivalents when reconciling the beginning-of-period and ending-of-period total amounts shown on the statement of cash flows. This guidance is first effective for our fiscal year beginning October 1, 2018 and will be adopted under a retrospective approach. Although permitted, we do not plan to early adopt. The adoption of this new guidance will impact our Consolidated Statement of Cash Flows and will not have an impact on our financial position and results of operations.

Definition of a business - In January 2017, the FASB issued amended guidance related to the definition of a business (ASU 2017-01). This amended guidance clarifies the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. This guidance is first effective for our fiscal year beginning October 1, 2018 and will be adopted on a prospective basis. Early adoption is permitted. Given the adoption of this amended guidance is dependent upon the nature of future events and circumstances, we are unable to estimate the impact, if any, the adoption of this new guidance will have on our financial position and results of operations.

Goodwill - In January 2017, the FASB issued amended guidance to simplify the subsequent measurement of goodwill, eliminating “Step 2” from the goodwill impairment test (ASU 2017-04). In computing the implied fair value of goodwill under Step 2, an entity had to perform procedures to determine the fair value at the impairment testing date of its assets and liabilities following the procedure that would be required in determining the fair value of assets acquired and liabilities assumed in a business combination. Under this amended guidance, an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount and subsequently recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit’s fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. This guidance is first effective for our fiscal year beginning October 1, 2019 and will be adopted on a prospective basis. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. We will adopt this simplification guidance in the earliest period it applies to our facts and circumstances.

Callable debt securities - In March 2017, the FASB issued new guidance that requires certain premiums on callable debt securities to be amortized to the earliest call date instead of the contractual life of the security (ASU 2017-08). Discounts on callable debt securities will continue to be amortized to the contractual maturity date. This guidance is first effective for our fiscal year beginning on October 1, 2019 and will be adopted using a modified retrospective approach. Early adoption is permitted. We are evaluating the impact the adoption of this new guidance will have on our financial position and results of operations.

Share-based payment awards - In May 2017, the FASB issued amended guidance that clarifies when changes to the terms or conditions of share-based payment awards require an entity to apply modification accounting (ASU 2017-09). The amended guidance states an entity should account for the effects of a modification unless certain criteria are met which include that the modified award has the same fair value, vesting conditions and classification as the original award. This amended guidance is first effective for our fiscal year beginning October 1, 2018 and will be adopted on a prospective basis. Early adoption is permitted. Given that this guidance applies to specific transactions and would only become relevant in certain circumstances, we are unable to estimate the impact, if any, this amended guidance may have on our financial position and results of operations.

Derivatives and hedging (accounting for hedging activities) - In August 2017, the FASB issued new guidance amending its hedge accounting model (ASU 2017-12). Among other things, the new guidance:

- Expands the ability to hedge nonfinancial and financial risk components.
- Reduces complexity in fair value hedges of interest rate risk.
- Eliminates the requirement to separately measure and report hedge ineffectiveness.
- Generally requires the entire change in the fair value of a hedging instrument to be presented in the same income statement line as the hedged item.
- Modifies accounting for components excluded from the assessment of hedge effectiveness.
- Eases certain documentation and hedge effectiveness assessment requirements.

The new guidance is first effective for our fiscal year beginning October 1, 2019 and the amendments are required to be applied to cash flow and net investment hedges that exist on the date of adoption on a modified retrospective basis. Changes to presentation and disclosure requirements are only required on a prospective basis. We early-adopted this new guidance on April 1, 2018 and the adoption had no effect on our financial position and results of operations.

NOTE 3 – ACQUISITIONS

Acquisitions completed during fiscal year 2018

In November 2017, we completed our acquisition of 100% of the outstanding shares of Scout Investments, Inc. (the “Scout Group”), an asset management and distribution entity, from UMB Financial Corporation. The Scout Group includes Scout Investments (“Scout”) and its Reams Asset Management division (“Reams”), as well as Scout Distributors. The addition of Scout, an equity asset manager, and Reams, an institutional-focused fixed income specialist, broadened the investment solutions available to our clients and has been integrated into our Asset Management segment. For purposes of certain acquisition-related financial reporting requirements, the Scout Group acquisition was not considered a material acquisition. We accounted for this acquisition under the acquisition method of accounting with the assets and liabilities of the Scout Group recorded as of the acquisition date at their respective fair values in our condensed consolidated financial statements. The Scout Group’s results of operations have been included in our results prospectively from November 17, 2017.

Acquisition-related expenses

The “Acquisition-related expenses” presented in our Condensed Consolidated Statements of Income and Comprehensive Income for
the six months ended March 31, 2018 pertain to certain incremental expenses incurred in connection with the Scout Group acquisition. Acquisition-related expenses for the three and six months ended March 31, 2017 primarily related to our fiscal year 2016 acquisitions of the U.S. Private Client Services unit of Deutsche Bank Wealth Management (“Alex. Brown”) and MacDougall, MacDougall & MacTier Inc. (“3Macs”), which are described further in Note 3 of our 2017 Form 10-K.

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The table below presents a summary of acquisition-related expenses incurred in each respective period.

	Three months ended March 31,		Six months ended March 31,	
$ in thousands	2018	2017	2018	2017
Legal and regulatory	$—	$274	$2,281	$827
Severance	—	754	990	5,557
Information systems integration costs	—	417	162	1,622
Acquisition and integration-related incentive compensation costs	—	—	—	5,474
Early termination costs of assumed contracts	—	5	—	1,329
Post-closing purchase price contingency	—	(1,248)	—	(3,499)
Deutsche Bank restricted stock unit ("DBRSU") obligation and related hedge	—	798	—	798
All other	—	86	494	1,644
Total acquisition-related expenses	$—	$1,086	$3,927	$13,752

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NOTE 4 – FAIR VALUE

Our “Financial instruments owned” and “Financial instruments sold but not yet purchased” on our Condensed Consolidated Statements of Financial Condition are recorded at fair value under GAAP. For further information about such instruments and our significant accounting policies related to fair value see Note 2 and Note 4 of our 2017 Form 10-K. There have been no material changes to our valuation methodologies or our fair value accounting policies since our year ended September 30, 2017.

The tables below present assets and liabilities measured at fair value on a recurring and nonrecurring basis. Netting adjustments represent the impact of counterparty and collateral netting on our derivative balances included in our Condensed Consolidated Statements of Financial Condition. See Note 6 for additional information.

$ in thousands	Quoted prices in active markets for identical instruments (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Netting adjustments	Balance as of March 31, 2018
Assets at fair value on a recurring basis					
Trading instruments					
Municipal and provincial obligations	$ 194	$287,849	$ —	$ —	$288,043
Corporate obligations	15,305	139,352	—	—	154,657
Government and agency obligations	6,368	28,538	—	—	34,906
Agency mortgage-backed securities (“MBS”) and collateralized mortgage obligations (“CMOs”)	1,257	208,814	—	—	210,071
Non-agency CMOs and asset-backed securities (“ABS”)	—	72,719	5	—	72,724
Total debt securities	23,124	737,272	5	—	760,401
Equity securities	26,634	476	—	—	27,110
Brokered certificates of deposit	—	34,142	—	—	34,142
Other	29	2,500	704	—	3,233
Total trading instruments	49,787	774,390	709	—	824,886
Available-for-sale securities					
Agency MBS and CMOs	—	2,449,974	—	—	2,449,974
Other securities	834	—	—	—	834
Auction rate securities (“ARS”) preferred securities	—	—	108,495	—	108,495
Total available-for-sale securities	834	2,449,974	108,495	—	2,559,303
Derivative assets					
Interest rate contracts					
Matched book	—	221,985	—	—	221,985
Other	—	65,802	—	(44,174)	21,628
Foreign exchange contracts	—	2,388	—	—	2,388
Total derivative assets	—	290,175	—	(44,174)	246,001
Private equity investments [1]					

Not measured at net asset value ("NAV")	—	—	95,862	—	95,862
Measured at NAV					97,273
Total private equity investments	—	—	95,862	—	193,135
Other investments (2)	261,450	927	548	—	262,925
Total assets at fair value on a recurring basis	$ 312,071	$3,515,466	$ 205,614	$ (44,174)	$4,086,250
Assets at fair value on a nonrecurring basis					
Bank loans, net					
Impaired loans	$ —	$13,253	$ 21,254	$ —	$34,507
Loans held for sale (3)	—	37,297	—	—	37,297
Total assets at fair value on a nonrecurring basis	$ —	$50,550	$ 21,254	$ —	$71,804

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$ in thousands	Quoted prices in active markets for identical instruments (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Netting adjustments	Balance as of March 31, 2018
Liabilities at fair value on a recurring basis					
Trading instruments sold but not yet purchased					
Municipal and provincial obligations	$ 2,095	$ 123	$ —	$ —	$ 2,218
Corporate obligations	1,284	12,757	—	—	14,041
Government obligations	294,867	—	—	—	294,867
Agency MBS and CMOs	573	—	—	—	573
Total debt securities	298,819	12,880	—	—	311,699
Equity securities	13,632	27	—	—	13,659
Other	—	—	853	—	853
Total trading instruments sold but not yet purchased	312,451	12,907	853	—	326,211
Derivative liabilities					
Interest rate contracts					
Matched book	—	221,985	—	—	221,985
Other	—	99,958	—	(40,416)	59,542
DBRSU obligation (equity)	—	19,432	—	—	19,432
Total derivative liabilities	—	341,375	—	(40,416)	300,959
Total liabilities at fair value on a recurring basis	$ 312,451	$ 354,282	$ 853	$ (40,416)	$ 627,170

(1) Of the total private equity investments, the portion we owned was $143 million as of March 31, 2018. The portion of the private equity investments we did not own was $50 million as of March 31, 2018 and was included as a component of noncontrolling interests in our Condensed Consolidated Statements of Financial Condition.

(2) Includes $43 million of financial instruments that are related to obligations to perform under certain deferred compensation plans and Deutsche Bank AG (“DB”) shares with a fair value of $15 million as of March 31, 2018, which we hold as an economic hedge against the DBRSU obligation. See Notes 2 and 20 of our 2017 Form 10-K for additional information.

(3) Loans classified as held for sale recorded at a fair value lower than cost.

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$ in thousands	Quoted prices in active markets for identical instruments (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Netting adjustments	Balance as of September 30, 2017
Assets at fair value on a recurring basis					
Trading instruments					
Municipal and provincial obligations	$ 83	$221,884	$ —	$ —	$221,967
Corporate obligations	9,361	81,577	—	—	90,938
Government and agency obligations	6,354	28,977	—	—	35,331
Agency MBS and CMOs	913	133,070	—	—	133,983
Non-agency CMOs and ABS	—	28,442	5	—	28,447
Total debt securities	16,711	493,950	5	—	510,666
Equity securities	16,090	389	—	—	16,479
Brokered certificates of deposit	—	31,492	—	—	31,492
Other	32	—	5,594	—	5,626
Total trading instruments	32,833	525,831	5,599	—	564,263
Available-for-sale securities					
Agency MBS and CMOs	—	2,081,079	—	—	2,081,079
Other securities	1,032	—	—	—	1,032
ARS preferred securities	—	—	106,171	—	106,171
Total available-for-sale securities	1,032	2,081,079	106,171	—	2,188,282
Derivative assets					
Interest rate contracts					
Matched book	—	288,035	—	—	288,035
Other	—	86,436	—	(55,728)	30,708
Foreign exchange contracts	—	32	—	—	32
Total derivative assets	—	374,503	—	(55,728)	318,775
Private equity investments [1]					
Not measured at NAV	—	—	88,885	—	88,885
Measured at NAV					109,894
Total private equity investments	—	—	88,885	—	198,779
Other investments [2]	220,312	332	336	—	220,980
Total assets at fair value on a recurring basis	$ 254,177	$2,981,745	$ 200,991	$ (55,728)	$3,491,079
Assets at fair value on a nonrecurring basis					
Bank loans, net					
Impaired loans	$ —	$17,474	$ 23,994	$ —	$41,468
Loans held for sale [3]	—	11,285	—	—	11,285
Total bank loans, net	—	28,759	23,994	—	52,753
Other assets: other real estate owned	—	880	—	—	880
Total assets at fair value on a nonrecurring basis	$ —	$29,639	$ 23,994	$ —	$53,633

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RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES
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$ in thousands	Quoted prices in active markets for identical instruments (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Netting adjustments	Balance as of September 30, 2017
Liabilities at fair value on a recurring basis					
Trading instruments sold but not yet purchased					
Municipal and provincial obligations	$ 304	$ —	$ —	$ —	$ 304
Corporate obligations	1,286	35,272	—	—	36,558
Government obligations	167,622	—	—	—	167,622
Agency MBS and CMOs	2,477	—	—	—	2,477
Non-agency MBS and CMOs	—	5,028	—	—	5,028
Total debt securities	171,689	40,300	—	—	211,989
Equity securities	8,118	1,342	—	—	9,460
Total trading instruments sold but not yet purchased	179,807	41,642	—	—	221,449
Derivative liabilities					
Interest rate contracts					
Matched book	—	288,035	—	—	288,035
Other	—	101,893	—	(59,410)	42,483
Foreign exchange contracts	—	646	—	—	646
DBRSU obligation (equity)	—	25,800	—	—	25,800
Total derivative liabilities	—	416,374	—	(59,410)	356,964
Total liabilities at fair value on a recurring basis	$ 179,807	$ 458,016	$ —	$ (59,410)	$ 578,413

(1) Of the total private equity investments, the portion we owned was $145 million as of September 30, 2017. The portion of the private equity investments we did not own was $54 million as of September 30, 2017, and was included as a component of noncontrolling interests in our Condensed Consolidated Statements of Financial Condition.

