

RAYMOND JAMES FINANCIAL INC

Form 10-Q

August 08, 2014

Index

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark one)

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

For the quarterly period ended June 30, 2014

or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 1-9109

RAYMOND JAMES FINANCIAL, INC.

(Exact name of registrant as specified in its charter)

Florida

(State or other jurisdiction of incorporation or  
organization)

No. 59-1517485

(I.R.S. Employer Identification No.)

880 Carillon Parkway, St. Petersburg, Florida 33716  
(Address of principal executive offices) (Zip Code)

(727) 567-1000

(Registrant's telephone number, including area code)

None

(Former name, former address and former fiscal year, if changed since last report)

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

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

Yes

No

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

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

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## RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

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

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## PART I FINANCIAL INFORMATION

## Item 1. FINANCIAL STATEMENTS

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

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

(continued on next page)

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

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CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(Unaudited)

(continued from previous page)

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

Investments in real estate partnerships held by consolidated variable interest entities, net of other investing activity

Business acquisition, net of cash acquired

Net cash used in investing activities

(2,007	)	(6,450	)
\$(1,567,428	)	\$(276,324	)

(continued on next page)

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

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(continued from previous page)

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

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

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

NOTE 1 – INTRODUCTION AND BASIS OF PRESENTATION

Description of business

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

Basis of presentation

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

Accounting estimates and assumptions

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

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

Fiscal year 2013 acquisition

On December 24, 2012, we completed our acquisition of a 45% interest in ClariVest Asset Management, LLC (“ClariVest”), an acquisition that bolsters our platform in the large-cap investment objective. During the second quarter,



we made an earn-out payment to the sellers of ClariVest. See Note 3 for additional information.

#### Adoption of new accounting guidance

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

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

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

### Significant subsidiaries

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

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

### NOTE 2 – UPDATE OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

#### Reclassifications

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

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

### NOTE 3 – ACQUISITIONS

#### Acquisitions during fiscal year 2013

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

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

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

## Acquisition related expense

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

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

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

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

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

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

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

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

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

Deposits with clearing organizations <sup>(3)</sup>	139,220	126,405
	\$5,283,495	\$6,787,848

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

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

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

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## NOTE 5 – FAIR VALUE

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

OREO <sup>(9)</sup>	—	209	—	—	209
Total assets at fair value on a nonrecurring basis	\$—	\$61,515	\$59,868	\$—	\$121,383

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

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

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

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

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

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

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

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

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

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

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

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

## Changes in Level 3 recurring fair value measurements

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

Additional information about Level 3 assets and liabilities measured at fair value on a recurring basis is presented below:

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

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

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

- Primarily results from valuation adjustments of certain private equity investments. Since we only own a portion of these investments, our share of the net valuation adjustments resulted in a gain of \$4.7 million which is included in net income attributable to RJF (after noncontrolling interests). The noncontrolling interests' share of the net valuation adjustments was a loss of approximately \$824 thousand.
- (1)
- (2) Our policy is that the end of each respective quarterly reporting period determines when transfers of financial instruments between levels are recognized.
- (3) The transfers into Level 3 were comprised of transfers of balances previously included in other receivables on our Condensed Consolidated Statements of Financial Condition.

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

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



- Primarily results from valuation adjustments of certain private equity investments. Since we only own a portion of these investments, our share of the net valuation adjustments resulted in a gain of \$9.1 million which is included in net income attributable to RJF (after noncontrolling interests). The noncontrolling interests' share of the net valuation adjustments was a loss of approximately \$447 thousand.
- (1)
  - (2) Our policy is that the end of each respective quarterly reporting period determines when transfers of financial instruments between levels are recognized.
  - (3) The transfers into Level 3 were comprised of transfers of balances previously included in other receivables on our Condensed Consolidated Statements of Financial Condition.
  - (4) The transfers out of Level 3 were comprised of transfers of cash and cash equivalent balances previously included in private equity investments on our Condensed Consolidated Statements of Financial Condition.

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

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

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

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

- (2) Results from the April 29, 2013 sale of our indirect investment in Albion Medical Holdings, Inc. ("Albion"). The amount is presented "gross", and therefore includes amounts pertaining to interests held by others.
- (3) Our policy is that the end of each respective quarterly reporting period determines when transfers of financial instruments between levels are recognized.

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Nine months ended June 30, 2013

Level 3 assets at fair value

(in thousands)

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

(1)

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

- (2) Results from the April 29, 2013 sale of our indirect investment in Albion, the portion of which we owned was \$36 million as of March 31, 2013.
- (3) Our policy is that the end of each respective quarterly reporting period determines when transfers of financial instruments between levels are recognized.

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

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

For the three months ended June 30, 2014	Net trading profit (in thousands)	Other revenues
Total (losses) gains included in revenues	\$(161)	) \$7,301
Change in unrealized (losses) gains for assets held at the end of the reporting period	\$(41)	) \$9,051
For the nine months ended June 30, 2014	Net trading profit (in thousands)	Other revenues
Total (losses) gains included in revenues	\$(358)	) \$14,978
Change in unrealized (losses) gains for assets held at the end of the reporting period	\$(17)	) \$16,645
For the three months ended June 30, 2013	Net trading profit (in thousands)	Other revenues
Total (losses) gains included in revenues	\$(2)	) \$3,769
Change in unrealized (losses) gains for assets held at the end of the reporting period	\$17	) \$9,416
For the nine months ended June 30, 2013	Net trading profit (in thousands)	Other revenues
Total (losses) gains included in revenues	\$(52)	) \$71,102
Change in unrealized (losses) gains for assets held at the end of the reporting period	\$(12)	) \$24,247

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## Quantitative information about level 3 fair value measurements

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

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

enterprise value<sup>(g)</sup>

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

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

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

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

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

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

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

Certain direct private equity investments are valued initially at the transaction price until either our annual review, significant transactions occur, new developments become known, or we receive information from the fund manager  
(f) 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.

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

Qualitative disclosure about unobservable inputs

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

Auction rate securities:

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

The future interest rate and maturity assumptions impacting the valuation of the auction rate securities are directly related. As short-term interest rates rise, due to the variable nature of the penalty interest rate provisions embedded in most of these securities in the event auctions fail to set the security’s interest rate, then a penalty rate that is specified in the security increases. These penalty rates are based upon a stated interest rate spread over what is typically a short-term base interest rate index. Management estimates that at some level of increase in short-term interest rates,

issuers of the securities will have the economic incentive to refinance (and thus prepay) the securities. Therefore, the short-term interest rate assumption directly impacts the input related to the timing of any projected prepayment. The faster and steeper short-term interest rates rise, the earlier prepayments will likely occur and the higher the fair value of the security.

Private equity investments:

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

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## Fair value option

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

## Other fair value disclosures

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

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

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

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

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

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

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

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

## NOTE 7 – AVAILABLE FOR SALE SECURITIES

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

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

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



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

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

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

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

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

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

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

Total available for sale  
securities:

Amortized cost	\$—	\$13,203	\$19,672	\$561,708	\$594,583	
Carrying value	—	13,324	20,123	570,232	603,679	
Weighted-average yield	—	0.23	% 0.26	% 0.99	% 0.95	%

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

	June 30, 2014					
	Less than 12 months		12 months or more		Total	
	Estimated	Unrealized	Estimated	Unrealized	Estimated	Unrealized
	fair value	losses	fair value	losses	fair value	losses
	(in thousands)					
Agency MBS and CMOs	\$75,199	\$(327)	) \$86,075	\$(902)	) \$161,274	\$(1,229)
Non-agency CMOs	10,482	(366)	) 72,437	(6,925)	) 82,919	(7,291)
ARS municipal obligations	1,341	(225)	) 15,969	(123)	) 17,310	(348)
Total	\$87,022	\$(918)	) \$174,481	\$(7,950)	) \$261,503	\$(8,868)
	September 30, 2013					
	Less than 12 months		12 months or more		Total	
	Estimated	Unrealized	Estimated	Unrealized	Estimated	Unrealized
	fair value	losses	fair value	losses	fair value	losses
	(in thousands)					
Agency MBS and CMOs	\$157,580	\$(1,150)	) \$22,940	\$(386)	) \$180,520	\$(1,536)
Non-agency CMOs	4,906	(556)	) 123,139	(12,596)	) 128,045	(13,152)
ARS municipal obligations	771	(100)	) 19,747	(1,168)	) 20,518	(1,268)
Total	\$163,257	\$(1,806)	) \$165,826	\$(14,150)	) \$329,083	\$(15,956)

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

## Agency MBS and CMOs

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

## Non-agency CMOs

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

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

June 30, 2014

	Range	Weighted- average <sup>(1)</sup>
Default rate	0% - 20.3%	8.05%
Loss severity	0% - 66.7%	37.73%
Prepayment rate	0.5% - 35.0%	8.44%

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

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

## ARS

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

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

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

## Other-than-temporarily impaired securities

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

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

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

NOTE 8 – BANK LOANS, NET

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

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

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

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

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

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

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

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

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

Loans held for sale

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

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

## Purchases and sales of loans held for investment

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

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

## Nonperforming assets

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

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

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

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

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

thousand and \$1.1 million for the three and nine months ended June 30, 2014, respectively, and \$455 thousand and \$1.4 million for the three and nine months ended June 30, 2013, respectively.



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## Aging analysis

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

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

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

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

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## Impaired loans and troubled debt restructurings

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

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

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

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

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

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

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

Interest income recognized:  
Residential mortgage loans:

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

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

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

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

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

## Credit quality indicators

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

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

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

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

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

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

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

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

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

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

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

Balance<sup>(1)</sup>  
(in thousands)

LTV range:

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

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

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Allowance for loan losses

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

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



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

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

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

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

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

respectively.