(2) Includes $44 million of financial instruments that are related to obligations to perform under certain deferred compensation plans and DB shares with a fair value of $19 million as of September 30, 2017, which we hold as an economic hedge against the DBRSU obligation. See Notes 2 and 20 of our 2017 Form 10-K for additional information.

(3) Loans classified as held for sale recorded at a fair value lower than cost.

Transfers between levels

Our policy is to treat transfers between levels of the fair value hierarchy as having occurred at the end of the reporting period. Our transfers of financial instruments between Levels 1 and 2 were insignificant for the three and six months ended March 31, 2018 and 2017.

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Level 3 recurring fair value measurements

The tables below present the changes in fair value for Level 3 assets and liabilities measured at fair value on a recurring basis. The realized and unrealized gains and losses in the tables below may include changes in fair value that were attributable to both observable and unobservable inputs. Our policy is to treat transfers between levels of the fair value hierarchy as having occurred at the end of the reporting period.

Three months ended March 31, 2018
Level 3 instruments at fair value

	Financial assets					Financial liabilities
	Trading instruments			Private equity and other investments		Trading instruments
$ in thousands	Non-agency CMOs & ABS	Other	ARS - preferred securities	Private equity investments	Other investments	Other
Fair value beginning of period	$5	$2,712	$107,483	$88,810	$ 333	$ (1,058)
Total gains/(losses) for the period						
Included in earnings	—	704	—	7,052	(3)	723
Included in other comprehensive income	—	—	1,012	—	—	—
Purchases and contributions	—	23,563	—	—	218	—
Sales	—	(26,275)	—	—	—	(518)
Distributions	—	—	—	—	—	—
Transfers						
Into Level 3	—	—	—	—	—	—
Out of Level 3	—	—	—	—	—	—
Fair value end of period	$5	$704	$108,495	$95,862	$ 548	$ (853)
Unrealized gains/(losses) for the period included in earnings for instruments held at the end of the reporting period	$—	$704	$1,012	$7,052	$ (3)	$ (303)

Six months ended March 31, 2018
Level 3 instruments at fair value

	Financial assets					Financial liabilities
	Trading instruments		Available-for-sale securities	Private equity and other investments		Trading instruments
$ in thousands	Non-agency CMOs & ABS	Other	ARS - preferred securities	Private equity investments	Other investments	Other
Fair value beginning of period	$5	$5,594	$ 106,171	$88,885	$ 336	$ —
Total gains/(losses) for the period						
Included in earnings	—	(503)	—	7,054	(6)	(335)
Included in other comprehensive income	—	—	2,324	—	—	—

Purchases and contributions	—	43,842	—	—	218	—
Sales	—	(48,229)	—	(77)	—	(518)
Distributions	—	—	—	—	—	—
Transfers						
Into Level 3	—	—	—	—	—	—
Out of Level 3	—	—	—	—	—	—
Fair value end of period	$5	$704	$ 108,495	$95,862	$ 548	$ (853)
Unrealized gains/(losses) for the period included in earnings for instruments held at the end of the reporting period	$—	$704	$ 2,324	$7,052	$ (6)	$ (303)

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Three months ended March 31, 2017 Level 3 instruments at fair value

	Financial assets						Financial liabilities
	Trading instruments		Available-for-sale securities		Private equity and other investments		Trading instruments
$ in thousands	Non-agency CMOs & ABS	Other	ARS – municipal obligations	ARS - preferred securities	Private equity investments	Other investments	Other
Fair value beginning of period	$7	$11,052	$25,364	$103,853	$83,466	$ 223	$ (1,792)
Total gains/(losses) for the period							
Included in earnings	—	1,765	—	—	(11)	151	1,792
Included in other comprehensive income	—	—	364	1,565	—	—	—
Purchases and contributions	—	22,418	—	—	5,168	—	—
Sales	—	(19,946)	—	—	—	—	—
Distributions	—	—	—	—	—	—	—
Transfers							
Into Level 3	—	—	—	—	—	—	—
Out of Level 3	—	—	—	—	—	—	—
Fair value end of period	$7	$15,289	$25,728	$105,418	$88,623	$ 374	$ —
Unrealized gains/(losses) for the period included in earnings for instruments held at the end of the reporting period	$—	$1,845	$364	$1,565	$—	$ 151	$ —

Six months ended March 31, 2017
Level 3 instruments at fair value

	Financial assets					
	Trading instruments		Available-for-sale securities		Private equity and other investments	
$ in thousands	Non-agency CMOs & ABS	Other	ARS - municipal obligations	ARS - preferred securities	Private equity investments	Other investments
Fair value beginning of period	$7	$6,020	$25,147	$100,018	$83,165	$ 441
Total gains/(losses) for the period						
Included in earnings	—	(824)	—	1	290	143
Included in other comprehensive income	—	—	581	5,422	—	—
Purchases and contributions	—	41,101	—	—	5,168	—
Sales	—	(31,008)	—	(23)	—	(15)
Distributions	—	—	—	—	—	—
Transfers						
Into Level 3	—	—	—	—	—	—
Out of Level 3	—	—	—	—	—	(195)
Fair value end of period	$7	$15,289	$25,728	$105,418	$88,623	$ 374

Unrealized gains/(losses) for the period included in earnings for instruments held at the end of the reporting period	$—	$(723)	$581	$5,422	$301	$ 151

As of March 31, 2018, 11% of our assets and 2% of our liabilities were instruments measured at fair value on a recurring basis. Instruments measured at fair value on a recurring basis categorized as Level 3 as of March 31, 2018 represented 5% of our assets measured at fair value. In comparison as of September 30, 2017, 10% of our assets and 2% of our liabilities 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 September 30, 2017 represented 6% of our assets measured at fair value. Level 3 instruments as a percentage of total financial instruments decreased as compared to September 30, 2017 as a result of the increase in total assets measured at fair value since September 30, 2017.

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The following table presents the gains/(losses) related to Level 3 recurring fair value measurements included in our Condensed Consolidated Statements of Income and Comprehensive Income.

$ in thousands	Net trading profit	Other revenues	Other comprehensive income
Three months ended March 31, 2018			
Total gains/(losses) included in earnings	$1,427	$ 7,049	$ 1,012
Unrealized gains/(losses) for assets held at the end of the reporting period	$401	$ 7,049	$ 1,012
Six months ended March 31, 2018			
Total gains/(losses) included in earnings	$(838)	$ 7,048	$ 2,324
Change in unrealized gains/(losses) for assets held at the end of the reporting period	$401	$ 7,046	$ 2,324
Three months ended March 31, 2017			
Total gains/(losses) included in earnings	$3,557	$ 140	$ 1,929
Unrealized gains/(losses) for assets held at the end of the reporting period	$1,845	$ 151	$ 1,929
Six months ended March 31, 2017			
Total gains/(losses) included in earnings	$(824)	$ 434	$ 6,003
Change in unrealized gains/(losses) for assets held at the end of the reporting period	$(723)	$ 452	$ 6,003

Quantitative information about level 3 fair value measurements

The tables below present the valuation techniques and significant unobservable inputs used in the valuation of a significant majority of our financial instruments classified as level 3. These inputs represent those that a market participant would take into account when pricing these instruments.

Level 3 financial instrument $ in thousands	Fair value at March 31, 2018	Valuation technique(s)	Unobservable input	Range (weighted-average)
Recurring measurements				
ARS preferred securities	$108,495	Discounted cash flow	Average discount rate	6.20% - 7.60% (6.79%)
			Average interest rates applicable to future interest income on the securities (1)	3.47% - 4.63% (3.64%)
			Prepayment year (2)	2018 - 2021 (2021)
Private equity investments (not measured at NAV)	$51,635	Income or market approach		
			Discount rate	13% - 25% (24.8%)

		Scenario 1 - income approach - discounted cash flow		
			Terminal growth rate of cash flows	3% - 3% (3%)
			Terminal year	2020 - 2042 (2022)
		Scenario 2 - market approach - market multiple method	EBITDA Multiple	6.00 - 7.0 (6.5)
			Weighting assigned to outcome of scenario 1/scenario 2	99%/1%
	$44,227	Transaction price or other investment-specific events (3)	Not meaningful (3)	Not meaningful (3)
Nonrecurring measurements				
Bank loans: impaired loans - residential	$18,758	Discounted cash flow	Prepayment rate	7 yrs - 12 yrs (10.5 yrs)
Bank loans: impaired loans - corporate	$2,496	Appraisal or discounted cash flow value (4)	Not meaningful (4)	Not meaningful (4)

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Notes to Condensed Consolidated Financial Statements (Unaudited)

(continued from previous page)

Level 3 financial instrument $ in thousands	Fair value at September 30, 2017	Valuation technique(s)	Unobservable input	Range (weighted-average)
Recurring measurements				
ARS preferred securities	$ 106,171	Discounted cash flow	Average discount rate	5.46% - 6.81% (6.03%)
			Average interest rates applicable to future interest income on the securities (1)	2.58% - 3.44% (2.72%)
			Prepayment year (2)	2017 - 2021 (2021)
Private equity investments (not measured at NAV)	$ 68,454	Income or market approach:		
		Scenario 1 - income approach - discounted cash flow	Discount rate	13% - 25% (22.4%)
			Terminal growth rate of cash flows	3% - 3% (3%)
			Terminal year	2020 - 2042 (2021)
		Scenario 2 - market approach - market multiple method	EBITDA Multiple	5.25 - 7.0 (5.8)
			Weighting assigned to outcome of scenario 1/scenario 2	87%/13%
	$ 20,431	Transaction price or other investment-specific events (3)	Not meaningful (3)	Not meaningful (3)
Nonrecurring measurements				
Bank loans: impaired loans - residential	$ 20,736	Discounted cash flow	Prepayment rate	7 yrs. - 12 yrs. (10.4 yrs.)
Bank loans: impaired loans - corporate	$ 3,258	Appraisal or discounted cash flow value (4)	Not meaningful (4)	Not meaningful (4)

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

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

(3) Certain private equity investments are valued initially at the transaction price until either our periodic 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.

(4) The valuation techniques used for the impaired corporate loan portfolio are appraisals less selling costs for the collateral dependent loans and discounted cash flows for 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, if any, 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. These securities generally have embedded penalty interest rate provisions in the event auctions fail to set the security’s interest rate. The penalty rates are based upon a stated interest rate spread over what is typically a short-term base interest rate index. As short-term interest rates rise, the penalty rate that is specified in the security increases. Changes in interest rates impact the fair value of our ARS portfolio, as we estimate 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. The faster and steeper short-term interest rates rise, the earlier prepayments will likely occur and the higher the fair value of the security. Therefore, the short-term interest rate assumption directly impacts the input related to the timing of any projected prepayment.

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/(decreases) in our investment entities’ future economic performance will have a corresponding increase/(decrease) 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.

Investments in private equity measured at net asset value per share

As more fully described in Note 2 of our 2017 Form 10-K, as a practical expedient, we utilize NAV or its equivalent to determine the recorded value of a portion of our private equity portfolio. We utilize NAV when the fund investment does not have a readily determinable fair value and the NAV of the fund is calculated in a manner consistent with the measurement principles of investment company accounting, including measurement of the investments at fair value.

Our private equity portfolio as of March 31, 2018 included various direct and third party private equity investments and various private equity funds which we sponsor. The portfolio is primarily invested in a broad range of industries including leveraged buyouts, growth capital, distressed capital, venture capital and mezzanine capital.

Due to the closed-end nature of certain of our fund investments, such investments cannot be redeemed directly with the funds. Our investment is monetized through distributions received through the liquidation of the underlying assets of those funds. We anticipate approximately 90% of these underlying assets will be liquidated over a period of four years or less, with the remainder to be liquidated over a period of nine years.

The table below presents the recorded value and unfunded commitments related to our private equity portfolio.

		Unfunded commitment		
$ in thousands	Recorded value	RJF	Noncontrolling interests	Total
March 31, 2018				
Private equity investments measured at NAV	$97,273	$19,110	$ 1,917	$21,027
Private equity investments not measured at NAV	95,862			
Total private equity investments	$193,135			
September 30, 2017				

Private equity investments measured at NAV	$109,894	$20,973	$ 2,273	$23,246
Private equity investments not measured at NAV	88,885			
Total private equity investments	$198,779			

Of the total private equity investments, the portions we owned were $143 million and $145 million as of March 31, 2018 and September 30, 2017, respectively. The portions of the private equity investments we did not own were $50 million and $54 million as of March 31, 2018 and September 30, 2017, respectively, and were included as a component of noncontrolling interests in our Condensed Consolidated Statements of Financial Condition.

Many of these fund investments meet the definition of prohibited “covered funds” as defined by the Volcker Rule of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the “Dodd-Frank Act”). We have received approval from the Board of Governors of the Federal Reserve System (the “Fed”) to continue to hold the majority of our “covered fund” investments for up to an additional five-year conformance period, thereby extending our applicable holding period until July 2022 for such investments. However our current focus is on the divestiture of this portfolio.

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 4 of our 2017 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 recorded at fair value.

The table below presents the estimated fair values by level within the fair value hierarchy and the carrying amounts of certain of our financial instruments not carried at fair value. The carrying amounts below exclude financial instruments which have been recorded at fair value and those recorded at amounts which approximate fair value in the Condensed Consolidated Statements of Financial Condition.

$ in thousands	Quoted prices in active markets for identical instruments (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total estimated fair value	Carrying amount
March 31, 2018					
Financial assets:					
Bank loans, net	$ —	$79,464	$17,778,972	$17,858,436	$18,079,109
Loans to financial advisors, net	$ —	$—	$700,123	$700,123	$885,218
Financial liabilities:					
Bank deposits	$ —	$18,348,014	$357,467	$18,705,481	$18,711,903
Other borrowings	$ —	$26,573	$—	$26,573	$26,424
Senior notes payable	$ —	$1,629,315	$—	$1,629,315	$1,549,128
September 30, 2017					
Financial assets:					
Bank loans, net	$ —	$23,001	$16,836,745	$16,859,746	$16,954,042
Loans to financial advisors, net	$ —	$—	$708,487	$708,487	$873,272
Financial liabilities:					
Bank deposits	$ —	$17,417,678	$313,359	$17,731,037	$17,732,362
Other borrowings	$ —	$29,278	$—	$29,278	$28,813
Senior notes payable	$ —	$1,647,696	$—	$1,647,696	$1,548,839

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Unaudited)

NOTE 5 – AVAILABLE-FOR-SALE SECURITIES

Available-for-sale securities are comprised of agency MBS and CMOs owned by Raymond James Bank, N.A. ("RJ Bank") and ARS owned by one of our non-broker-dealer subsidiaries. Refer to the discussion of our available-for-sale securities accounting policies, including the fair value determination process, in Note 2 of our 2017 Form 10-K.

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

$ in thousands	Cost basis	Gross unrealized gains	Gross unrealized losses	Fair value
March 31, 2018				
Agency MBS and CMOs	$2,499,859	$ 406	$(50,291)	$2,449,974
Other securities	1,575	—	(741)	834
Total RJ Bank available-for-sale securities	2,501,434	406	(51,032)	2,450,808
ARS preferred securities	101,674	6,821	—	108,495
Total available-for-sale securities	$2,603,108	$ 7,227	$(51,032)	$2,559,303
September 30, 2017				
Agency MBS and CMOs	$2,089,153	$ 1,925	$(9,999)	$2,081,079
Other securities	1,575	—	(543)	1,032
Total RJ Bank available-for-sale securities	2,090,728	1,925	(10,542)	2,082,111
ARS preferred securities	101,674	4,497	—	106,171
Total available-for-sale securities	$2,192,402	$ 6,422	$(10,542)	$2,188,282

See Note 4 for additional information regarding the fair value of available-for-sale securities.

The contractual maturities, amortized cost, carrying values and current yields for our available-for-sale securities were as presented below. Since RJ Bank's MBS and CMO 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.

	March 31, 2018				
$ in thousands	Within one year	After one but within five years	After five but within ten years	After ten years	Total
Agency MBS and CMOs:					
Amortized cost	$—	$196,339	$792,426	$1,511,094	$2,499,859
Carrying value	—	192,549	776,185	1,481,240	2,449,974
Weighted-average yield	—	2.17 %	2.03 %	2.22 %	2.15 %
Other securities:					
Amortized cost	$—	$—	$—	$1,575	$1,575
Carrying value	—	—	—	834	834
Weighted-average yield	—	—	—	—	—

Subtotal agency MBS and CMOs and other securities:					
Amortized cost	$—	$196,339	$792,426	$1,512,669	$2,501,434
Carrying value	—	192,549	776,185	1,482,074	2,450,808
Weighted-average yield	—	2.17 %	2.03 %	2.22 %	2.15 %
ARS preferred securities:					
Amortized cost	$—	$—	$—	$101,674	$101,674
Carrying value	—	—	—	108,495	108,495
Weighted-average yield	—	—	—	2.90 %	2.90 %
Total available-for-sale securities:					
Amortized cost	$—	$196,339	$792,426	$1,614,343	$2,603,108
Carrying value	—	192,549	776,185	1,590,569	2,559,303
Weighted-average yield	—	2.17 %	2.03 %	2.27 %	2.18 %

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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, were as follows:

$ in thousands	Less than 12 months		12 months or more		Total	
	Estimated fair value	Unrealized losses	Estimated fair value	Unrealized losses	Estimated fair value	Unrealized losses
March 31, 2018						
Agency MBS and CMOs	$1,799,844	$(33,871)	$533,321	$(16,420)	$2,333,165	$(50,291)
Other securities	—	—	834	(741)	834	(741)
Total	$1,799,844	$(33,871)	$534,155	$(17,161)	$2,333,999	$(51,032)
September 30, 2017						
Agency MBS and CMOs	$1,119,715	$(5,621)	$295,528	$(4,378)	$1,415,243	$(9,999)
Other securities	—	—	1,032	(543)	1,032	(543)
Total	$1,119,715	$(5,621)	$296,560	$(4,921)	$1,416,275	$(10,542)

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 and non-agency CMOs

The Federal Home Loan Mortgage Corporation ("FHLMC"), Federal National Mortgage Association ("FNMA") and Government National Mortgage Associations ("GNMA") guarantee the contractual cash flows of the agency MBS and CMOs. At March 31, 2018, of the 215 U.S. government-sponsored enterprise MBS and CMOs in an unrealized loss position, 151 were in a continuous unrealized loss position for less than 12 months and 64 were for 12 months or more. We do not consider these securities to be other-than-temporarily impaired ("OTTI") due to the guarantee provided by FNMA, FHLMC, and GNMA of the full payment of principal and interest, and the fact that we have the ability and intent to hold these securities. At March 31, 2018, debt securities we held from FNMA and FHLMC had an amortized cost of $1.72 billion and $658 million, respectively, and a fair value of $1.69 billion and $644 million, respectively.

During the three and six months ended March 31, 2018 there were no sales of agency MBS and CMO available-for-sale securities. During the three and six months ended March 31, 2017, there were $25 million and $33 million, respectively, of proceeds from the sales of agency and non-agency available-for-sale securities. These sales resulted in an insignificant loss, which was included in "Other revenues" on our Condensed Consolidated Statements of Income and Comprehensive Income.

ARS

Our cost basis in the ARS we hold is the fair value of the securities in the period in which we acquired them. The par value of the ARS we held as of March 31, 2018 was $120 million. Only those ARS whose amortized cost basis we do not expect to recover in full are considered to be other-than-temporarily impaired, as we have the ability and intent to hold these securities. All of our ARS securities are evaluated for OTTI on a quarterly basis. As of March 31, 2018, there were no ARS preferred securities with a fair value less than cost basis.

During the three and six months ended March 31, 2018, there were no sales of ARS. During the three and six months ended March 31, 2017, sales of ARS were insignificant.

Other-than-temporarily impaired securities

Changes in the amount of OTTI related to credit losses recognized in “Other revenues” on available-for-sale securities were as follows:

	Three months ended March 31,		Six months ended March 31,	
$ in thousands	2018	2017	2018	2017
Amount related to credit losses on securities we held at the beginning of the period	$—	$5,754	$—	$8,107
Decreases to the amount related to credit losses for securities sold during the period	—	—	—	(2,353)
Amount related to credit losses on securities we held at the end of the period	$—	$5,754	$—	$5,754

NOTE 6 – DERIVATIVE FINANCIAL INSTRUMENTS

Our derivative assets and derivative liabilities are recorded at fair value and are included in “Derivative assets” and “Derivative liabilities” in our Condensed Consolidated Statements of Financial Condition. Cash flows related to our derivative contracts are included within operating activities in the Condensed Consolidated Statements of Cash Flows. The significant accounting policies governing our derivative financial instruments, including our methodologies for determining fair value, are described in Note 2 of our 2017 Form 10-K.

Derivatives arising from our fixed income business operations

We enter into interest rate contracts as part of our fixed income business to facilitate client transactions or to actively manage risk exposures that arise from our client activity, including a portion of our trading inventory. The majority of these derivatives are traded in the over-the-counter market and are executed directly with another counterparty or are cleared and settled through a clearing organization.

We also facilitate matched book derivative transactions in which Raymond James Financial Products, Inc. (“RJFP”), a wholly owned subsidiary, enters into interest rate derivative transactions with clients. For every derivative transaction RJFP enters into with a client, it also enters into an offsetting derivative on terms that mirror the client transaction with a credit support provider, which is a third-party financial institution. Any collateral required to be exchanged under these derivative contracts is administered directly between the client and the third-party financial institution. Due to this pass-through transaction structure, RJFP has completely mitigated the market and credit risk on these derivative contracts. As a result, derivatives for which the fair value is in an asset position have an equal and offsetting derivative liability. RJFP only has credit risk on its uncollected derivative transaction fee revenues. The receivable for uncollected derivative transaction fee revenues of RJFP was $5 million at both March 31, 2018 and September 30, 2017, and was included in “Other receivables” on our Condensed Consolidated Statements of Financial Condition.

Derivatives arising from RJ Bank’s business operations

We enter into forward foreign exchange contracts and interest rate swaps to hedge certain exposures arising out of RJ Bank’s business operations (see Note 2 of our 2017 Form 10-K for the accounting policies associated with these transactions). Each of these activities is described further below.

We enter into three-month forward foreign exchange contracts primarily to hedge the risks related to RJ Bank’s investment in their Canadian subsidiary as well as their risk resulting from transactions denominated in currencies other than the U.S. dollar. The majority of these derivatives are designated as net investment hedges.

The cash flows associated with certain assets held by RJ Bank provide interest income at fixed interest rates. Therefore, the value of these assets, absent any risk mitigation, is subject to fluctuation based upon changes in market rates of interest over time. RJ Bank enters into floating-rate advances from the Federal Home Loan Bank of Atlanta (“FHLB”) to, in part, fund these assets and then enters into interest rate swaps which swap variable interest payments on this debt for fixed interest payments. These interest rate swaps are designated as cash flow hedges and effectively fix RJ Bank’s cost of funds associated with these assets to mitigate a portion of the market risk.

Derivative arising from our acquisition of Alex. Brown

As part of our acquisition of Alex. Brown (see Note 3 of our 2017 Form 10-K for additional information regarding the acquisition), we assumed certain DBRSU awards, including the associated plan terms and conditions. The DBRSU awards contain performance conditions based on Deutsche Bank and subsidiaries attaining certain financial results and will ultimately be settled in DB common shares, provided the performance metrics are achieved. The DBRSU obligation results in a derivative, the fair value and notional of which is measured by multiplying the number of outstanding DBRSU awards to be settled in DB common shares as of the end of the reporting period by the end of reporting period DB share price, as traded on the New York Stock Exchange.

Counterparty netting and collateral related to derivative contracts

To reduce credit exposure on certain of our derivative transactions, we may enter into a master netting arrangement that allows for net settlement of all derivative transactions with each counterparty. In addition, the credit support annex allows parties to the master netting 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. Where permitted, we elect to net-by-counterparty certain derivative contracts entered into under a legally enforceable master netting agreement and, therefore, the fair value of those derivative contracts are netted by counterparty in the Condensed Consolidated Statements of Financial Condition. As we elect to net-by-counterparty the fair value of such derivative contracts, we also net-by-counterparty cash collateral exchanged as part of those derivative agreements. We may also require certain counterparties to make a deposit at the inception of a derivative agreement, referred to as "initial margin." This initial margin is included in "Other payables" on our Condensed Consolidated Statements of Financial Condition.

We are also required to maintain cash or marketable security deposits with the clearing organizations we utilize to clear certain of our interest rate derivative transactions. This initial margin is included as a component of "Receivables from brokers, dealers and clearing organizations" for cash initial margin or "Other investments" for marketable securities initial margin in our Condensed Consolidated Statements of Financial Condition. On a daily basis we also pay cash to or receive cash from these clearing organizations due to changes in the fair value of the derivatives which they clear. Such payments are referred to as "variation margin" and are considered to be settlement of the related derivatives.