#### NOTE 9 – VARIABLE INTEREST ENTITIES

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

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

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

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

VIEs where we are the primary beneficiary

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

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

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

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

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

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

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

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

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

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

Low-income housing tax credit funds

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

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

Low-income housing tax credit funds

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

New market tax credit funds

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

Other real estate limited partnerships and LLCs

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

Aggregate assets, liabilities and risk of loss

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

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

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

Managed Funds

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

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

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



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## NOTE 10 - GOODWILL AND IDENTIFIABLE INTANGIBLE ASSETS

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

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

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

## Goodwill

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

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

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

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

We performed our annual goodwill impairment testing during the quarter ended March 31, 2014, evaluating the balances as of December 31, 2013. We performed a qualitative assessment for each reporting unit that includes an

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

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## Identifiable intangible assets, net

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

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

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

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

Identifiable intangible assets by type are presented below:

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

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## NOTE 11 – BANK DEPOSITS

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

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

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

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

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

Scheduled maturities of certificates of deposit are as follows:

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

Interest expense on deposits is summarized as follows:

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

Total interest expense on deposits	\$1,980	\$2,191	\$5,864	\$7,079
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## NOTE 12 – OTHER BORROWINGS

The following table details the components of other borrowings:

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

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

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

- Borrowings from the FHLB at June 30, 2014 are comprised of two short-term, \$250 million fixed rate advances.
- (2) The weighted average interest rate on these advances is 0.22%. These advances mature in July, 2014 and November, 2014 respectively, and are secured by a blanket lien, granted to the FHLB, on RJ Bank’s residential loan portfolio.
- (3) Any borrowings on unsecured lines of credit are day-to-day and are generally utilized for cash management purposes.

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

## NOTE 13 – DERIVATIVE FINANCIAL INSTRUMENTS

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

Derivatives arising from our fixed income business operations

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

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

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



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

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

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

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

### Derivatives arising from RJ Bank’s business operations

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

### Description of the collateral we hold related to derivative contracts

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

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

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

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Derivative balances included in our financial statements

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

Asset derivatives							
June 30, 2014							
	Balance sheet location	Notional amount	Fair value <sup>(1)</sup>	September 30, 2013	Balance sheet location	Notional amount	Fair value <sup>(1)</sup>
(in thousands)							
Derivatives not designated as hedging instruments:							
Interest rate contracts <sup>(2)</sup>	Trading instruments	\$2,449,694	\$89,065	Trading instruments		\$2,407,387	\$89,633
Interest rate contracts <sup>(3)</sup>	Derivative instruments associated with offsetting matched book positions	\$2,090,008	\$318,253	Derivative instruments associated with offsetting matched book positions		\$1,944,408	\$250,341
Liability derivatives							
June 30, 2014							
	Balance sheet location	Notional amount	Fair value <sup>(1)</sup>	September 30, 2013	Balance sheet location	Notional amount	Fair value <sup>(1)</sup>
(in thousands)							
Derivatives designated as hedging instruments:							
Forward foreign exchange contracts	Trade and other payables	\$643,111	\$3,548	Trade and other payables		\$655,828	\$637
Derivatives not designated as hedging instruments:							
Interest rate contracts <sup>(2)</sup>	Trading instruments sold	\$2,073,204	\$75,395	Trading instruments sold		\$2,420,531	\$74,920
Interest rate contracts <sup>(3)</sup>	Derivative instruments associated with offsetting matched book positions	\$2,090,008	\$318,253	Derivative instruments associated with offsetting matched book positions		\$1,944,408	\$250,341
Forward foreign exchange contracts	Trade and other payables	\$110,403	\$569	Trade and other payables		\$79,588	\$77

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

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

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

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

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

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

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

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

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

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

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

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

Certain of the derivative instruments arising from our OTC Derivatives Operations and from RJ Bank's forward foreign exchange contracts contain provisions that require our debt to maintain an investment grade rating from one or

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

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

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

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

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

As of September 30,  
2013:

Assets

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

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



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

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

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

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

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

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

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

Collateral

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

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

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

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

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

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

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

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## Encumbered assets

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

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

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

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

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

## NOTE 15 – INCOME TAXES

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

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

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

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

## NOTE 16 – COMMITMENTS, CONTINGENCIES AND GUARANTEES

## Commitments and contingencies

In the normal course of business we enter into underwriting commitments. As of June 30, 2014, RJ&A had one open transaction involving such commitments. Transactions of RJ Ltd. involving such commitments that were recorded

and open at June 30, 2014 were approximately \$63 million in Canadian currency (“CDN”).

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

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

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

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

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

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

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

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

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

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

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Guarantees

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

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

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

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

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

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

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

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

RJTFC 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 RJTFC is the managing member or general partner. In some instances, RJTFC is not the primary guarantor of these obligations, which aggregate to approximately \$1.6 million as of June 30, 2014.

RJF has guaranteed RJTFC’s performance to various third parties on certain obligations arising from RJTFC’s sale and/or transfer of units in one of its fund offerings (“Fund 34”). Under such arrangements, RJTFC has provided either: (1) certain specific performance guarantees, including a provision whereby in certain circumstances, RJTFC will refund a portion of the investors’ capital contribution, or (2) a guaranteed return on their investment. Under the terms of the performance guarantees, neither RJF nor RJTFC have any further obligations. Further, based upon its most recent projections and performance of Fund 34, RJTFC does not anticipate that any future payments will be owed to

these third parties under the guarantee of the return on investment. Under the guarantee of returns, should the underlying LIHTC project partnerships held by Fund 34 fail to deliver a certain amount of tax credits and other tax benefits over the next eight years, RJTCF is obligated to provide the investor with a specified return. A \$28.4 million financing asset is included in prepaid expenses and other assets, and a related \$28.4 million liability is included in trade and other payables on our Condensed Consolidated Statements of Financial Condition as of June 30, 2014. The maximum exposure to loss under this guarantee is approximately \$35.4 million at June 30, 2014, which represents the undiscounted future payments due to investors.



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Legal matter contingencies

Indemnification from Regions

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

Morgan Keegan matters subject to indemnification

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

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

class action lawsuits.

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

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

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## Other matters

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

## NOTE 17 – ACCUMULATED OTHER COMPREHENSIVE INCOME

## Accumulated other comprehensive income

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

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

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

these derivatives).

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## Reclassifications out of AOCI

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

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

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

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

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

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

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## NOTE 18 – INTEREST INCOME AND INTEREST EXPENSE

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

	Three months ended June 30,		Nine months ended June 30,	
	2014	2013	2014	2013
	(in thousands)			
Interest income:				
Margin balances	\$ 16,894	\$ 14,935	\$ 51,309	\$ 46,039
Assets segregated pursuant to regulations and other segregated assets	3,666	4,206	11,854	12,644
Bank loans, net of unearned income	86,231	82,508	251,079	254,421
Available for sale securities	1,598	1,937	5,176	6,141
Trading instruments	4,750	5,225	13,893	16,185
Stock loan	2,200	3,222	6,882	6,564
Loans to financial advisors	1,528	1,699	4,831	4,851
Corporate cash and all other	2,524	3,644	9,853	11,689
Total interest income	\$ 119,391	\$ 117,376	\$ 354,877	\$ 358,534
Interest expense:				
Brokerage client liabilities	\$ 273	\$ 511	\$ 990	\$ 1,651
Retail bank deposits	1,980	2,191	5,864	7,079
Trading instruments sold but not yet purchased	1,075	994	3,198	2,762
Stock borrow	900	619	2,206	1,732
Borrowed funds	1,128	1,149	2,976	3,816
Senior notes	19,010	19,010	57,030	57,104
Interest expense of consolidated VIEs	653	917	2,237	3,029
Other	2,033	2,801	3,903	6,243
Total interest expense	27,052	28,192	78,404	83,416
Net interest income	92,339	89,184	276,473	275,118
Add (subtract): (provision) benefit for loan losses	(4,467	) 2,142	(8,082	) (4,518
Net interest income after provision for loan losses	\$ 87,872	\$ 91,326	\$ 268,391	\$ 270,600

## NOTE 19 – SHARE-BASED COMPENSATION

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

## Stock option awards

Expense and income tax (provision) benefits related to our stock option awards granted to employees, directors and independent contractor financial advisors are presented below:

	Three months ended June 30,	Nine months ended June 30,
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	2014	2013	2014	2013
	(in thousands)			
Total share-based expense	\$1,739	\$1,536	\$8,600	\$7,933
Income tax (provision) benefits related to share-based expense	(50	) (11	) 1,228	983

For the nine months ended June 30, 2014, we realized \$820 thousand of excess tax benefits related to our stock option awards.

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During the three months ended June 30, 2014, we granted no stock options to employees or our independent contractor financial advisors. During the nine months ended June 30, 2014, we granted 944,050 stock options to employees and 61,125 stock options to our independent contractor financial advisors. During the three and nine months ended June 30, 2014, no stock options were granted to outside directors.

Unrecognized pre-tax expense for stock option awards granted to employees, directors and independent contractor financial advisors, net of estimated forfeitures, and the remaining period over which the expense will be recognized as of June 30, 2014, are presented below:

	Unrecognized pre-tax expense (in thousands)	Remaining weighted- average period (in years)
Employees and directors	\$22,524	3.3
Independent contractor financial advisors	1,668	3.4

The weighted-average grant-date fair value of stock option awards to employees for the nine months ended June 30, 2014 was \$16.19.

The fair value of each option awarded to our independent contractor financial advisors is estimated on the date of grant and periodically revalued using the Black-Scholes option pricing model. The weighted-average fair value for unvested options granted to independent contractor financial advisors as of June 30, 2014 was \$21.64.