RJ Bank provides to counterparties for the benefit of its U.S. subsidiaries, a guarantee of payment in the event of the subsidiary's 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 generally not required to post collateral with and do not generally receive collateral from the respective counterparties.

Derivative balances included in our financial statements

The table below presents the gross fair value and notional amount of derivative contracts by product type, the amounts of counterparty and cash collateral netting in our Condensed Consolidated Statements of Financial Condition, as well as collateral posted and received under credit support agreements that do not meet the criteria for netting under GAAP.

	March 31, 2018			September 30, 2017		
$ in thousands	Derivative assets	Derivative liabilities	Notional amount	Derivative assets	Derivative liabilities	Notional amount
Derivatives not designated as hedging instruments						
Interest rate contracts:						
Matched book	$221,985	$221,985	$2,673,225	$288,035	$288,035	$2,766,488
Other	65,802	98,480	5,294,600	86,436	100,503	4,931,809
Foreign exchange contracts	1,174	—	556,286	3	530	437,783
DBRSU obligation (equity) (1)	—	19,432	19,432	—	25,800	25,800
Subtotal	288,961	339,897	8,543,543	374,474	414,868	8,161,880
Derivatives designated as hedging instruments						
Interest rate contracts	—	1,478	850,000	—	1,390	850,000
Foreign exchange contracts	1,214	—	871,546	29	116	1,048,646
Subtotal	1,214	1,478	1,721,546	29	1,506	1,898,646
Total gross fair value/notional amount	290,175	341,375	$10,265,089	374,503	416,374	$10,060,526
Offset in the Statements of Financial Condition						
Counterparty netting	(22,239)	(22,239)		(6,045)	(6,045)	

Cash collateral netting	(21,935)	(18,177)	(49,683)	(53,365)
Total amounts offset	(44,174)	(40,416)	(55,728)	(59,410)
Net amounts presented in the Statements of Financial Condition	246,001	300,959	318,775	356,964
Gross amounts not offset in the Statements of Financial Condition				
Financial instruments [(2)]	(224,100)	(221,985)	(293,340)	(288,035)
Total	$21,901	$78,974	$25,435	$68,929

(1) The DBRSU obligation is not subject to an enforceable master netting arrangement or other similar arrangement. However, we held shares of DB as an economic hedge against this obligation with a fair value of $15 million and $19 million as of March 31, 2018 and September 30, 2017, respectively, which are a component of “Other investments” on our Condensed Consolidated Statements of Financial Condition. See additional discussion of the DBRSUs in Note 17.

(2) Although the matched book derivative arrangements do not meet the definition of a master netting arrangement as specified by GAAP, the agreement with the third-party intermediary includes terms that are similar to a master netting agreement. As a result, we present the matched book amounts net in the table above.

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Gains/(losses) recognized in AOCI, net of income taxes, on derivatives designated as hedging instruments were as follows (see Note 15 for additional information):

	Three months ended March 31,		Six months ended March 31,	
$ in thousands	2018	2017	2018	2017
Interest rate contracts (cash flow hedges)	$16,593	$1,531	$23,478	$27,269
Foreign exchange contracts (net investment hedges)	18,964	(4,539)	24,537	6,787
Total gains/(losses) recognized in AOCI, net of taxes	$35,557	$(3,008)	$48,015	$34,056

There was no hedge ineffectiveness and no components of derivative gains or losses were excluded from the assessment of hedge effectiveness for each of the three and six months ended March 31, 2018 and 2017. We expect to reclassify an estimated $3 million of interest income out of AOCI and into earnings within the next 12 months. The maximum length of time over which forecasted transactions are or will be hedged is 10 years.

Gains/(losses) on derivatives not designated as hedging instruments recognized on the Condensed Consolidated Statements of Income and Comprehensive Income were as follows:

$ in thousands	Location of gain/(loss) included in the Condensed Consolidated Statements of Income and Comprehensive Income	Gain/(loss) recognized during the period			
		Three months ended March 31,		Six months ended March 31,	
		2018	2017	2018	2017
Interest rate contracts:					
Matched book	Other revenues	$20	$21	$58	$(5)
Other	Net trading profit/other revenues	$(182)	$1,965	$1,380	$4,194
Foreign exchange contracts	Other revenues	$10,633	$(2,278)	$9,267	$5,636
DBRSUs	Compensation, commissions and benefits expense	$7,278	$1,256	$4,665	$(5,469)
DBRSUs	Acquisition-related expenses	$—	$(2,733)	$—	$(2,383)

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

Credit risk

We are exposed to credit losses in the event of nonperformance by the counterparties to forward foreign exchange derivative agreements and interest rate contracts that are not cleared through a clearing organization. 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. We may require initial margin or 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.

Our only exposure to credit risk in the 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 previously described.

Interest rate and foreign exchange risk

We are exposed to interest rate risk related to certain of our interest rate derivative agreements. We are also exposed to foreign exchange risk related to our forward foreign exchange derivative agreements. On a daily basis, we monitor our risk exposure in our derivative agreements 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.

Derivatives with credit-risk-related contingent features

Certain of the derivative instruments arising from our interest rate contracts and 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, the counterparties to the derivative instruments could terminate and 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 were in a liability position was $3 million at March 31, 2018, for which we had posted an insignificant amount of collateral. Such amounts were not material at September 30, 2017.

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NOTE 7 – COLLATERALIZED AGREEMENTS AND FINANCINGS

Collateralized agreements are securities purchased under agreements to resell ("reverse repurchase agreements") and securities borrowed. Collateralized financings are securities sold under agreements to repurchase ("repurchase agreements") and securities loaned. We enter into these transactions in order to facilitate client activities, invest excess cash, acquire securities to cover short positions and finance certain firm activities. The significant accounting policies governing our collateralized agreements and financings are described in Note 2 of our 2017 Form 10-K.

For financial statement purposes, we do not offset our reverse repurchase agreements, repurchase agreements, securities borrowing and securities lending transactions because the conditions for netting as specified by GAAP are not met. Our reverse repurchase agreements, repurchase agreements, securities borrowing and securities lending transactions are governed by 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 parties to the transaction. Although not offset on the Condensed Consolidated Statements of Financial Condition, these transactions are included in the following table.

	Assets		Liabilities	
$ in thousands	Reverse repurchase agreements	Securities borrowed	Repurchase agreements	Securities loaned
March 31, 2018				
Gross amounts of recognized assets/liabilities	$448,474	$163,981	$142,791	$304,192
Gross amounts offset in the Condensed Consolidated Statements of Financial Condition	—	—	—	—
Net amounts presented in the Condensed Consolidated Statements of Financial Condition	448,474	163,981	142,791	304,192
Gross amounts not offset in the Condensed Consolidated Statements of Financial Condition	(448,474)	(161,134)	(142,791)	(298,198)
Net amount	$—	$2,847	$—	$5,994
September 30, 2017				
Gross amounts of recognized assets/liabilities	$404,462	$138,319	$220,942	$383,953
Gross amounts offset in the Condensed Consolidated Statements of Financial Condition	—	—	—	—
Net amounts presented in the Condensed Consolidated Statements of Financial Condition	404,462	138,319	220,942	383,953
Gross amounts not offset in the Condensed Consolidated Statements of Financial Condition	(404,462)	(134,304)	(220,942)	(373,132)
Net amount	$—	$4,015	$—	$10,821

The required market value of the collateral associated with collateralized agreements and financings generally exceeds the amount financed. Accordingly, the total collateral received under reverse repurchase agreements and the total amount of collateral posted under repurchase agreements exceeds the carrying value of these agreements in our Condensed Consolidated Statements of Financial Condition. In the event the market value of the securities we pledge as collateral in these activities declines, we may have to post additional collateral or reduce the borrowing amounts. We monitor such levels daily.

Collateral received and pledged

We receive cash and securities as collateral, primarily in connection with reverse repurchase agreements, securities borrowed, derivative transactions not transacted through a clearing organization, and client margin loans. The collateral we receive reduces our credit exposure to individual counterparties.

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

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

$ in thousands	March 31, 2018	September 30, 2017
Collateral we received that was available to be delivered or repledged	$3,095,347	$ 3,030,736
Collateral that we delivered or repledged	$1,163,076	$ 1,068,912

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Encumbered assets

We pledge certain of our financial instruments to collateralize either repurchase agreements or other secured borrowings, or to satisfy our collateral or settlement requirements with counterparties or clearing organizations who may or may not have the right to deliver or repledge such securities. The table below presents information about the fair value of our assets that have been pledged for one of the purposes described above:

$ in thousands	March 31, 2018	September 30, 2017
Financial instruments owned, at fair value, pledged to counterparties that:		
Had the right to deliver or repledge	$644,735	$ 363,739
Did not have the right to deliver or repledge	$65,190	$ 44,930

Repurchase agreements, repurchase-to-maturity transactions and securities loaned accounted for as secured borrowings

The following table presents the remaining contractual maturity of repurchase agreements and securities lending transactions accounted for as secured borrowings:

$ in thousands	Overnight and continuous	Up to 30 days	30-90 days	Greater than 90 days	Total
March 31, 2018					
Repurchase agreements:					
Government and agency obligations	$69,031	$ —	$ —	$ —	$69,031
Agency MBS and CMOs	73,760	—	—	—	73,760
Total repurchase agreements	142,791	—	—	—	142,791
Securities loaned:					
Equity securities	304,192	—	—	—	304,192
Total	$446,983	$ —	$ —	$ —	$446,983
Gross amounts of recognized liabilities for repurchase agreements and securities loaned included in the table within this footnote					$446,983
Amounts related to repurchase agreements and securities loaned not included in the table within this footnote					$—
September 30, 2017					
Repurchase agreements:					
Government and agency obligations	$107,284	$ —	$ —	$ —	$107,284
Agency MBS and CMOs	113,658	—	—	—	113,658
Total repurchase agreements	220,942	—	—	—	220,942
Securities loaned:					
Equity securities	383,953	—	—	—	383,953
Total	$604,895	$ —	$ —	$ —	$604,895
Gross amounts of recognized liabilities for repurchase agreements and securities loaned included in the table within this footnote					$604,895
Amounts related to repurchase agreements and securities loaned not included in the table within this footnote					$—

As of both March 31, 2018 and September 30, 2017, we did not have any “repurchase-to-maturity” agreements, which are repurchase agreements where a security is transferred under an agreement to repurchase and the maturity date of the repurchase agreement matches the maturity date of the underlying security.

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, tax-exempt loans, securities based loans (“SBL”), and commercial and residential real estate loans. These receivables are collateralized by first or second mortgages on residential or other real property, other assets of the borrower, a pledge of revenue or are unsecured.

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

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See Note 2 of our 2017 Form 10-K for a discussion of our accounting policies related to 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.

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. "Loans held for sale, net" and "Total loans held for investment, net" in the table below are presented net of unearned income and deferred expenses, which include purchase premiums, purchase discounts and net deferred origination fees and costs.

	March 31, 2018		September 30, 2017	
$ in thousands	Balance	%	Balance	%
Loans held for investment:				
C&I loans	$7,661,933	42 %	$7,385,910	43 %
CRE construction loans	174,955	1 %	112,681	1 %
CRE loans	3,247,079	18 %	3,106,290	18 %
Tax-exempt loans	1,174,178	6 %	1,017,791	6 %
Residential mortgage loans	3,370,551	18 %	3,148,730	18 %
SBL	2,625,965	14 %	2,386,697	14 %
Total loans held for investment	18,254,661		17,158,099	
Net unearned income and deferred expenses	(25,657)		(31,178)	
Total loans held for investment, net	18,229,004		17,126,921	
Loans held for sale, net	116,761	1 %	70,316	—
Total loans held for sale and investment	18,345,765	100%	17,197,237	100%
Allowance for loan losses	(194,852)		(190,442)	
Bank loans, net	$18,150,913		$17,006,795	

At March 31, 2018, the FHLB had a blanket lien on RJ Bank's residential mortgage loan portfolio as security for the repayment of certain borrowings. See Note 12 for more information regarding borrowings from the FHLB.

Loans held for sale

RJ Bank originated or purchased $323 million and $681 million of loans held for sale during the three and six months ended March 31, 2018, respectively, and $315 million and $837 million during the three and six months ended March 31, 2017, respectively. Proceeds from the sale of these held for sale loans amounted to $136 million and $228 million during the three and six months ended March 31, 2018, respectively, and $85 million and $235 million during the three and six months ended March 31, 2017, respectively. Net gains resulting from such sales were insignificant in all periods during the three and six months ended March 31, 2018 and 2017. 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 insignificant in all periods during the three and six months ended March 31, 2018 and 2017.