#### Restricted stock and restricted stock unit awards

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

	Three months ended June 30,		Nine months ended June 30,	
	2014	2013	2014	2013
	(in thousands)			
Total share-based expense	\$11,909	\$12,437	\$40,966	\$38,389
Income tax benefits related to share-based expense	4,123	4,261	14,343	13,155

For the nine months ended June 30, 2014, we realized \$7.4 million of excess tax benefits related to our restricted equity awards.

During the three months ended June 30, 2014, we granted 24,096 restricted stock units to employees and no restricted stock units to outside directors. During the nine months ended June 30, 2014, we granted 988,416 restricted stock units to employees and 16,900 restricted stock units to outside directors. We granted no restricted stock units to independent contractor financial advisors during the three and nine months ended June 30, 2014.

Unrecognized pre-tax expense for restricted equity awards granted to employees, directors and independent contractor financial advisors, net of estimated forfeitures, and the remaining period over which the expense will be recognized as of June 30, 2014, are presented below:

Unrecognized pre-tax expense (in thousands)	Remaining weighted- average period (in years)
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Employees and directors	\$95,371	2.7
Independent contractor financial advisors	132	1.5

The weighted-average grant-date fair value of restricted stock unit awards granted to employees and outside directors for the three and nine months ended June 30, 2014 were \$48.37 and \$48.66, respectively.

The fair value of each restricted equity award to our independent contractor financial advisors is computed on the date of grant and periodically revalued at the current stock price. The fair value for unvested restricted equity awards granted to independent contractor financial advisors as of June 30, 2014 was \$50.48.

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## NOTE 20 – REGULATIONS AND CAPITAL REQUIREMENTS

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

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

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

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

	Actual		Requirement for capital adequacy purposes		To be well capitalized under prompt corrective action provisions			
	Amount (\$ in thousands)	Ratio	Amount	Ratio	Amount	Ratio		
RJF as of June 30, 2014:								
Total capital (to risk-weighted assets)	\$3,805,830	20.5	% \$1,485,202	8.0	% \$1,856,502	10.0	%	
Tier I capital (to risk-weighted assets)	3,646,656	19.6	% 744,216	4.0	% 1,116,323	6.0	%	
Tier I capital (to adjusted assets)	3,646,656	15.8	% 923,204	4.0	% 1,154,005	5.0	%	
RJF as of September 30, 2013:								
Total capital (to risk-weighted assets)	\$3,445,136	19.8	% \$1,391,974	8.0	% \$1,739,968	10.0	%	
Tier I capital (to risk-weighted assets)	3,294,595	18.9	% 697,269	4.0	% 1,045,903	6.0	%	
Tier I capital (to adjusted assets)	3,294,595	14.5	% 908,854	4.0	% 1,136,067	5.0	%	

The increase in RJF's Total capital (to risk-weighted assets) and Tier I capital (to risk-weighted assets) at June 30, 2014 compared to September 30, 2013 was the result of positive earnings during the nine month period ended June 30, 2014 offset by an increase in corporate loans. The increase in RJF's Tier I capital (to adjusted assets) ratio at June 30,

2014 compared to September 30, 2013 was primarily due to earnings during the nine month period ended June 30, 2014 as well as a decrease in average segregated assets offset by an increase in average corporate loans.

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

	Actual		Requirement for capital adequacy purposes		To be well capitalized under prompt corrective action provisions			
	Amount (\$ in thousands)	Ratio	Amount	Ratio	Amount	Ratio		
RJ Bank as of June 30, 2014:								
Total capital (to risk-weighted assets)	\$1,397,794	12.6	% \$884,913	8.0	% \$1,106,141	10.0		%
Tier I capital (to risk-weighted assets)	1,259,148	11.4	% 442,456	4.0	% 663,685	6.0		%
Tier I capital (to adjusted assets)	1,259,148	10.4	% 486,541	4.0	% 608,177	5.0		%
RJ Bank as of September 30, 2013:								
Total capital (to risk-weighted assets)	\$1,234,268	13.0	% \$758,996	8.0	% \$948,745	10.0		%
Tier I capital (to risk-weighted assets)	1,115,113	11.8	% 379,498	4.0	% 569,247	6.0		%
Tier I capital (to adjusted assets)	1,115,113	10.4	% 430,154	4.0	% 537,692	5.0		%

The decrease in RJ Bank’s Total capital (to risk-weighted assets) ratio and Tier I capital (to risk-weighted assets) ratio at June 30, 2014 compared to September 30, 2013 was primarily due to corporate loan growth during the nine month period ended June 30, 2014.

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

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

	As of June 30, 2014 (\$ in thousands)		September 30, 2013	
Raymond James & Associates, Inc.:				
(Alternative Method elected)				
Net capital as a percent of aggregate debit items	24.08	%	23.14	%
Net capital	\$442,580		\$435,343	
Less: required net capital	(36,761	)	(37,625	)
Excess net capital	\$405,819		\$397,718	

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

	As of June 30, 2014 (in thousands)		September 30, 2013	
Raymond James Financial Services, Inc.:				
(Alternative Method elected)				
Net capital	\$15,916		\$18,103	
Less: required net capital	(250	)	(250	)

Excess net capital	\$15,666	\$17,853
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The risk adjusted capital of RJ Ltd. is as follows (in Canadian dollars):

	As of June 30, 2014 (in thousands)	September 30, 2013
Raymond James Ltd.:		
Risk adjusted capital before minimum	\$105,443	\$52,777
Less: required minimum capital	(250	) (250
Risk adjusted capital	\$105,193	\$52,527

At June 30, 2014, all of our other active regulated domestic and international subsidiaries are in compliance with and met all capital requirements.

## NOTE 21 – FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

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

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

	June 30, 2014 (in thousands)
Standby letters of credit	\$108,081
Open end consumer lines of credit	1,343,393
Commercial lines of credit	1,746,796
Unfunded loan commitments	205,920

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

RJ Ltd. is subject to foreign exchange risk primarily due to financial instruments denominated in U.S. dollars that may be impacted by fluctuation in foreign exchange rates. In order to mitigate this risk, RJ Ltd. enters into forward foreign exchange contracts. The fair value of these contracts is not significant. As of June 30, 2014, forward contracts outstanding to buy and sell U.S. dollars totaled CDN \$6.7 million and CDN \$7.8 million, respectively. RJ Bank is also subject to foreign exchange risk related to its net investment in a Canadian subsidiary. See Note 13 for information regarding how RJ Bank utilizes net investment hedges to mitigate a significant portion of this risk.

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



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## NOTE 22 – EARNINGS PER SHARE

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

	Three months ended June 30,		Nine months ended June 30,	
	2014	2013	2014	2013
	(in thousands, except per share amounts)			
Income for basic earnings per common share:				
Net income attributable to RJF	\$ 122,689	\$ 83,862	\$ 343,882	\$ 249,696
Less allocation of earnings and dividends to participating securities <sup>(1)</sup>	(710	) (875	) (2,250	) (2,982
Net income attributable to RJF common shareholders	\$ 121,979	\$ 82,987	\$ 341,632	\$ 246,714
Income for diluted earnings per common share:				
Net income attributable to RJF	\$ 122,689	\$ 83,862	\$ 343,882	\$ 249,696
Less allocation of earnings and dividends to participating securities <sup>(1)</sup>	(696	) (861	) (2,206	) (2,939
Net income attributable to RJF common shareholders	\$ 121,993	\$ 83,001	\$ 341,676	\$ 246,757
Common shares:				
Average common shares in basic computation	140,270	138,185	139,747	137,493
Dilutive effect of outstanding stock options and certain restricted stock units	3,715	3,046	3,565	2,672
Average common shares used in diluted computation	143,985	141,231	143,312	140,165
Earnings per common share:				
Basic	\$0.87	\$0.60	\$2.44	\$1.79
Diluted	\$0.85	\$0.59	\$2.38	\$1.76
Stock options and certain restricted stock units excluded from weighted-average diluted common shares because their effect would be antidilutive	233	103	392	258

Represents dividends paid during the period to participating securities plus an allocation of undistributed earnings to participating securities. Participating securities represent unvested restricted stock and certain restricted stock units and amounted to weighted-average shares of 819 thousand and 1.5 million for the three months ended June 30, 2014 and 2013, respectively. Participating securities amounted to weighted-average shares of 924 (1)thousand and 1.7 million for the nine months ended June 30, 2014 and 2013, respectively. Dividends paid to participating securities amounted to \$129 thousand and \$201 thousand for the three months ended June 30, 2014 and 2013, respectively. Dividends paid to participating securities amounted to \$416 thousand and \$664 thousand for the nine months ended June 30, 2014 and 2013, respectively. Undistributed earnings are allocated to participating securities based upon their right to share in earnings if all earnings for the period had been distributed.

Dividends per common share declared and paid are as follows:



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	Three months ended June 30,		Nine months ended June 30,	
	2014	2013	2014	2013
Dividends per common share - declared	\$0.16	\$0.14	\$0.48	\$0.42
Dividends per common share - paid	\$0.16	\$0.14	\$0.46	\$0.41

NOTE 23 – SEGMENT ANALYSIS

We currently operate through the following five business segments: “Private Client Group;” “Capital Markets;” “Asset Management;” RJ Bank; and our “Other” segment, which includes our principal capital and private equity activities as well as various corporate overhead costs of RJF including the interest cost on our public debt and the acquisition and integration costs associated with our acquisitions, most significantly Morgan Keegan. The business segments are based upon factors such as the

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services provided and the distribution channels served and are consistent with how we assess performance and determine how to allocate our resources throughout our subsidiaries. For a further discussion of our business segments, see Note 28 on pages 187 - 190 of our 2013 Form 10-K.