Purchases and sales of loans held for investment

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

$ in thousands	Total

	C&I loans	CRE loans	Residential mortgage loans	
Three months ended March 31, 2018				
Purchases	$124,616	$42,671	$ 49,062	$216,349
Sales	$76,369	$—	$ —	$76,369
Six months ended March 31, 2018				
Purchases	$272,058	$62,758	$ 94,073	$428,889
Sales	$107,512	$—	$ —	$107,512
Three months ended March 31, 2017				
Purchases	$83,003	$—	$ 8,757	$91,760
Sales	$90,949	$—	$ —	$90,949
Six months ended March 31, 2017				
Purchases	$197,652	$38,980	$ 90,419	$327,051
Sales	$172,528	$—	$ —	$172,528

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Sales in the table on the previous page represent the recorded investment of loans held for investment that were transferred to loans held for sale and subsequently sold to a third party during the respective period. As more fully described in Note 2 of our 2017 Form 10-K, corporate loan (C&I, CRE and CRE construction) sales generally occur as part of a loan workout situation.

Aging analysis of loans held for investment

The following table presents an analysis of the payment status of loans held for investment. Amounts in the table exclude any net unearned income and deferred expenses.

$ in thousands	30-89 days and accruing	90 days or more and accruing	Total past due and accruing	Nonaccrual	Current and accruing	Total loans held for investment
March 31, 2018						
C&I loans	$ —	$ —	$ —	$ 4,014	$7,657,919	$7,661,933
CRE construction loans	—	—	—	—	174,955	174,955
CRE loans	—	—	—	—	3,247,079	3,247,079
Tax-exempt loans	—	—	—	—	1,174,178	1,174,178
Residential mortgage loans:						
First mortgage loans	2,650	1,255	3,905	29,131	3,310,539	3,343,575
Home equity loans/lines	195	—	195	199	26,582	26,976
SBL	—	—	—	—	2,625,965	2,625,965
Total loans held for investment, net	$ 2,845	$ 1,255	$ 4,100	$ 33,344	$18,217,217	$18,254,661
September 30, 2017						
C&I loans	$ —	$ —	$ —	$ 5,221	$7,380,689	$7,385,910
CRE construction loans	—	—	—	—	112,681	112,681
CRE loans	—	—	—	—	3,106,290	3,106,290
Tax-exempt loans	—	—	—	—	1,017,791	1,017,791
Residential mortgage loans:						
First mortgage loans	1,853	—	1,853	33,718	3,086,701	3,122,272
Home equity loans/lines	248	—	248	31	26,179	26,458
SBL	—	—	—	—	2,386,697	2,386,697
Total loans held for investment, net	$ 2,101	$ —	$ 2,101	$ 38,970	$17,117,028	$17,158,099

The table above includes $14 million and $18 million at March 31, 2018 and September 30, 2017, respectively, of nonaccrual loans which were performing pursuant to their contractual terms.

Other real estate owned, included in “Other assets” on our Condensed Consolidated Statements of Financial Condition, was $4 million and $5 million at March 31, 2018 and September 30, 2017, respectively. The recorded investment in mortgage loans secured by one-to-four family residential properties for which formal foreclosure proceedings were in process was $14 million and $18 million at March 31, 2018 and September 30, 2017, respectively.

Impaired loans and troubled debt restructurings

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

$ in thousands	March 31, 2018			September 30, 2017		
	Gross recorded investment	Unpaid principal balance	Allowance for losses	Gross recorded investment	Unpaid principal balance	Allowance for losses
Impaired loans with allowance for loan losses:						
C&I loans	$4,014	$5,195	$ 1,518	$5,221	$6,160	$ 1,963
Residential - first mortgage loans	20,528	26,888	2,211	23,977	31,100	2,504
Total	24,542	32,083	3,729	29,198	37,260	4,467
Impaired loans without allowance for loan losses:						
Residential - first mortgage loans	13,694	20,882	—	16,737	24,899	—
Total	13,694	20,882	—	16,737	24,899	—
Total impaired loans	$38,236	$52,965	$ 3,729	$45,935	$62,159	$ 4,467

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Impaired loan balances with allowances for loan losses have had reserves established based upon management's analysis. There is no allowance required when the discounted cash flow, collateral value or market value of a loan equals or exceeds the carrying value. These are generally loans in process of foreclosure that have already been adjusted to fair value.

The table on the previous page includes residential first mortgage TDR's of $23 million and $27 million at March 31, 2018 and September 30, 2017, respectively.

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

	Three months ended March 31,		Six months ended March 31,	
$ in thousands	2018	2017	2018	2017
Average impaired loan balance:				
C&I loans	$4,111	$23,060	$4,538	$27,934
CRE loans	—	—	—	1,388
Residential - first mortgage loans	34,846	45,547	37,390	46,040
Total	$38,957	$68,607	$41,928	$75,362
Interest income recognized:				
Residential - first mortgage loans	$323	$350	$610	$669
Total	$323	$350	$610	$669

Credit quality indicators

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

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

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

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

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

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

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

$ in thousands	Pass	Special mention	Substandard	Doubtful	Total
March 31, 2018					
C&I loans	$7,529,648	$50,281	$ 82,004	$ —	$7,661,933
CRE construction loans	174,955	—	—	—	174,955
CRE loans	3,188,151	58,801	127	—	3,247,079
Tax-exempt loans	1,174,178	—	—	—	1,174,178
Residential mortgage loans:					
First mortgage loans	3,297,383	7,295	38,897	—	3,343,575
Home equity loans/lines	26,536	241	199	—	26,976
SBL	2,625,965	—	—	—	2,625,965
Total	$18,016,816	$116,618	$ 121,227	$ —	$18,254,661
September 30, 2017					
C&I loans	$7,232,777	$63,964	$ 89,169	$ —	$7,385,910
CRE construction loans	112,681	—	—	—	112,681
CRE loans	3,048,847	57,315	128	—	3,106,290
Tax-exempt loans	1,017,791	—	—	—	1,017,791
Residential mortgage loans:					
First mortgage loans	3,068,290	8,467	45,515	—	3,122,272
Home equity loans/lines	26,352	75	31	—	26,458
SBL	2,386,697	—	—	—	2,386,697
Total	$16,893,435	$129,821	$ 134,843	$ —	$17,158,099

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

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Allowance for loan losses and reserve for unfunded lending commitments

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

	Loans held for investment						
$ in thousands	C&I loans	CRE construction loans	CRE loans	Tax-exempt loans	Residential mortgage loans	SBL	Total
Three months ended March 31, 2018							
Balance at beginning of period	$121,569	$ 2,107	$40,616	$ 6,918	$ 15,501	$4,558	$191,269
Provision/(benefit) for loan losses	7,220	111	2,153	855	(2,962)	172	7,549
Net (charge-offs)/recoveries:							
Charge-offs	(3,573)	—	—	—	(204)	—	(3,777)
Recoveries	—	—	—	—	156	—	156
Net (charge-offs)/recoveries	(3,573)	—	—	—	(48)	—	(3,621)
Foreign exchange translation adjustment	(238)	—	(107)	—	—	—	(345)
Balance at end of period	$124,978	$ 2,218	$42,662	$ 7,773	$ 12,491	$4,730	$194,852
Six months ended March 31, 2018							
Balance at beginning of period	$119,901	$ 1,421	$41,749	$ 6,381	$ 16,691	$4,299	$190,442
Provision/(benefit) for loan losses	9,557	797	1,049	1,392	(4,661)	431	8,565
Net (charge-offs)/recoveries:							
Charge-offs	(4,176)	—	—	—	(299)	—	(4,475)
Recoveries	—	—	—	—	760	—	760
Net (charge-offs)/recoveries	(4,176)	—	—	—	461	—	(3,715)
Foreign exchange translation adjustment	(304)	—	(136)	—	—	—	(440)
Balance at end of period	$124,978	$ 2,218	$42,662	$ 7,773	$ 12,491	$4,730	$194,852
Three months ended March 31, 2017							
Balance at beginning of period	$132,905	$ 2,103	$39,532	$ 4,493	$ 13,639	$5,008	$197,680
Provision/(benefit) for loan losses	4,984	(576)	4,589	(140)	(1,078)	149	7,928
Net (charge-offs)/recoveries:							
Charge-offs	(19,304)	—	—	—	(478)	—	(19,782)
Recoveries	—	—	—	—	295	—	295
Net (charge-offs)/recoveries	(19,304)	—	—	—	(183)	—	(19,487)
Foreign exchange translation adjustment	75	—	38	—	—	—	113
Balance at end of period	$118,660	$ 1,527	$44,159	$ 4,353	$ 12,378	$5,157	$186,234
Six months ended March 31, 2017							
Balance at beginning of period	$137,701	$ 1,614	$36,533	$ 4,100	$ 12,664	$4,766	$197,378
Provision/(benefit) for loan losses	3,741	5	2,579	253	(81)	391	6,888
Net (charge-offs)/recoveries:							

Charge-offs	(22,693)	—	—	—	(565)	—	(23,258)
Recoveries	—	—	5,013	—	360	—	5,373
Net (charge-offs)/recoveries	(22,693)	—	5,013	—	(205)	—	(17,885)
Foreign exchange translation adjustment	(89)	(92)	34	—	—	—	(147)
Balance at end of period	$118,660	$ 1,527	$44,159	$ 4,353	$ 12,378	$5,157	$186,234

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The following table presents, by loan portfolio segment, RJ Bank’s recorded investment (excluding any net unearned income and deferred expenses) and the related allowance for loan losses.

	Loans held for investment					
	Allowance for loan losses			Recorded investment		
$ in thousands	Individually evaluated for impairment	Collectively evaluated for impairment	Total	Individually evaluated for impairment	Collectively evaluated for impairment	Total
March 31, 2018						
C&I loans	$1,518	$ 123,460	$124,978	$4,014	$7,657,919	$7,661,933
CRE construction loans	—	2,218	2,218	—	174,955	174,955
CRE loans	—	42,662	42,662	—	3,247,079	3,247,079
Tax-exempt loans	—	7,773	7,773	—	1,174,178	1,174,178
Residential mortgage loans	2,227	10,264	12,491	41,403	3,329,148	3,370,551
SBL	—	4,730	4,730	—	2,625,965	2,625,965
Total	$3,745	$ 191,107	$194,852	$45,417	$18,209,244	$18,254,661
September 30, 2017						
C&I loans	$1,963	$ 117,938	$119,901	$5,221	$7,380,689	$7,385,910
CRE construction loans	—	1,421	1,421	—	112,681	112,681
CRE loans	—	41,749	41,749	—	3,106,290	3,106,290
Tax-exempt loans	—	6,381	6,381	—	1,017,791	1,017,791
Residential mortgage loans	2,506	14,185	16,691	47,368	3,101,362	3,148,730
SBL	—	4,299	4,299	—	2,386,697	2,386,697
Total	$4,469	$ 185,973	$190,442	$52,589	$17,105,510	$17,158,099

The reserve for unfunded lending commitments, which is included in “Other payables” on our Condensed Consolidated Statements of Financial Condition, was $10 million at March 31, 2018 and $11 million at September 30, 2017.

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. Refer to Note 2 of our 2017 Form 10-K for a discussion of our principal involvement with VIEs and the accounting policies regarding determination of whether we are deemed to be the primary beneficiary of VIEs.

VIEs where we are the primary beneficiary

Of the VIEs in which we hold an interest, we have determined that certain limited partnerships which are part of our private equity portfolio ("Private Equity Interests"), a Low-Income Housing Tax Credit fund ("LIHTC fund") in which RJ Bank is an investor and an affiliate of Raymond James Tax Credit Funds, Inc. ("RJTCF") is the managing member, a LIHTC fund where RJTCF provides an investor member with a guaranteed return on their investment ("Guaranteed LIHTC Fund"), certain other LIHTC funds and the trust we utilize in connection with restricted stock unit ("RSU") awards granted to certain employees of one of our Canadian subsidiaries (the "Restricted Stock Trust Fund") require consolidation in our financial statements, as we are deemed the primary beneficiary of such VIEs. The aggregate assets and liabilities of the VIEs we consolidate are provided in the table below. Aggregate assets and aggregate liabilities may differ from the consolidated carrying value of assets and liabilities due to the elimination of intercompany assets and liabilities held by the consolidated VIE.

$ in thousands	Aggregate assets	Aggregate liabilities
March 31, 2018		
Private Equity Interests	$ 105,957	$ 3,836
LIHTC Fund in which RJ Bank is an investor member	53,917	166
Guaranteed LIHTC Fund	41,409	2,960
Other LIHTC Funds	2,928	2,877
Restricted Stock Trust Fund	17,800	17,800
Total	$ 222,011	$ 27,639
September 30, 2017		
Private Equity Interests	$ 104,414	$ 3,851
LIHTC Fund in which RJ Bank is an investor member	57,719	1,055
Guaranteed LIHTC Fund	51,400	2,872
Other LIHTC Funds	7,418	2,544
Restricted Stock Trust Fund	12,122	12,122
Total	$ 233,073	$ 22,444

In the Guaranteed LIHTC Fund, a multi-investor tax credit fund in which RJTCF is the managing member, RJTCF has provided one investor member a guaranteed return on their investment in the fund. See Note 9 of our 2017 Form 10-K for information regarding the financing asset associated with this fund and Note 14 of this Form 10-Q for additional information regarding this commitment.