Information concerning operations in these segments of business is as follows:

	Three months ended June 30,		Nine months ended June 30,	
	2014	2013	2014	2013
	(in thousands)			
Revenues:				
Private Client Group	\$819,436	\$744,990	\$2,413,300	\$2,188,114
Capital Markets	241,013	227,321	714,145	711,375
Asset Management	91,222	76,805	274,772	211,975
RJ Bank	93,740	83,068	264,770	264,939
Other	12,984	22,982	37,055	118,503
Intersegment eliminations	(17,112	) (17,438	) (49,360	) (49,371
Total revenues <sup>(1)</sup>	\$1,241,283	\$1,137,728	\$3,654,682	\$3,445,535
Income (loss) excluding noncontrolling interests and before provision for income taxes:				
Private Client Group	\$81,473	\$58,664	\$230,098	\$165,698
Capital Markets	28,009	16,047	91,025	61,689
Asset Management	31,306	23,928	93,006	65,731
RJ Bank	64,921	62,881	178,777	195,100
Other <sup>(2)</sup>	(14,466	) (29,466	) (57,275	) (86,000
Pre-tax income excluding noncontrolling interests	191,243	132,054	535,631	402,218
Add: net (loss) income attributable to noncontrolling interests	(12,310	) (3,157	) (24,887	) 33,149
Income including noncontrolling interests and before provision for income taxes	\$178,933	\$128,897	\$510,744	\$435,367

(1) No individual client accounted for more than ten percent of total revenues in any of the periods presented.

For the three and nine months ended June 30, 2013, the Other segment includes acquisition related expenses pertaining to our acquisitions (primarily related to our Morgan Keegan acquisition, see Note 1 for additional (2) information) in the amount of \$13.4 million and \$51.8 million, respectively. For the three and nine months ended June 30, 2014, acquisition related expenses are no longer material for separate disclosure as our Morgan Keegan integration activities were substantially complete as of September 30, 2013.

	Three months ended June 30,		Nine months ended June 30,	
	2014	2013	2014	2013
	(in thousands)			
Net interest income (expense):				
Private Client Group	\$21,769	\$21,870	\$67,355	\$64,462
Capital Markets	738	172	4,000	3,398
Asset Management	27	18	68	56
RJ Bank	87,089	83,313	253,730	256,256
Other	(17,284	) (16,189	) (48,680	) (49,054
Net interest income	\$92,339	\$89,184	\$276,473	\$275,118



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The following table presents our total assets on a segment basis:

	June 30, 2014 (in thousands)	September 30, 2013
Total assets:		
Private Client Group <sup>(1)</sup>	\$6,090,193	\$7,649,030
Capital Markets <sup>(2)</sup>	2,600,138	2,548,663
Asset Management	168,477	149,436
RJ Bank	12,111,582	10,489,524
Other	2,099,899	2,349,469
Total	\$23,070,289	\$23,186,122

(1)Includes \$174.6 million of goodwill at June 30, 2014 and September 30, 2013.

(2)Includes \$120.9 million of goodwill at June 30, 2014 and September 30, 2013.

We have operations in the United States, Canada, Europe and joint ventures in Latin America. Substantially all long-lived assets are located in the United States. Revenues and income before provision for income taxes and excluding noncontrolling interests, classified by major geographic areas in which they are earned, are as follows:

	Three months ended June 30,		Nine months ended June 30,	
	2014	2013	2014	2013
	(in thousands)			
Revenues:				
United States	\$1,134,841	\$1,033,059	\$3,316,872	\$3,131,104
Canada	73,993	77,017	238,487	233,835
Europe	22,984	21,502	73,568	63,676
Other	9,465	6,150	25,755	16,920
Total	\$1,241,283	\$1,137,728	\$3,654,682	\$3,445,535
Pre-tax income (loss) excluding noncontrolling interests:				
United States	\$184,832	\$124,376	\$505,015	\$390,520
Canada	5,653	6,230	26,196	20,346
Europe	(1,007	) 1,002	(152	) (6,231
Other	1,765	446	4,572	(2,417
Total	\$191,243	\$132,054	\$535,631	\$402,218

Our total assets, classified by major geographic area in which they are held, are presented below:

	June 30, 2014 (in thousands)	September 30, 2013
Total assets:		
United States <sup>(1)</sup>	\$21,198,353	\$21,154,293
Canada <sup>(2)</sup>	1,789,094	1,965,648
Europe	37,378	26,415
Other	45,464	39,766
Total	\$23,070,289	\$23,186,122

(1)Includes \$262.5 million of goodwill at June 30, 2014 and September 30, 2013.

(2)Includes \$33 million of goodwill at June 30, 2014 and September 30, 2013.



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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following Management's Discussion and Analysis ("MD&A") is intended to help the reader understand the results of our operations and financial condition. This MD&A is provided as a supplement to, and should be read in conjunction with, our condensed consolidated financial statements and accompanying notes to condensed consolidated financial statements. Where "NM" is used in various percentage change computations, the computed percentage change has been determined not to be meaningful.

Factors Affecting "Forward-Looking Statements"

Certain statements made in this report on Form 10-Q may constitute "forward-looking statements" under the Private Securities Litigation Reform Act of 1995. Forward-looking statements include information concerning future strategic objectives, business prospects, anticipated savings, financial results (including expenses, earnings, liquidity, cash flow and capital expenditures), industry or market conditions, demand for and pricing of our products, acquisitions and divestitures, anticipated results of litigation and regulatory developments or general economic conditions. In addition, words such as "believes," "expects," "anticipates," "intends," "plans," "estimates," "projects," "forecasts," and future or conditional verbs such as "will," "may," "could," "should," and "would," as well as any other statement that necessarily depends on future events, are intended to identify forward-looking statements. Forward-looking statements are not guarantees, and they involve risks, uncertainties and assumptions. Although we make such statements based on assumptions that we believe to be reasonable, there can be no assurance that actual results will not differ materially from those expressed in the forward-looking statements. We caution investors not to rely unduly on any forward-looking statements and urge you to carefully consider the risks described in our filings with the Securities and Exchange Commission (the "SEC") from time to time, including our most recent Annual Report on Form 10-K and subsequent Forms 10-Q, which are available on [www.raymondjames.com](http://www.raymondjames.com) and the SEC's website at [www.sec.gov](http://www.sec.gov). We expressly disclaim any obligation to update any forward-looking statement in the event it later turns out to be inaccurate, whether as a result of new information, future events or otherwise.

Executive overview

We operate as a financial services and bank holding company. Results in the businesses in which we operate are highly correlated to the general overall strength of U.S. economic conditions and, more specifically, to the direction of the U.S. equity and fixed income markets, the corporate and mortgage lending markets and commercial and residential credit trends. Overall market conditions, interest rates, economic, political and regulatory trends, and industry competition are among the factors which could affect us and which are unpredictable and beyond our control. These factors affect the financial decisions made by market participants which include investors, borrowers, and competitors, impacting their level of participation in the financial markets. These factors also impact the level of public offerings, trading profits, interest rate volatility and asset valuations, or a combination thereof. In turn, these decisions affect our business results.

Quarter ended June 30, 2014

We achieved record net revenues of \$1.21 billion for the quarter, a \$105 million, or 9%, increase compared to the prior year quarter, and a 3% increase compared to the preceding quarter. Total client assets under administration were a record \$479 billion at June 30, 2014, an 18% increase over the prior year level and up nearly 5% compared to the preceding quarter. The increase in assets under administration is attributable to both market appreciation and net inflows of client assets. Non-interest expenses increased \$55 million, or 6%, compared to the prior year quarter, and \$10 million, or 1%, compared to the preceding quarter. The increase from the prior year quarter primarily results from increases in compensation, commissions and benefits, the bank loan loss provision, and business development

expenses offset by decreases in acquisition related expenses and communications and information processing expense. The increases from the preceding quarter are primarily due to an increase in compensation, commissions and benefits expenses offset by a decrease in communications and information processing expenses. Acquisition and integration related expenses in the current year quarter are no longer material for separate reporting since our integration of Morgan Keegan was substantially complete as of September 30, 2013.

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Our record net income of \$123 million represents an increase of \$39 million, or 46%, compared to the prior year quarter, and an increase of \$18 million, or 17%, compared to the preceding quarter. After excluding the acquisition related and other one-time expenses we incurred in the prior year quarter, our adjusted net income increased \$30 million, or 33% (a non-GAAP measure).<sup>(1)</sup>

A summary of the most significant matters impacting our segment results as compared to the prior year quarter, are as follows:

Our Private Client Group segment generated record net revenues of \$817 million, a 10% increase, while pre-tax income increased 39% to a record \$81 million. The increase in revenues is primarily attributable to increased securities commissions and fee revenues, predominately arising from fee-based accounts, as well as an increase in mutual fund and annuity service fee revenues. Commission expenses increased in proportion to the increase in corresponding commission revenues while all other components of non-interest expenses increased in total by less than 1%. Client assets under administration of the Private Client Group increased 17% over the prior year, to a record \$454.1 billion at June 30, 2014. Net inflows of client assets have been positively impacted by successful recruiting of financial advisors, among other favorable factors.

The Capital Markets segment generated net revenues of \$237 million, a 7% increase, while pre-tax income increased \$12 million, or 75%, to \$28 million. The primary driver of the increase in pre-tax income is an \$18 million increase in trading profits, which result primarily from fixed income securities. Current period trading profits continued at a steady level, approximating the two preceding quarters, and result in a substantially favorable comparison to the prior year quarter when we experienced a trading loss, primarily in our municipal fixed income securities portfolio. Favorable levels of equity underwriting fees and tax credit funds syndication fees offset a significant decrease in institutional fixed income commission revenues. The decline in institutional fixed income commission revenues results from challenging fixed income market conditions due to economic uncertainty, historically low interest rates, the relatively low volatility of benchmark interest rates and decreased customer trading volumes. Despite these fixed income market conditions, we continued to generate a reasonable level of trading profits in our fixed income operations.

Our Asset Management segment generated a 19% increase in net revenues to \$91 million and a \$7 million, or 31%, increase in pre-tax income. Financial assets under management increased 25% from the prior year, to a record \$65.3 billion as of June 30, 2014. Both strong net inflows of client assets and market appreciation contributed to the increase in revenues and pre-tax income.

RJ Bank generated \$65 million in pre-tax income, a \$2 million, or 3% increase, resulting from increases in net interest income and other revenues, offset by an increase in the provision for loan losses. Net interest income increased due to growth in the average loans outstanding, offset somewhat by a lower net interest margin. Other revenues increased due to a positive variance in foreign exchange associated with a few remaining unhedged Canadian dollar denominated loans. The credit characteristics of the loan portfolio continued to reflect the positive impact of improved economic conditions, however comparisons to the prior year are impacted by the prior period provision for loan loss which was a net benefit.

Activities in our Other segment reflect a pre-tax loss that is \$15 million, or 51%, less than the prior year quarter. Net revenues in the segment decreased \$9 million. While current period increases in the valuations of certain investments in our private equity portfolio were favorable overall, the increases were not as robust as those in the prior year period. However, our non-interest expenses have decreased substantially as we no longer separately report acquisition and integration related costs (which were included in the other segment) since our integration of Morgan Keegan was substantially complete as of September 30, 2013.



(1) Refer to the discussion and reconciliation of the GAAP results to the non-GAAP results in the “Reconciliation of the GAAP results to the non-GAAP measures” section of this MD&A.

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Nine months ended June 30, 2014

Our net revenues of \$3.6 billion represent a 6% increase compared to the prior year period. Total client assets under administration increased to a record \$479 billion at June 30, 2014, an 18% increase over the prior year level. Non-interest expenses increased \$139 million, or 5%, compared to the prior year period. The increases are primarily due to the increase in compensation, commissions and benefits expenses which were partially offset by the decrease in acquisition related expenses. Acquisition and integration related expenses in the current year are no longer material for separate reporting since our integration of Morgan Keegan was substantially complete as of September 30, 2013. The combination of increasing net revenues and overall expense control has helped us achieve a 15% pre-tax margin on net revenues in the current year period.

Our net income increased \$94 million, or 38%, compared to the prior year period. After excluding the acquisition related and other one-time expenses we incurred in the prior year, our adjusted net income increased \$58 million, or 20%, compared to the prior year period (a non-GAAP measure).<sup>(1)</sup> Net income in the prior year period also included \$14 million (after the attribution to noncontrolling interests) arising from our indirect investment in Albion, a private equity holding which was sold in April, 2013.

Our segment results during the nine month period were most significantly impacted by the factors described above for the quarter, unless otherwise noted:

• Our Private Client Group segment generated an increase of 39% in pre-tax income, to \$230 million.

• The Capital Markets segment has realized a \$29 million, or 48%, increase in pre-tax income to \$91 million.

• Our Asset Management segment has generated a \$27 million, or 41%, increase in pre-tax income to \$93 million. In addition to the factors described above, we earned a higher amount of performance fees in the current year which result from positive net performance from certain of our managed funds (a portion of which are attributable to noncontrolling interests), which have contributed to the increase in revenues and pre-tax income.

• RJ Bank has realized a \$16 million, or 8% decrease in pre-tax income, to \$179 million, as net interest margin contraction more than offset net interest earned on net loan growth.

• Activities in our Other segment have resulted in a pre-tax loss that is \$29 million less than the prior year. In addition to the factors described above, the prior year included significant revenues associated with our indirect investment in Albion, which was subsequently sold in April 2013, thus have a significant impact on comparisons to the prior year period.

• Our effective tax rate for the current year period is 35.8%, a decrease from the 37.9% effective tax rate in the prior year period. The current year-to-date effective tax rate has benefited from strong year-to-date gains in our Company Owned Life Insurance portfolio compared to the prior year period (such gains are not subject to tax and thus benefit the effective tax rate), state tax credits, the recognition of prior year state tax refunds resulting from a change in state tax filing position, and a projected increase in low income housing tax credits .

(1) Refer to the discussion and reconciliation of the GAAP results to the non-GAAP results in the “Reconciliation of the GAAP results to the non-GAAP measures” section of this MD&A.

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## Segments

We currently operate through the following five business segments: Private Client Group (or “PCG”); Capital Markets; Asset Management; RJ Bank; and Other (which consists of our principal capital and private equity activities as well as various corporate overhead costs of RJF including the interest cost on our public debt and the acquisition and integration costs associated with our acquisitions, most significantly Morgan Keegan).

As more fully described in Note 2 on page 104, and Note 28 on page 187, of our 2013 Form 10-K, effective September 30, 2013 we implemented changes in our reportable segments. These segment changes had no effect on the historical financial results of operations. Prior period segment balances impacted by this change have been reclassified to conform to the current presentation.

The following table presents our consolidated and segment gross revenues, net revenues, and pre-tax income (loss), the latter excluding noncontrolling interests, for the periods indicated:

	Three months ended June 30,			Nine months ended June 30,				
	2014	2013	% change	2014	2013	% change		
	(\$ in thousands)							
<b>Total company</b>								
Revenues	\$ 1,241,283	\$ 1,137,728	9	% \$ 3,654,682	\$ 3,445,535	6		%
Net revenues	1,214,231	1,109,536	9	% 3,576,278	3,362,119	6		%
Pre-tax income excluding noncontrolling interests	191,243	132,054	45	% 535,631	402,218	33		%
<b>Private Client Group</b>								
Revenues	819,436	744,990	10	% 2,413,300	2,188,114	10		%
Net revenues	816,918	742,547	10	% 2,405,826	2,178,814	10		%
Pre-tax income	81,473	58,664	39	% 230,098	165,698	39		%
<b>Capital Markets</b>								
Revenues	241,013	227,321	6	% 714,145	711,375	—		
Net revenues	236,509	221,610	7	% 702,594	696,862	1		%
Pre-tax income	28,009	16,047	75	% 91,025	61,689	48		%
<b>Asset Management</b>								
Revenues	91,222	76,805	19	% 274,772	211,975	30		%
Net revenues	91,216	76,802	19	% 274,753	211,968	30		%
Pre-tax income	31,306	23,928	31	% 93,006	65,731	41		%
<b>RJ Bank</b>								
Revenues	93,740	83,068	13	% 264,770	264,939	—		
Net revenues	91,556	80,877	13	% 258,702	257,696	—		
Pre-tax income	64,921	62,881	3	% 178,777	195,100	(8)		)%
<b>Other</b>								
Revenues	12,984	22,982	(44)	)% 37,055	118,503	(69)		)%
Net revenues	(6,541	) 2,684	(344)	)% (21,347	) 58,756	(136)		)%
Pre-tax loss	(14,466	) (29,466	) 51	% (57,275	) (86,000	) 33		%

Intersegment eliminations

Revenues	(17,112	)	(17,438	)	2	%	(49,360	)	(49,371	)	—	
Net revenues	(15,427	)	(14,984	)	(3	)%	(44,250	)	(41,977	)	5	%

Reconciliation of the GAAP results to the non-GAAP measures

We believe that the non-GAAP measures provide useful information by excluding material items that may not be indicative of our core operating results and that the GAAP and the non-GAAP measures should be considered together. There are no non-GAAP adjustments in either the current quarter or the year-to-date period ended June 30, 2014, as we no longer separately report acquisition and integration related costs since our integration of Morgan Keegan was substantially complete as of September 30,

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2013. The non-GAAP adjustments impacting the prior year periods presented are comprised of one-time acquisition and integration costs (primarily associated with our Morgan Keegan acquisition) and other non-recurring expenses, net of applicable taxes. Refer to the footnotes to the table below for further explanation of each non-recurring item.

The following table provides a reconciliation of the GAAP basis to the non-GAAP measures for the prior year periods which included non-GAAP adjustments:

	Three months ended June 30, 2013	Nine months ended June 30, 2013	
	(\$ in thousands, except per share amounts)		
Net income attributable to RJF, Inc. - GAAP basis	\$83,862	\$249,696	
Non-GAAP adjustments:			
Acquisition related expenses <sup>(1)</sup>	13,449	51,753	
RJF's share of RJES goodwill impairment expense <sup>(2)</sup>	—	4,564	
RJES restructuring expense <sup>(3)</sup>	—	1,600	
Pre-tax non-GAAP adjustments	13,449	57,917	
Tax effect of non-GAAP adjustment <sup>(4)</sup>	(4,789	) (21,962	)
Adjusted net income attributable to RJF, Inc. - Non-GAAP basis	\$92,522	\$285,651	
Non-GAAP earnings per common share:			
Non-GAAP basic	\$0.66	\$2.05	
Non-GAAP diluted	\$0.65	\$2.01	
Average equity - GAAP basis <sup>(5)</sup>	\$3,507,475	\$3,415,923	
Average equity - non-GAAP basis <sup>(6)</sup>	\$3,532,111	\$3,427,428	
Return on equity for the quarter (annualized)	9.6	% N/A	
Return on equity for the quarter - non-GAAP basis (annualized) <sup>(7)</sup>	10.5	% N/A	
Return on equity year-to-date (annualized)	N/A	9.7	%
Return on equity year-to-date - non-GAAP basis (annualized) <sup>(7)</sup>	N/A	11.1	%

(1) The non-GAAP adjustment adds back to pre-tax income one-time acquisition and integration expenses associated with acquisitions that were incurred during the period.