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

$ in thousands	March 31, 2018	September 30, 2017
Assets:		
Cash and cash equivalents	$4,822	$ 2,052
Assets segregated pursuant to regulations and other segregated assets	3,055	4,590
Other receivables	60	168
Intercompany receivables	443	454
Other investments	100,735	101,905
Investments in real estate partnerships held by consolidated variable interest entities	95,055	111,743
Trust fund investment in RJF common stock	17,799	12,120
Other assets	42	41
Total assets	$222,011	$ 233,073
Liabilities and equity:		
Other payables	$5,658	$ 9,667
Intercompany payables	21,148	16,520
Total liabilities	26,806	26,187
RJF equity	103,019	101,445
Noncontrolling interests	92,186	105,441
Total equity	195,205	206,886
Total liabilities and equity	$222,011	$ 233,073

The trust fund investment in RJF common stock in the table above is the Restricted Stock Trust Fund, which is included in “Treasury stock” in our Condensed Consolidated Statements of Financial Condition.

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

As discussed in Note 2 of our 2017 Form 10-K, we have concluded that for certain VIEs we are not the primary beneficiary and therefore do not consolidate these VIEs. Such VIEs include certain Private Equity Interests, certain LIHTC funds, New Market Tax Credit Funds (“NMTC Funds”) and other limited partnerships. Our risk of loss for these VIEs is limited to our investments in, advances to, and/or receivables due from these VIEs.

Aggregate assets, liabilities and risk of loss

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

	March 31, 2018			September 30, 2017		
$ in thousands	Aggregate assets	Aggregate liabilities	Our risk of loss	Aggregate assets	Aggregate liabilities	Our risk of loss
Private Equity Interests	$7,801,285	$185,844	$69,053	$10,485,611	$174,354	$73,457
LIHTC Funds	5,731,372	2,099,275	78,255	5,372,367	2,134,600	60,959

NMTC Funds	25,290	124	8	30,297	105	9
Other	173,628	88,785	3,422	169,462	88,615	3,163
Total	$13,731,575	$2,374,028	$150,738	$16,057,737	$2,397,674	$137,588

NOTE 10 - GOODWILL AND IDENTIFIABLE INTANGIBLE ASSETS, NET

Our goodwill and identified intangible assets result from various acquisitions. See Note 2 of our 2017 Form 10-K for a discussion of our intangible assets and goodwill accounting policies. The following were our goodwill and net identifiable intangible asset balances as of the dates indicated:

$ in thousands	March 31, 2018	September 30, 2017
Goodwill	$478,933	$ 410,723
Identifiable intangible assets, net	167,876	82,460
Total goodwill and identifiable intangible assets, net	$646,809	$ 493,183

As described in Note 3, we acquired the Scout Group during the six months ended March 31, 2018, which included a number of identifiable intangible assets as well as goodwill. See Note 12 of our 2017 Form 10-K for a discussion of the components of our goodwill balance and additional information regarding our identifiable intangible assets.

Goodwill

The following summarizes our goodwill by segment, along with the balance and activity for the periods indicated:

$ in thousands	Private Client Group	Capital Markets	Asset Management	Total
Three months ended March 31, 2018				
Goodwill as of beginning of period	$276,534	$134,007	$ 69,234	$479,775
Foreign currency translation	(592)	(250)	—	(842)
Goodwill as of end of period	$275,942	$133,757	$ 69,234	$478,933
Six months ended March 31, 2018				
Goodwill as of beginning of period	$276,713	$134,010	$ —	$410,723
Additions	—	—	69,234	69,234
Foreign currency translations	(771)	(253)	—	(1,024)
Goodwill as of end of period	$275,942	$133,757	$ 69,234	$478,933
Three months ended March 31, 2017				
Goodwill as of beginning of period	$274,984	$131,513	$ —	$406,497
Foreign currency translation	219	296	—	515
Goodwill as of end of period	$275,203	$131,809	$ —	$407,012
Six months ended March 31, 2017				
Goodwill as of beginning of period	$275,521	$132,551	$ —	$408,072
Foreign currency translation	(318)	(742)	—	(1,060)
Goodwill as of end of period	$275,203	$131,809	$ —	$407,012

The addition to goodwill during the six months ended March 31, 2018 arose from the acquisition of the Scout Group. The goodwill primarily represents synergies from combining the Scout Group with our existing businesses. All of the goodwill associated with the Scout Group is deductible for tax purposes over 15 years.

As described in Note 2 of our 2017 Form 10-K, we perform goodwill testing on an annual basis or when an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value. We performed our latest annual goodwill impairment testing during the quarter ended March 31, 2018, evaluating balances as of December 31, 2017, and no impairment was identified. In that testing, we performed both a qualitative impairment assessment for certain of our reporting units and a quantitative impairment assessment for our two Raymond James Ltd. (“RJ Ltd.”) reporting units operating in Canada.

Qualitative Assessments

For each reporting unit on which we performed a qualitative assessment, we determined whether it was more likely than not that the carrying value of the reporting unit, including the recorded goodwill, was in excess of the fair value of the reporting unit. In any instance in which we are unable to qualitatively conclude that it is more likely than not that the fair value of the reporting unit exceeds the reporting unit carrying value including goodwill, a quantitative analysis of the fair value of the reporting unit would be performed.

Based upon the outcome of our qualitative assessments, we determined that no quantitative analysis of the fair value of any of the reporting units we elected to qualitatively analyze was required, and we concluded that none of the goodwill allocated to any of those reporting units was impaired. No events have occurred since our assessment that would cause us to update this impairment testing.

Quantitative Assessments

For our two RJ Ltd. reporting units, we elected to perform a quantitative assessment of the equity value of each RJ Ltd. reporting unit that had an allocation of goodwill. In our determination of the reporting unit fair value of equity, we used a combination of the income approach and the market approach. Under the income approach, we used discounted cash flow models applied to each respective reporting unit. Under the market approach, we calculated an estimated fair value based on a combination of multiples of earnings of guideline companies in the brokerage and capital markets industry that are publicly traded on organized exchanges, and the book value of comparable transactions. The estimated fair value of the equity of the reporting unit resulting from each of these valuation approaches was dependent upon the estimates of future business unit revenues and costs. Such estimates were subject to critical assumptions regarding the nature and health of financial markets in future years, as well as the discount rate to apply to the projected future cash flows. In estimating future cash flows, a balance sheet as of December 31, 2017 and a statement of operations for the prior twelve months of activity for each reporting unit were compiled. Future balance sheets and statements of operations were then projected, and estimated future cash flows were determined by the combination of these projections. The cash flows were discounted at the reporting unit’s estimated cost of equity, which was derived through application of the capital asset pricing model. The valuation result from the market approach was dependent upon the selection of the comparable guideline companies and transactions and the earnings multiple applied to each respective reporting unit’s projected earnings. Finally, significant management judgment was applied in determining the weight assigned to the outcomes of the market approach and the income approach, which resulted in one single estimate of the fair value of the equity of the reporting unit.

The following summarizes certain key assumptions utilized in our quantitative analysis:

		Key assumptions			Weight assigned to the outcome of:	
Segment	Reporting unit	Goodwill as of December 31, 2017 (in thousands)	Discount rate used in the income approach	Multiple applied to revenue/EPS in the market approach	Income approach	Market approach
Private Client Group	RJ Ltd. Private Client Group	$ 24,285	14.3%	1.2x/13.8x	75%	25 %
Capital Markets	RJ Ltd. Capital Markets	$ 20,293	15.3%	0.9x/14.2x	75%	25 %

Based upon the outcome of our quantitative assessments, we concluded that none of the goodwill associated with our two RJ Ltd. reporting units was impaired. However, the assumptions and estimates utilized in determining the fair value of reporting unit equity, including future cash flow projections, are sensitive to changes including, but not limited to, overall market conditions, adverse business trends and changes in regulations. Should we fail to perform as we have projected, the fair value of our reporting unit, and as a result our goodwill, could be impaired.

No events have occurred since our quantitative assessments during the quarter ended March 31, 2018 that would cause us to update this impairment testing.

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Identifiable intangible assets, net

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

$ in thousands	Private Client Group	Capital Markets	Asset Management	Total
Three months ended March 31, 2018				
Net identifiable intangible assets as of beginning of period	$45,521	$22,308	$ 103,735	$171,564
Additions	—	—	—	—
Amortization expense	(1,496)	(769)	(1,268)	(3,533)
Foreign currency translation	(31)	—	(124)	(155)
Net identifiable intangible assets as of end of period	$43,994	$21,539	$ 102,343	$167,876
Six months ended March 31, 2018				
Net identifiable intangible assets as of beginning of period	$47,026	$23,077	$ 12,357	$82,460
Additions	—	—	92,290	92,290
Amortization expense	(2,992)	(1,538)	(2,139)	(6,669)
Foreign currency translation	(40)	—	(165)	(205)
Net identifiable intangible assets as of end of period	$43,994	$21,539	$ 102,343	$167,876
Three months ended March 31, 2017				
Net identifiable intangible assets as of beginning of period	$51,371	$26,334	$ 13,471	$91,176
Additions	—	—	—	—
Amortization expense	(1,494)	(1,562)	(500)	(3,556)
Foreign currency translation	24	5	53	82
Net identifiable intangible assets as of end of period	$49,901	$24,777	$ 13,024	$87,702
Six months ended March 31, 2017				
Net identifiable intangible assets as of beginning of period	$52,936	$27,937	$ 14,101	$94,974
Additions	—	—	—	—
Amortization expense	(3,014)	(3,127)	(998)	(7,139)
Foreign currency translation	(21)	(33)	(79)	(133)
Net identifiable intangible assets as of end of period	$49,901	$24,777	$ 13,024	$87,702

The addition of intangible assets during the six months ended March 31, 2018 was attributable to the Scout Group acquisition.

The following table summarizes our acquired intangible asset balances by asset class:

	Weighted average useful life (in years)	Amount acquired (in thousands)
Customer relationships	13	$ 34,900

Trade name	20	3,590
Developed technology	10	1,800
Intangible assets subtotal	13	$ 40,290
Non-amortizing customer relationships	Indefinite	52,000
Total intangible assets acquired		$ 92,290

GAAP does not provide for the amortization of indefinite-lived intangible assets. Rather, these assets are subject to an evaluation of potential impairment on an annual basis to determine whether the estimated fair value is in excess of its carrying value, or more often if events or circumstances indicate there may be impairment. In the course of our evaluation of the potential impairment of such indefinite-lived asset, we may perform either a qualitative or a quantitative assessment. If after assessing the totality of events or circumstances, we determine it is more likely than not that the fair value is greater than its carrying amount, then performing a quantitative analysis is not required. However, if we conclude otherwise, we then perform a quantitative impairment analysis. We have elected January 1 as our annual impairment evaluation date, evaluating balances as of December 31. Based upon the outcome of our qualitative assessment during the three months ended March 31, 2018, we determined that no quantitative analysis of the fair value of our indefinite-lived intangible assets was required, and we concluded that there was no impairment. No events have occurred since our assessment that would cause us to update this impairment testing.

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The following summarizes our identifiable intangible assets by type:

	March 31, 2018		September 30, 2017	
$ in thousands	Gross carrying value	Accumulated amortization	Gross carrying value	Accumulated amortization
Customer relationships	$133,495	$ (34,783)	$99,749	$ (31,098)
Non-amortizing customer relationships	52,000	—	—	—
Trade name	11,759	(2,772)	8,366	(2,076)
Developed technology	3,430	(935)	1,630	(706)
Intellectual property	525	(153)	542	(131)
Non-compete agreements	2,902	(1,576)	3,336	(1,551)
Seller relationship agreements	5,300	(1,316)	5,300	(901)
Total	$209,411	$ (41,535)	$118,923	$ (36,463)

NOTE 11 – BANK DEPOSITS

Bank deposits include savings and money market accounts, certificates of deposit of RJ Bank, Negotiable Order of Withdrawal (“NOW”) accounts and demand deposits. The following table presents a summary of bank deposits including the weighted-average rate, the calculation of which was based on the actual deposit balances at each respective period.

	March 31, 2018		September 30, 2017	
$ in thousands	Balance	Weighted-average rate	Balance	Weighted-average rate
Savings and money market accounts	$18,332,858	0.36 %	$17,391,091	0.14 %
Certificates of deposit	363,888	1.72 %	314,685	1.60 %
NOW accounts	6,055	0.01 %	5,197	0.01 %
Demand deposits (non-interest-bearing)	9,102	—	21,389	—
Total bank deposits	$18,711,903	0.39 %	$17,732,362	0.17 %

Total bank deposits in the table above exclude affiliate deposits of $235 million at March 31, 2018 and $243 million at September 30, 2017. These affiliate deposits include $193 million at March 31, 2018 and $192 million at September 30, 2017, held in a deposit account at RJ Bank on behalf of RJF.