(2) The non-GAAP adjustment adds back to pre-tax income RJF's share of the total goodwill impairment expense associated with our RJES reporting unit.

(3) The non-GAAP adjustment adds back to pre-tax income a one-time restructuring expense associated with our RJES operations.

(4) The non-GAAP adjustment reduces net income for the income tax effect of the pre-tax non-GAAP adjustments, utilizing the effective tax rate in such periods to determine the current tax expense.

(5) For the quarter, computed by adding the total equity attributable to RJF, Inc. as of the date indicated plus the prior quarter-end total, divided by two. For the year-to-date period, computed by adding the total equity attributable to RJF, Inc. as of each quarter-end date during the indicated year-to-date period, plus the beginning of the year total, divided by four.

(6) The calculation of non-GAAP average equity includes the impact on equity of the non-GAAP adjustments described in the table above, as applicable for each respective period.

(7) Computed by utilizing the net income attributable to RJF, Inc.-non-GAAP basis and the average equity-non-GAAP basis, for each respective period. See footnotes (5) and (6) above for the calculation of average equity-non-GAAP

basis.

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Net interest analysis

We have certain assets and liabilities, not only held in our RJ Bank segment but also held in our PCG and Capital Markets segments, which are subject to changes in interest rates; these changes in interest rates have an impact on our overall financial performance. Given the relationship of our interest sensitive assets to liabilities held in each of these segments, an increase in short-term interest rates would result in an overall increase in our net earnings (we currently have more assets than liabilities with a yield that would be affected by a change in short-term interest rates). A gradual increase in short-term interest rates would have the most significant favorable impact on our PCG and RJ Bank segments (refer to the table in Item 3 - Interest Rate Risk in this Form 10-Q, which presents an analysis of RJ Bank's estimated net interest income over a 12 month period based on instantaneous shifts in interest rates using the asset/liability model applied by RJ Bank).

Based upon our latest analysis performed as of September 30, 2013, we estimate that a 100 basis point instantaneous rise in short-term interest rates would result in an increase in our pre-tax income of approximately \$150 million over a twelve month period. Approximately half of such an increase would be attributable to account and service fee revenues (resulting from an increase in the fees generated in lieu of interest income from our multi-bank sweep program with unaffiliated banks and the discontinuance of money market fee waivers) which are reported in the PCG segment, and the remaining portion of the increase would be attributable to net interest income reported in both our PCG and RJ Bank segments. This estimate is based on static balances as of September 30, 2013 and conservative assumptions related to interest rates credited to our clients on their cash balances in various interest rate environments. The actual amount of any increase we would realize in the future will ultimately be based on a number of factors including, but not limited to, the actual change in balances, the rapidity and magnitude of the increase in interest rates, the competitive landscape at such time, and the returns on comparable investments which will factor into the interest rates we pay on client cash balances. The vast majority of any incremental benefit to pre-tax income from a rise in short-term interest rates would be expected to arise from the first 100 basis point increase, as we presume that a significant portion of any further incremental increase in short-term interest rates would be passed along to clients, and thus such additional interest revenues and interest sensitive fees would be offset by increases of similar amounts in our interest expense.



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Quarter ended June 30, 2014 compared with the quarter ended June 30, 2013 – Net interest

The following table presents our consolidated average interest-earning asset and liability balances, interest income and expense balances, and the average yield/cost, for the periods indicated:

	Three months ended June 30, 2014			2013			Average yield/cost	
	Average balance <sup>(1)</sup> (\$ in thousands)	Interest inc./exp.	Average yield/cost	Average balance <sup>(1)</sup>	Interest inc./exp.	Average yield/cost		
<b>Interest-earning assets:</b>								
Margin balances	\$1,760,373	\$16,894	3.84	% \$1,783,205	\$14,935	3.35	%	
Assets segregated pursuant to regulations and other segregated assets	2,392,151	3,666	0.61	% 3,534,615	4,206	0.48	%	
Bank loans, net of unearned income <sup>(2)</sup>	10,419,768	86,231	3.29	% 8,572,162	82,508	3.81	%	
Available for sale securities	643,797	1,598	0.99	% 749,235	1,937	1.03	%	
Trading instruments <sup>(3)</sup>	668,527	4,750	2.84	% 699,477	5,225	2.99	%	
Stock loan	557,243	2,200	1.58	% 371,978	3,222	3.46	%	
Loans to financial advisors <sup>(3)</sup>	420,113	1,528	1.45	% 418,896	1,699	1.62	%	
Corporate cash and all other <sup>(3)</sup>	1,971,488	2,524	0.51	% 3,431,133	3,644	0.42	%	
<b>Total</b>	<b>\$18,833,460</b>	<b>\$119,391</b>	<b>2.54</b>	<b>% \$19,560,701</b>	<b>\$117,376</b>	<b>2.40</b>	<b>%</b>	
<b>Interest-bearing liabilities:</b>								
Brokerage client liabilities	\$3,473,301	273	0.03	% \$4,872,946	\$511	0.04	%	
Bank deposits <sup>(2)</sup>	10,400,037	1,980	0.08	% 9,055,628	2,191	0.10	%	
Trading instruments sold but not yet purchased <sup>(3)</sup>	266,655	1,075	1.61	% 248,443	994	1.60	%	
Stock borrow	143,869	900	2.50	% 125,407	619	1.97	%	
Borrowed funds	342,187	1,128	1.32	% 413,881	1,149	1.11	%	
Senior notes	1,148,971	19,010	6.62	% 1,148,783	19,010	6.62	%	
Loans payable of consolidated variable interest entities <sup>(3)</sup>	50,085	653	5.22	% 68,959	917	5.32	%	
Other <sup>(3)</sup>	365,718	2,033	2.22	% 336,975	2,801	3.32	%	
<b>Total</b>	<b>\$16,190,823</b>	<b>\$27,052</b>	<b>0.67</b>	<b>% \$16,271,022</b>	<b>\$28,192</b>	<b>0.69</b>	<b>%</b>	
<b>Net interest income</b>		<b>\$92,339</b>			<b>\$89,184</b>			

(1) Represents average daily balance, unless otherwise noted.

(2) See Results of Operations – RJ Bank in this MD&A for further information.

(3) Average balance is calculated based on the average of the end of month balances for each month within the period.

Net interest income increased \$3 million, or 4%, compared to the prior year quarter. Net interest income is earned primarily by our PCG and RJ Bank segments, which are discussed separately below.

Net interest income in the PCG segment approximated the prior year quarter level. An increase in net interest income resulting from the increase in margin interest rates we implemented as of October 1, 2013 was offset by: a decrease in average client margin balances outstanding; and the net impact of a decrease in assets segregated pursuant to regulations and other segregated assets, and the related decrease in brokerage client liability balances described more fully below.

The RJ Bank segment's net interest income increased \$4 million, or 5%, primarily as a result of an increase in loans outstanding offset by a decrease in net interest margin to 2.88% from 3.20%. Refer to the discussion of the specific components of RJ Bank's net interest income in the RJ Bank section of this MD&A.

Interest income earned on the available for sale securities portfolio decreased from the prior year period due to a slight decrease in yields on the portfolio and lower investment balances as compared to the prior year quarter.

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Interest income earned on our trading instruments decreased from the prior year period due to decreased trading security inventory levels (see Note 6 of our Notes to Condensed Consolidated Financial Statements in this Form 10-Q for additional information on our trading instruments).

Interest expense associated with brokerage client liabilities decreased due to both a decrease in average outstanding client balances as well as a decrease in interest rates paid to clients on their cash balances. The decrease in average client balances outstanding resulted from the late December 2013 increase in capacity with unaffiliated banks in our RJBDP program. As a result of this increase in RJBDP capacity, additional client cash balances were re-deposited with unaffiliated banks in late December 2013, reducing the balances of brokerage client liabilities reflected on our financial statements, and the amount of interest we paid on customer cash balances (the “Client Interest Program”).

Nine months ended June 30, 2014 compared with the nine months ended June 30, 2013 – Net interest

The following table presents our consolidated average interest-earning asset and liability balances, interest income and expense balances, and the average yield/cost, for the periods indicated:

	Nine months ended June 30, 2014			2013				
	Average balance <sup>(1)</sup> (\$ in thousands)	Interest inc./exp.	Average yield/cost	Average balance <sup>(1)</sup>	Interest inc./exp.	Average yield/cost		
<b>Interest-earning assets:</b>								
Margin balances	\$1,751,536	\$51,309	3.91	% \$1,789,422	\$46,039	3.43	%	
Assets segregated pursuant to regulations and other segregated assets	2,911,378	11,854	0.54	% 3,426,046	12,644	0.49	%	
Bank loans, net of unearned income <sup>(2)</sup>	9,775,215	251,079	3.40	% 8,500,988	254,421	3.95	%	
Available for sale securities	667,048	5,176	1.03	% 744,705	6,141	1.10	%	
Trading instruments <sup>(3)</sup>	622,435	13,893	2.98	% 813,849	16,185	2.65	%	
Stock loan	410,456	6,882	2.24	% 341,973	6,564	2.56	%	
Loans to financial advisors <sup>(3)</sup>	411,661	4,831	1.56	% 427,020	4,851	1.51	%	
Corporate cash and all other <sup>(3)</sup>	2,349,131	9,853	0.56	% 3,086,268	11,689	0.50	%	
<b>Total</b>	<b>\$18,898,860</b>	<b>\$354,877</b>	<b>2.50</b>	<b>% \$19,130,271</b>	<b>\$358,534</b>	<b>2.50</b>	<b>%</b>	
<b>Interest-bearing liabilities:</b>								
Brokerage client liabilities	\$4,116,394	990	0.03	% \$4,733,833	\$1,651	0.05	%	
Bank deposits <sup>(2)</sup>	10,048,773	5,864	0.08	% 9,028,383	7,079	0.10	%	
Trading instruments sold but not yet purchased <sup>(3)</sup>	244,809	3,198	1.74	% 260,949	2,762	1.41	%	
Stock borrow	112,104	2,206	2.62	% 126,178	1,732	1.83	%	
Borrowed funds	299,844	2,976	1.32	% 407,061	3,816	1.25	%	
Senior notes	1,148,924	57,030	6.62	% 1,148,736	57,104	6.62	%	
Loans payable of consolidated variable interest entities <sup>(3)</sup>	54,206	2,237	5.50	% 72,987	3,029	5.53	%	
Other <sup>(3)</sup>	346,985	3,903	1.50	% 353,277	6,243	2.36	%	
<b>Total</b>	<b>\$16,372,039</b>	<b>\$78,404</b>	<b>0.64</b>	<b>% \$16,131,404</b>	<b>\$83,416</b>	<b>0.69</b>	<b>%</b>	
<b>Net interest income</b>		<b>\$276,473</b>			<b>\$275,118</b>			

(1) Represents average daily balance, unless otherwise noted.

(2) See Results of Operations – RJ Bank in this MD&A for further information.

(3) Average balance is calculated based on the average of the end of month balances for each month within the period.

Net interest income increased \$1 million, or nearly 1%, compared to the prior year. Net interest income is earned primarily by our PCG and RJ Bank segments, which are discussed separately below.

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Net interest income in the PCG segment increased \$3 million, or 4%, primarily resulting from the increase in margin interest rates we implemented as of October 1, 2013, offset by a decrease in average client margin balances outstanding.

The RJ Bank segment's net interest income decreased \$3 million, or 1%, primarily as a result of a decrease in net interest margin offset by an increase in loans outstanding. Refer to the discussion of the specific components of RJ Bank's net interest income in the RJ Bank section of this MD&A.

Interest income earned on our available for sale securities portfolio decreased \$1 million, or 16%, from the prior year period due to lower investment balances and a slight decrease in yields on the portfolio as compared to the prior year.

Interest income earned on our trading instruments decreased \$2 million, or 14%, from the prior year period due to decreased trading security inventory levels offset by an increase in yields on the portfolio (see Note 6 of our Notes to Condensed Consolidated Financial Statements in this Form 10-Q for additional information on our trading instruments).

## Results of Operations – Private Client Group

The following table presents consolidated financial information for our PCG segment for the periods indicated:

	Three months ended June 30,			Nine months ended June 30,				
	2014	% change	2013	2014	% change	2013		
	(\$ in thousands)							
Revenues:								
Securities commissions and fees:								
Equities	\$70,894	(9)	)%	\$77,680	\$225,334	—	\$226,438	
Fixed income products	19,619	(11)	)%	22,138	59,862	(14)	)%	69,602
Mutual funds	172,055	6	%	162,306	507,857	9	%	465,138
Fee-based accounts	321,732	24	%	260,096	914,464	22	%	749,359
Insurance and annuity products	88,099	8	%	81,819	262,440	4	%	252,806
New issue sales credits	19,201	(5)	)%	20,249	62,683	(13)	)%	71,667
Sub-total securities commissions and fees	691,600	11	%	624,288	2,032,640	11	%	1,835,010
Interest	24,287	—		24,313	74,829	1	%	73,762
Account and service fees:								
Client account and service fees	41,065	3	%	39,899	120,082	(2)	)%	121,973
Mutual fund and annuity service fees	53,722	26	%	42,697	152,035	25	%	121,942
Client transaction fees	3,799	(16)	)%	4,527	13,191	5	%	12,585
Correspondent clearing fees	809	(3)	)%	836	2,392	6	%	2,247
Account and service fees – all other	79	5	%	75	222	7	%	208
Sub-total account and service fees	99,474	13	%	88,034	287,922	11	%	258,955
Other	4,075	(51)	)%	8,355	17,909	(12)	)%	20,387
Total revenues	819,436	10	%	744,990	2,413,300	10	%	2,188,114
Interest expense	2,518	3	%	2,443	7,474	(20)	)%	9,300
Net revenues	816,918	10	%	742,547	2,405,826	10	%	2,178,814
Non-interest expenses:								
Sales commissions	502,853	11	%	451,923	1,477,765	11	%	1,326,531

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Admin & incentive compensation and benefit costs	122,138	3	%	118,803	364,364	1	%	361,428	
Communications and information processing	37,012	(14)	)%	43,034	119,092	(2)	)%	122,074	
Occupancy and equipment	30,158	6	%	28,504	88,214	4	%	85,096	
Business development	20,231	26	%	16,105	59,931	23	%	48,798	
Clearance and other	23,053	(10)	)%	25,514	66,362	(4)	)%	69,189	
Total non-interest expenses	735,445	8	%	683,883	2,175,728	8	%	2,013,116	
Pre-tax income	\$81,473	39	%	\$58,664	\$230,098	39	%	\$165,698	
Margin on net revenues	10.0	%		7.9	%	9.6	%	7.6	%

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Through our PCG segment, we provide securities transaction and financial planning services to client accounts through the branch office systems of our broker-dealer subsidiaries located throughout the United States, Canada and the United Kingdom. Our financial advisors offer a broad range of investments and services, including both third party and proprietary products, and a variety of financial planning services. We charge sales commissions or asset-based fees for investment services we provide to our PCG clients based on established schedules. Our financial advisors offer a number of professionally managed load mutual funds, as well as a selection of no-load mutual funds.

Net interest revenue in the PCG segment is generated by customer balances, predominately the earnings on margin loans and assets segregated pursuant to regulations, less interest paid on customer cash balances. The PCG segment earns a fee (in lieu of interest revenue) from the RJBDP, a program where clients' cash deposits in their brokerage accounts are re-deposited through a third party service into interest-bearing deposit accounts at a number of banks. The RJBDP enables clients to obtain up to \$2.5 million in individual FDIC deposit insurance coverage (\$5 million for joint accounts) while earning competitive rates for their cash balances. The portion of this fee paid by RJ Bank is eliminated in the intersegment eliminations.

The PCG segment includes the results of our securities lending business, in which we borrow and lend securities from and to other broker-dealers, financial institutions, and other counterparties, generally as an intermediary. The net revenues of the securities lending business are the interest spreads generated from these activities.

The success of the PCG segment is dependent upon the quality of our products, services, financial advisors and support personnel including our ability to attract, retain and motivate a sufficient number of these associates. We face competition for qualified associates from major financial services companies, including other brokerage firms, insurance companies, banking institutions and discount brokerage firms. We currently offer several affiliation alternatives for financial advisors ranging from the traditional branch setting, under which the financial advisors are our employees and we incur the costs associated with operating the branch, to the independent contractor model, under which the independent contractor financial advisor is responsible for all of their own direct costs. Accordingly, the independent contractor financial advisors are paid a larger percentage of commissions. By offering alternative models to potential and existing financial advisors, we are able to effectively compete with a wide variety of other brokerage firms for qualified financial advisors, as financial advisors can choose the model that best suits their practice and profile.

Revenues of the PCG segment are correlated with total PCG client assets under administration, which include assets in fee-based accounts, and the overall U.S. equities markets. PCG client asset balances are as follows as of the dates indicated:

	June 30, 2014 (in billions)	March 31, 2014	December 31, 2013	September 30, 2013	June 30, 2013	March 31, 2013
Total PCG assets under administration	\$454.1	\$434.0	\$422.9	\$402.6	\$387.3	\$388.2
PCG assets in fee-based accounts	\$168.0	\$158.2	\$151.2	\$139.9	\$131.8	\$129.2

Total PCG assets under administration increased 17% over June 30, 2013, and 5% compared to the preceding quarter ended March 31, 2014. Total PCG assets in fee-based accounts increased 27% compared to June 30, 2013 and were up 6% compared to the preceding quarter ended March 31, 2014. Increased client assets under administration typically result in higher fee-based account revenues and mutual fund and annuity service fees. Improved equity markets not only result in increased assets under administration, but also generally lead to more client activity and therefore improved financial advisor productivity resulting from increased commission revenues and transaction fees. Higher client cash balances generally lead to increased interest income and account fee revenues, depending upon spreads

realized in our Client Interest Program and RJBDP.

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The following table presents a summary of PCG financial advisors as of the dates indicated:

	Employees	Independent contractors	June 30, 2014 total	September 30, 2013 total	June 30, 2013 total <sup>(1)</sup>
RJ&A	2,455	—	2,455	2,443	2,449
Raymond James Financial Services, Inc.	—	3,320	3,320	3,275	3,246
Raymond James Ltd.	172	225	397	406	414
Raymond James Investment Services Limited (“RJIS”)	—	79	79	73	72
Total financial advisors	2,627	3,624	6,251	6,197	6,181

As of September 30, 2013 we refined the criteria to determine our financial advisor population. The counts have (1) been revised from those previously reported in order to present the information on a consistent basis through the application of our current criteria.

#### Quarter ended June 30, 2014 compared with the quarter ended June 30, 2013 – Private Client Group

Net revenues increased \$74 million, or 10%, to a record \$817 million. Pre-tax income increased \$23 million, or 39%, to a record \$81 million. PCG’s pre-tax margin on net revenues increased to 10.0% as compared to the prior year quarter’s 7.9%.