Savings and money market accounts in the table above consist primarily of deposits that are cash balances swept from the client investment accounts maintained at Raymond James & Associates, Inc. (“RJ&A”) to RJ Bank. These balances are held in Federal Deposit Insurance Corporation (“FDIC”) insured bank accounts through the Raymond James Bank Deposit Program (“RJBDP”). The aggregate amount of time deposit account balances that exceeded the FDIC insurance limit at March 31, 2018 was $25 million.

The following table sets forth the scheduled maturities of certificates of deposit:

	March 31, 2018		September 30, 2017	
$ in thousands	Denominations	Denominations	Denominations	Denominations

	greater than or equal to $100,000	less than $100,000	greater than or equal to $100,000	less than $100,000
Three months or less	$12,128	$ 6,807	$8,704	$ 4,132
Over three through six months	36,168	14,173	4,692	3,894
Over six through twelve months	23,019	13,242	34,005	11,865
Over one through two years	45,344	25,968	38,713	20,019
Over two through three years	42,354	25,218	48,082	27,847
Over three through four years	17,440	12,103	21,819	12,761
Over four through five years	60,672	29,252	50,805	27,347
Total	$237,125	$ 126,763	$206,820	$ 107,865

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES
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Interest expense on deposits, excluding interest expense related to affiliate deposits, is summarized as follows:

	Three months ended March 31,		Six months ended March 31,	
$ in thousands	2018	2017	2018	2017
Savings, money market, and NOW accounts	$10,835	$2,398	$17,072	$4,046
Certificates of deposit	$1,352	$999	$2,624	$2,134
Total interest expense on deposits	$12,187	$3,397	$19,696	$6,180

NOTE 12 – OTHER BORROWINGS

The following table details the components of other borrowings:

$ in thousands	March 31, 2018	September 30, 2017
FHLB advances	$875,000	$ 875,000
Secured lines of credit	—	260,000
Unsecured lines of credit	—	350,000
Mortgage notes payable and other	26,588	29,012
Total other borrowings	$901,588	$ 1,514,012

Borrowings from the FHLB were comprised of both floating and fixed-rate advances. As of March 31, 2018 and September 30, 2017 the floating-rate advances, which mature in June 2019 and have interest rates which reset quarterly, totaled $850 million. We use interest rate swaps to manage the risk of increases in interest rates associated with these floating-rate advances by converting the balances subject to variable interest rates to a fixed interest rate. Refer to Note 6 for information regarding these interest rate swaps, which are accounted for as hedging instruments. The fixed-rate advance as of both March 31, 2018 and September 30, 2017, in the amount of $25 million, matures in October 2020 and bears interest at a fixed rate of 3.4%. All of the advances were secured by a blanket lien granted to the FHLB on our residential mortgage loan portfolio. The weighted average interest rates on these advances as of March 31, 2018 and September 30, 2017 were 2.34% and 1.41%, respectively.

Any borrowings on secured lines of credit were day-to-day and were generally utilized to finance certain fixed income securities. In addition, we have other collateralized financings included in “Securities sold under agreements to repurchase” on our Condensed Consolidated Statements of Financial Condition. See Note 7 for information regarding our collateralized financing arrangements.

RJF is a party to a revolving credit facility agreement (the “RJF Credit Facility”) with a maturity date of May 2022 in which the lenders are a number of financial institutions. This committed unsecured borrowing facility provides for maximum borrowings of up to $300 million at variable rates of interest. There were no borrowings outstanding on the RJF Credit Facility as of either March 31, 2018 or September 30, 2017. There is a variable rate commitment fee associated with the RJF Credit Facility, which varies depending upon RJF’s credit rating. Based upon RJF’s credit rating as of March 31, 2018 the variable rate commitment fee, which would apply to any difference between the daily borrowed amount and the committed amount, was 0.20% per annum.

The interest rates for all of our U.S. and Canadian secured and unsecured financing facilities are variable and are based on the Fed Funds rate, London Inter-bank Offered Rate (“LIBOR”), a lenders prime rate, or the Canadian prime rate, as applicable.

Mortgage notes payable pertain to mortgage loans on certain of our corporate headquarters offices located in St. Petersburg, Florida. These mortgage loans are secured by land, buildings, and improvements. These mortgage loans bear interest at 5.7% with repayment terms of monthly interest and principal debt service and have a January 2023 maturity.

NOTE 13 – INCOME TAXES

For discussion of income tax accounting policies and other income tax related information, see Note 2 and Note 16 of our 2017 Form 10-K.

The income tax provision for interim periods is comprised of tax on ordinary income provided at the most recent estimated annual effective tax rate, adjusted for the tax effect of discrete items. We estimate the annual effective tax rate quarterly based on the forecasted pretax results of our U.S. and non-U.S. operations. Items unrelated to current year ordinary income are recognized entirely in the period identified as a discrete item of tax. These discrete items generally relate to changes in tax laws, adjustments to the actual liability determined upon filing tax returns and adjustments to previously recorded reserves for uncertain tax positions.

The Tax Act

On December 22, 2017, the Tax Act was enacted, which significantly revised the U.S. corporate income tax system by, among other things, lowering corporate income tax rates from 35% to 21% and implementing a territorial tax system which includes a one-time transition tax on deemed repatriated earnings of foreign subsidiaries. As the firm's fiscal year end is September 30^{th}, our U.S. federal statutory tax rate will be 24.5% for our fiscal year ended September 30, 2018, which reflects a blended federal statutory rate of 35% for our first fiscal quarter and 21% for the remaining three fiscal quarters. This blended statutory rate is the basis for calculating our effective tax rate, which is also impacted by other factors.

In response to the enactment of the Tax Act, the SEC issued guidance, subsequently adopted by the FASB, which summarizes a three-step process to be applied at each reporting period to account for and qualitatively disclose: (1) the effects of the change in tax law for which accounting is complete; (2) provisional amounts (or adjustments to provisional amounts) for the effects of the tax law where accounting is not complete, but that a reasonable estimate has been determined; and (3) a reasonable estimate cannot yet be made and therefore taxes are reflected in accordance with law prior to the enactment of the Tax Act. Further to (2) above, a registrant should record provisional amounts during a "measurement period" when the registrant does not have the necessary information available, prepared, or analyzed in reasonable detail to complete its accounting for the change in tax law. The measurement period ends when a company has obtained, prepared, and analyzed the information necessary to finalize its accounting, not to exceed twelve months from the enactment date of the Tax Act. In accordance with the SEC guidance, our net income for the six months ended March 31, 2018 included an estimate of the discrete impact of the Tax Act of $117 million, primarily due to the remeasurement of U.S. deferred tax assets at the lower enacted corporate tax rate and, to a lesser extent, the transition tax on deemed repatriated earnings of foreign subsidiaries. This estimate incorporates assumptions made based on our current interpretation of the Tax Act and may change, possibly materially, as we complete our analysis and receive additional clarification and implementation guidance.

Reduction of U.S. federal corporate tax rate

We applied the SEC's guidance in estimating the remeasurement of U.S. deferred tax assets at the lower enacted corporate tax rate, resulting in an estimated impact of $105 million. This calculation includes projections related to the timing of realization of deferred tax assets during the remainder of fiscal year 2018 and beyond. We will update our calculation throughout the year as more information becomes available. These estimates may change, possibly materially, as we obtain further information regarding the timing of realization of deferred tax assets.

Transition tax

We also applied the SEC's guidance in estimating the transition tax, which we anticipate will be approximately $12 million, including the state tax liability associated with the deemed repatriation of foreign earnings. Our tax liability calculations include projected amounts of unremitted earnings for our foreign subsidiaries for the remainder of the fiscal year. We will update our calculations throughout the year as more information on our foreign subsidiaries' earning and profits becomes available. These estimates incorporate assumptions made based on our current interpretation of the Tax Act and may change, possibly materially, as we complete our analysis and receive additional clarification and implementation guidance.

Executive compensation limitation

We also applied the SEC’s guidance in accounting for the deferred tax assets potentially impacted by the Tax Act legislation. Effective for tax years beginning after December 31, 2017, the Tax Act eliminates the exception for performance-based compensation from the $1 million executive compensation deduction limitation. Our covered employees are paid a portion of performance-based compensation in the form of RSUs and stock awards which creates a deferred tax asset upon grant. The necessary information is not yet available to determine whether the deferred compensation previously granted will be deductible as a business expense as the legislation published to date is unclear on the effects to the deferred tax assets previously recorded. As such, we are unable to calculate a reasonable impact of this tax law change, thus in accordance with the SEC’s guidance, we did not include a provisional amount in our financial statements. We continue to apply accounting guidance based on the provisions of the tax laws that were in effect immediately prior to the Tax Act being enacted. We will report provisional amounts in the first reporting period in which a reasonable estimate can be determined.

Indefinite reinvestment assertion

We are in the process of assessing the impact of the Tax Act on our current policy and related assertion of indefinitely reinvesting foreign earnings, as well as any such impact on our consolidated financial statements. Accordingly, no adjustments were included in our Condensed Consolidated Financial Statements for the three and six months ended March 31, 2018 with respect to our indefinite reinvestment assertion.

Stranded tax effects in AOCI

During the quarter ended March 31, 2018, we adopted new accounting guidance that allows for a reclassification from AOCI to retained earnings for stranded tax effects resulting from the Tax Act. The reclassification is the remeasurement difference of U.S. deferred tax assets at the historical federal statutory tax rate of 35% and the new federal statutory tax rate of 21%. The amount reclassified from AOCI to retained earnings was insignificant for the three and six months ended March 31, 2018. See Notes 2 and 15 of this Form 10-Q for more information.

Effective tax rate

Our effective income tax rate was 26.7% for the three months ended March 31, 2018. Our effective income tax rate for the six months ended March 31, 2018 was 43.7% and included the estimated discrete impact of the Tax Act of $117 million, partially offset by a lower blended federal corporate statutory tax rate of 24.5%. The discrete impact of the Tax Act, including the ongoing remeasurement of deferred tax assets, increased our effective tax rate by 18.2 percentage points. The effective tax rate for fiscal year 2017 was 31.2%.

Uncertain tax positions

We anticipate that the uncertain tax position liability balance will not change significantly over the next twelve months.

NOTE 14 – COMMITMENTS, CONTINGENCIES AND GUARANTEES

Commitments and contingencies

Loan and underwriting commitments

In the normal course of business we enter into commitments for fixed income and equity underwritings. As of March 31, 2018, we had no open underwriting commitments.

As part of our recruiting efforts, we offer loans to prospective financial advisors and certain key revenue producers primarily for recruiting, transitional cost assistance, and retention purposes (see Note 2 of our 2017 Form 10-K for a discussion of our accounting policies governing these transactions). These commitments are contingent upon the occurrence of certain events, including, but not limited to, the individual joining us. As of March 31, 2018, we had made commitments through the extension of formal offers totaling approximately $152 million that had not yet been funded; however, it is possible that not all of our offers will be accepted and therefore, we would not fund the total amount of the offers extended. As of March 31, 2018, $82 million of the total amount extended consisted of unfunded commitments to prospective financial advisors that had accepted our offers, or recently hired producers.

As of March 31, 2018, we had not settled purchases of $148 million of syndicated loans. These loan purchases are expected to be settled within 90 days.

Commitments to extend credit and other credit-related financial instruments

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 underwriting assessments and each customer's credit worthiness is evaluated on a case-by-case basis. Fixed-rate commitments are also subject to market risk resulting from fluctuations in interest rates and our exposure is limited to the replacement value of those commitments.

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The following table presents RJ Bank's commitments to extend credit and other credit-related off-balance sheet financial instruments outstanding:

$ in thousands	March 31, 2018	September 30, 2017
Open-end consumer lines of credit (primarily SBL)	$6,237,448	$ 5,323,003
Commercial lines of credit	$1,662,707	$ 1,673,272
Unfunded loan commitments	$535,241	$ 386,950
Standby letters of credit	$39,137	$ 39,670

Because many of our lending commitments expire without being funded in whole or part, the contract amounts are not estimates of our actual future credit exposure or future liquidity requirements. We maintain 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.

Investment commitments

A subsidiary of RJ Bank has committed $80 million as an investor member in a LIHTC fund in which a subsidiary of RJTCF is the managing member (see Note 2 of our 2017 Form 10-K for information regarding the accounting policies governing these investments). As of March 31, 2018, the RJ Bank subsidiary had invested $62 million of the committed amount.

We have unfunded commitments to various private equity investments, which aggregated to $35 million as of March 31, 2018. Of the total, we had unfunded commitments of $18 million to internally-sponsored private equity investments in which we control the general partner.

Acquisition-related commitments and contingencies

We have potential contingent payments related to our acquisitions of The Producer's Choice LLC and Mummert & Company Corporate Finance GmbH. The estimated fair values of such contingent payments were included in our Condensed Consolidated Statements of Financial Condition as of March 31, 2018.

Other commitments

RJF has committed an amount of up to $225 million, subject to certain limitations and to annual re-approval by the RJF Board of Directors, to either lend to, or guarantee obligations of RJTCF in connection with RJTCF's low-income housing development/rehabilitation and syndication activities. At March 31, 2018, RJTCF had $92 million outstanding against this commitment. RJTCF may borrow from RJF in order to make investments in, or fund loans or advances to, either partnerships that purchase and develop properties qualifying for tax credits ("project partnerships") or LIHTC funds. Investments in project partnerships are sold to various LIHTC funds, which have third party investors, and for which RJTCF serves as the managing member or general partner. RJTCF typically sells investments in project partnerships to LIHTC funds within 90 days of their acquisition, and the proceeds from the sales are used to repay RJTCF's borrowings from RJF. RJTCF may also make short-term loans or advances to project partnerships and LIHTC funds.

As a part of our fixed income public finance operations, we enter into forward commitments to purchase GNMA or FNMA MBS (see the discussion of these activities within Note 2 of our 2017 Form 10-K). At March 31, 2018, we had $387 million principal amount of outstanding forward MBS purchase commitments which were expected to be purchased over the following 90 days. In order to hedge the market interest rate risk to which we would otherwise be exposed between the date of the commitment and the date of sale of the MBS, we enter into to be announced ("TBA") security contracts with investors for generic MBS at specific rates and prices to be delivered on settlement dates in the future. These TBA securities and related purchased commitments are accounted for at fair value. As of March 31, 2018, the fair value of the TBA securities and the estimated fair value of the purchase commitments were insignificant.

Guarantees

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

RJTCF issues certain guarantees to various third parties related to project partnerships whose interests have been sold to one or more of the funds in which RJTCF is the managing member or general partner. In some instances, RJTCF is not the primary guarantor of these obligations, which aggregated to $2 million as of March 31, 2018.

RJTCF has provided a guaranteed return on investment to a third-party investor in the Guaranteed LIHTC Fund and RJF has guaranteed RJTCF's performance under the arrangement. Under the terms of the performance guarantee, should the underlying LIHTC project partnerships held by the Guaranteed LIHTC Fund fail to deliver a certain amount of tax credits and other tax benefits to this investor over the next five years, RJTCF is obligated to pay the investor an amount that results in the investor achieving a minimum specified return on their investment. A $16 million financing asset was included in "Other assets," and a related $16 million liability was included in "Other payables" on our Condensed Consolidated Statements of Financial Condition as of March 31, 2018 related to this obligation. The maximum exposure to loss under this guarantee was $17 million at March 31, 2018, which represented the undiscounted future payments due the investor.

Legal and regulatory matter contingencies

In addition to the matters specifically described below, in the normal course of our business, we have been named, from time to time, as a defendant in various legal actions, including arbitrations, class actions and other litigation, arising in connection with our activities as a diversified financial services institution.

RJF and certain of its subsidiaries are subject to regular reviews and inspections by regulatory authorities and self-regulatory organizations. Reviews can result in the imposition of sanctions for regulatory violations, ranging from non-monetary censures to fines and, in serious cases, temporary or permanent suspension from conducting business, or limitations on certain business activities. In addition, regulatory agencies and self-regulatory organizations institute investigations from time to time into industry practices, which can also result in the imposition of such sanctions.

We cannot predict if, how or when such proceedings or investigations will be resolved or what the eventual settlement, fine, penalty or other relief, if any, may be. A large number of factors may contribute to this inherent unpredictability: the proceeding is in its early stages; the damages sought are unspecified, unsupported or uncertain; it is unclear whether a case brought as a class action will be allowed to proceed on that basis; the other party is seeking relief other than or in addition to compensatory damages (including, in the case of regulatory and governmental proceedings, potential fines and penalties); the matters present significant legal uncertainties; we have not engaged in settlement discussions; discovery is not complete; there are significant facts in dispute; and numerous parties are named as defendants (including where it is uncertain how liability might be shared among defendants).

We contest liability and/or the amount of damages, as appropriate, in each pending matter. Over the last several years, the level of litigation and investigatory activity (both formal and informal) by government and self-regulatory agencies has increased significantly in the financial services industry. While we have identified below certain proceedings that we believe could be material, individually or collectively, there can be no assurance that material losses will not be incurred from claims that have not yet been asserted or are not yet determined to be material.

We may include in some of the descriptions of individual matters below certain quantitative information about the plaintiff's claim against us as alleged in the plaintiff's pleadings or other public filings. Although this information may provide insight into the potential magnitude of a matter, it does not represent our estimate of reasonably possible loss or our judgment as to any currently appropriate accrual related thereto.

Subject to the foregoing, we believe, after consultation with counsel and consideration of the accrued liability amounts included in the accompanying condensed consolidated financial statements, that the outcome of such litigation and regulatory proceedings will not have a material adverse effect on our consolidated financial condition. However, the outcome of such litigation and proceedings could be material to our operating results and cash flows for a particular future period, depending on, among other things, our revenues or income for such period.

With respect to legal and regulatory matters for which management has been able to estimate a range of reasonably possible loss (and excluding amounts subject to the below-described indemnification from Regions Financial Corporation ("Regions")), as of March 31, 2018, we estimated the upper end of the range of reasonably possible aggregate loss to be approximately $75 million in excess of the aggregate reserves for such matters. Refer to Note 2 of our 2017 Form 10-K for a discussion of our criteria for recognizing liabilities for contingencies.

Morgan Keegan Litigation

Indemnification from Regions

Under the agreement with Regions governing our 2012 acquisition of Morgan Keegan & Company, Inc., and MK Holding, Inc. and certain of its affiliates (collectively referred to as “Morgan Keegan”), Regions is obligated to indemnify us for losses we may incur in connection with any Morgan Keegan legal proceedings pending as of the closing date for that transaction, which was April 2, 2012, or commenced after the closing date but related to pre-closing matters that were received prior to April 2, 2015.

The Morgan Keegan matter described below is subject to such indemnification provisions. As of March 31, 2018, management estimated the range of potential liability of all Morgan Keegan matters subject to indemnification, including the cost of defense, to be from $12 million to $53 million. Any loss arising from such matters, after application of any contractual thresholds and other reductions, as set forth in the agreement, will be borne by Regions. As of March 31, 2018 our Condensed Consolidated Statements of Financial Condition included an indemnification asset of $25 million which was included in “Other assets,” and a liability for potential losses of $25 million which was included within “Other payables,” pertaining to the Morgan Keegan matters subject to indemnification. The amount included within “Other payables” is the amount within the range of potential liability related to such matters which management estimated was more likely than any other amount within such range.

Morgan Keegan matter (subject to indemnification)

In July 2006, Morgan Keegan & Company, Inc., a Morgan Keegan affiliate, and one of its former analysts were named as defendants in a lawsuit filed by Fairfax Financial Holdings Limited and an affiliate in the Superior Court of New Jersey, Law Division, in Morris County, New Jersey. Plaintiffs made claims under a civil 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 in order to improperly drive down the stock price of Fairfax, so that others could profit from short positions. Plaintiffs alleged that the defendants’ actions disparaged them and harmed their business relationships. Plaintiffs alleged various categories of damages, including lost insurance business, losses on stock and bond offerings, reputational loss, increased audit fees and directors’ and officers’ insurance premiums, and lost acquisitions. They requested actual and punitive damages and treble damages under their RICO claims. On May 11, 2012, the trial court dismissed the plaintiffs’ RICO claims. On June 27, 2012, the trial court dismissed plaintiffs’ tortious interference with prospective relations claim, but allowed the other claims to go forward. Prior to commencement of a jury trial, the court dismissed the remaining claims with prejudice, and the plaintiffs appealed. On April 27, 2017, the Superior Court of New Jersey, Appellate Division, affirmed the trial court’s dismissal of certain claims against Morgan Keegan, including RICO allegations, while remanding to the trial court the claims of disparagement, tortious interference with prospective business relations, and civil conspiracy, and limiting the actual damages to certain lost insurance business. Plaintiffs petitioned the Supreme Court of New Jersey for review of the Appellate Division’s opinion, but on October 17, 2017, the Supreme Court of New Jersey denied the petition. Trial of the matter is currently set to begin in June 2018.

NOTE 15 – ACCUMULATED OTHER COMPREHENSIVE INCOME/(LOSS)

During the current period, we adopted new accounting guidance to allow a reclassification from AOCI to retained earnings for stranded tax effects resulting from the Tax Act. See Notes 2 and 13 for additional information. Our policy is to release tax effects remaining in AOCI on an individual security basis.

Other comprehensive income/(loss)

The activity in other comprehensive income/(loss), net of the respective tax effect, was as follows:

	Three months ended March 31,		Six months ended March 31,	
$ in thousands	2018	2017	2018	2017
Net change in unrealized gain/(loss) on available-for-sale securities and non-credit portion of other-than-temporary impairment losses	$(16,627)	$1,952	$(28,580)	$(2,194)
Net change in unrealized gain/(loss) on currency translations, net of the impact of net investment hedges	(2,035)	2,223	(2,222)	3,224
Net change in unrealized gain on cash flow hedges	16,593	1,531	23,478	27,269
Net other comprehensive income/(loss)	$(2,069)	$5,706	$(7,324)	$28,299

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Unaudited)

Accumulated other comprehensive income/(loss)

All of the components of other comprehensive income/(loss) described below, net of tax, are attributable to RJF. The following table presents the changes, and the related tax effects, of each component of accumulated other comprehensive income/(loss):

$ in thousands	Net investment hedges	Currency translations	Subtotal: net investment hedges and currency translations	Available-for-sale securities	Cash flow hedges	Total
Three months ended March 31, 2018						
Accumulated other comprehensive income/(loss) as of the beginning of the period	$ 65,774	$ (85,437)	$ (19,663)	$ (14,425)	$ 13,634	$ (20,454)
Other comprehensive income/(loss) before reclassifications and taxes	25,840	(20,999)	4,841	(24,136)	22,600	3,305
Amounts reclassified from accumulated other comprehensive income, before tax	—	—	—	—	606	606
Pre-tax net other comprehensive income/(loss)	25,840	(20,999)	4,841	(24,136)	23,206	3,911
Income tax effect	(6,929)	—	(6,929)	9,441	(8,850)	(6,338)
Reclassification of tax effects related to the Tax Act	53	—	53	(1,932)	2,237	358
Net other comprehensive income/(loss) for the period, net of tax	18,964	(20,999)	(2,035)	(16,627)	16,593	(2,069)
Accumulated other comprehensive income/(loss) as of end of period	$ 84,738	$ (106,436)	$ (21,698)	$ (31,052)	$ 30,227	$ (22,523)
Six months ended March 31, 2018						
Accumulated other comprehensive income/(loss) as of the beginning of the period	$ 60,201	$ (79,677)	$ (19,476)	$ (2,472)	$ 6,749	$ (15,199)
Other comprehensive income/(loss) before reclassifications and taxes	33,447	(26,759)	6,688	(39,685)	29,374	(3,623)
Amounts reclassified from accumulated other comprehensive income/(loss), before tax	—	—	—	—	2,015	2,015
Pre-tax net other comprehensive income/(loss)	33,447	(26,759)	6,688	(39,685)	31,389	(1,608)
Income tax effect	(8,963)	—	(8,963)	13,037	(10,148)	(6,074)
Reclassification of tax effects related to the Tax Act	53	—	53	(1,932)	2,237	358
Net other comprehensive income/(loss) for the period, net of tax	24,537	(26,759)	(2,222)	(28,580)	23,478	(7,324)
	$ 84,738	$ (106,436)	$ (21,698)	$ (31,052)	$ 30,227	$ (22,523)

Accumulated other comprehensive income/(loss) as of end of period						
Three months ended March 31, 2017						
Accumulated other comprehensive income/(loss) as of the beginning of the period	$ 97,808	$ (131,901)	$ (34,093)	$ (8,302)	$ 9,255	$ (33,140)
Other comprehensive income/(loss) before reclassifications and taxes	(7,253)	7,151	(102)	3,055	970	3,923
Amounts reclassified from accumulated other comprehensive income/(loss), before tax	—	—	—	94	1,498	1,592
Pre-tax net other comprehensive income/(loss)	(7,253)	7,151	(102)	3,149	2,468	5,515
Income tax effect	2,714	(389)	2,325	(1,197)	(937)	191
Net other comprehensive income/(loss) for the period, net of tax	(4,539)	6,762	2,223	1,952	1,531	5,706
Accumulated other comprehensive income/(loss) as of end of period	$ 93,269	$ (125,139)	$ (31,870)	$ (6,350)	$ 10,786	$ (27,434)
Six months ended March 31, 2017						
Accumulated other comprehensive income/(loss) as of the beginning of the period	$ 86,482	$ (121,576)	$ (35,094)	$ (4,156)	$ (16,483)	$ (55,733)
Other comprehensive income/(loss) before reclassifications and taxes	10,845	(10,605)	240	(3,803)		