Securities commissions and fees increased \$67 million, or 11%. Client assets under administration of a record \$454.1 billion increased \$66.8 billion or 17% compared to June 30, 2013. The year over year increase in client assets was driven by the equity market conditions in the U.S., which were generally improved as compared to the prior year. The most significant increases in these revenues arose from revenues earned on fee-based accounts, which increased \$62 million, or 24%, and commission revenues on mutual fund products which increased \$10 million, or 6% (primarily due to increases in trailing commissions on mutual fund products), partially offset by a \$7 million, or 9%, decrease in commissions on equity products and a \$3 million, or 11% decrease in commissions on fixed income products. Although the volume of trades on equity products are comparable to the same quarter in the prior year, the number of shares traded decreased. Commission earnings on fixed income products decreased primarily due to challenging market conditions in the fixed income markets resulting from historically low interest rates and lack of volatility in the fixed income market.

Total account and service fees increased \$11 million, or 13%. Within this line item, mutual fund and annuity service fees increased \$11 million, or 26%, primarily as a result of an increase in mutual fund omnibus fees, and education and marketing support (“EMS”) fees (which include no-transaction-fee (“NTF”) program revenues), all of which are paid to us by the mutual fund companies whose products we distribute. We continue to implement changes in the data sharing arrangements with many mutual fund companies, converting from a networking to an omnibus arrangement. The fees earned from omnibus arrangements are greater than those under networking arrangements in order to compensate us for the additional reporting requirements performed by the broker-dealer under omnibus arrangements which result in an offsetting expense included in other expense. During the preceding quarter, we implemented technology changes in our EMS program and standardized tiered service levels provided to many mutual fund companies, resulting in increased fees earned from EMS arrangements.

Total segment revenues increased 10%. The portion of total segment revenues that we consider to be recurring is approximately 73% at June 30, 2014, an increase from 66% at June 30, 2013. Recurring commission and fee revenues include asset-based fees, trailing commissions from mutual funds and variable annuities/insurance products, mutual fund service fees, fees earned on funds in our multi-bank sweep program, and interest. Assets in fee-based accounts as of June 30, 2014 were \$168.0 billion, an increase of 27% as compared to the \$131.8 billion as of June 30, 2013.

Non-interest expenses increased \$52 million, or 8%, over the prior year quarter. Sales commission expense increased \$51 million, or 11%, consistent with the 11% increase in commission and fee revenues. Communications and information processing expenses decreased \$6 million, or 14%, due to decreases in software consulting costs as well as other information technology related expenses. Business development expenses increased \$4 million, or 26%, due to increases in advertising, recruiting, travel, and incoming account transfer fee expenses.

Nine months ended June 30, 2014 compared with the nine months ended June 30, 2013 – Private Client Group

Net revenues increased \$227 million, or 10%, while pre-tax income increased \$64 million, or 39%. PCG's pre-tax margin on net revenues increased to 9.6% as compared to 7.6% in the comparable prior year period.

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Securities commissions and fees increased \$198 million, or 11%. The increase results predominately from growth in client assets under administration which is described in the discussion of the quarter results above. The revenues from fee-based accounts increased \$165 million, or 22%, and commissions on mutual fund products increased \$43 million, or 9% (primarily due to increases in trailing commissions on mutual fund products), and were partially offset by a \$10 million, or 14% decrease in commissions on fixed income products. Commission earnings on fixed income products decreased primarily due to the challenging market conditions in the fixed income markets during the current year resulting from historically low interest rates and periods during the current year characterized by a lack of volatility of interest rates.

Total account and service fees increased \$29 million, or 11%. Within this line item, mutual fund and annuity service fees increased \$30 million, or 25%, primarily as a result of an increase in mutual fund omnibus fees and EMS fees (which include NTF program revenues), all of which are paid to us by the mutual fund companies whose products we distribute. We continue to implement changes in the data sharing arrangements with many mutual fund companies, converting from a networking to an omnibus arrangement. The fees earned from omnibus arrangements are greater than those under networking arrangements in order to compensate us for the additional reporting requirements performed by the broker-dealer under omnibus arrangements. During the March 2014 quarter, we implemented technology changes in our EMS program and standardized tiered service levels provided to many mutual fund companies, resulting in increased fees earned from EMS arrangements. In addition, effective with our mid-February 2013 platform integration, the former Morgan Keegan client mutual fund investments became eligible for our omnibus and EMS programs resulting in an increase in this fee revenue.

PCG net interest increased \$3 million, or 4%, primarily resulting from an increase in margin interest rates. Client margin balances approximate the September 30, 2013 level, as the growth in margin loans has been negatively impacted by the popularity of the securities based lending product offered by RJ Bank.

Non-interest expenses increased \$163 million, or 8%, compared to the prior year period. Sales commission expense increased \$151 million, or 11%, consistent with the 11% increase in commission and fee revenues. Business development expenses increased \$11 million, or 23%, due to increases in advertising, recruiting, incoming account transfer fee expenses and conference costs.

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## Results of Operations – Capital Markets

The following table presents consolidated financial information for our Capital Markets segment for the periods indicated:

	Three months ended June 30,			Nine months ended June 30,		
	2014	% change	2013	2014	% change	2013
	(\$ in thousands)					
Revenues:						
Institutional sales commissions:						
Equity	\$65,089	(1 )%	\$65,441	\$197,128	5 %	\$188,314
Fixed income	61,652	(22 )%	79,012	188,885	(27 )%	258,787
Sub-total institutional sales commissions	126,741	(12 )%	144,453	386,013	(14 )%	447,101
Equity underwriting fees	26,171	24 %	21,085	67,319	7 %	62,891
Mergers & acquisitions and advisory fees	24,894	(2 )%	25,382	93,647	9 %	86,086
Fixed income investment banking	13,795	39 %	9,905	38,868	11 %	35,134
Tax credit funds syndication fees	13,460	55 %	8,689	25,982	47 %	17,644
Investment advisory fees	5,113	2 %	5,003	16,235	36 %	11,951
Net trading profit (loss)	16,043	NM	(2,408 )	46,705	263 %	12,865
Interest	5,242	(11 )%	5,883	15,551	(13 )%	17,911
Other	9,554	2 %	9,329	23,825	20 %	19,792
Total revenues	241,013	6 %	227,321	714,145	—	711,375
Interest expense	4,504	(21 )%	5,711	11,551	(20 )%	14,513
Net revenues	236,509	7 %	221,610	702,594	1 %	696,862
Non-interest expenses:						
Sales commissions	46,474	(14 )%	53,764	147,435	(16 )%	175,362
Admin & incentive compensation and benefit costs	111,621	6 %	105,022	325,377	3 %	316,621
Communications and information processing	17,567	7 %	16,439	51,107	3 %	49,595
Occupancy and equipment	8,515	(3 )%	8,819	25,961	(3 )%	26,821
Business development	9,985	(1 )%	10,115	29,475	(3 )%	30,508
Losses and non-interest expenses of real estate partnerships held by consolidated VIEs	12,828	83 %	7,024	33,393	45 %	23,081
Impairment of goodwill associated with RJES	—	—	—	—	(100 )%	6,933
Clearance and all other	13,502	13 %	11,928	35,535	1 %	35,295
Total non-interest expenses	220,492	3 %	213,111	648,283	(2 )%	664,216
Income before taxes and including noncontrolling interests	16,017	88 %	8,499	54,311	66 %	32,646

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Noncontrolling interests	(11,992 )		(7,548 )	(36,714 )		(29,043 )
Pre-tax income excluding noncontrolling interests	\$28,009	75	% \$16,047	\$91,025	48	% \$61,689

The Capital Markets segment consists primarily of equity and fixed income products and services. The activities include institutional sales and trading in the U.S., Canada and Europe; management of and participation in public offerings; financial advisory services, including private placements and merger and acquisition services; public finance activities; and the syndication and related management of investment partnerships designed to yield returns in the form of low-income housing tax credits to institutions. We provide securities brokerage services to institutions with an emphasis on the sale of U.S. and Canadian equities and fixed income products. Institutional sales commissions for both equity and fixed income products are driven primarily through trade volume, resulting from a combination of participation in public offerings, general market activity, and by the Capital Markets group's ability to find attractive investment opportunities and promote those opportunities to potential and existing clients. Revenues from investment banking activities are driven principally by our role in the offering and the number and dollar

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value of the transactions with which we are involved. This segment also includes trading of taxable and tax-exempt fixed income products, as well as equity securities in the OTC and Canadian markets. This trading involves the purchase of securities from, and the sale of securities to, our clients as well as other dealers who may be purchasing or selling securities for their own account or acting as agent for their clients. Profits and losses related to this trading activity are primarily derived from the spreads between bid and ask prices, as well as market trends for the individual securities during the period we hold them. This segment also includes the results of the operations we conduct in Latin American countries including Argentina and Uruguay.

Quarter ended June 30, 2014 compared with the quarter ended June 30, 2013 – Capital Markets

Net revenues increased \$15 million, or 7%. Pre-tax income increased \$12 million, or 75%.

Institutional fixed income sales commissions decreased \$17 million, or 22%, primarily due to the continuation of challenging fixed income market conditions resulting from historically low interest rates, the relatively low volatility of benchmark interest rates during the quarter, and the resulting decreased customer trading volumes. Despite these market conditions, trading results were steady during the current quarter and at a level approximating the two preceding quarters, resulting in an \$18 million improvement over the prior year quarter in which we incurred a relatively small net trading loss which was predominately driven by losses on municipal securities. Our trading results are derived primarily from fixed income securities, and were achieved despite our continuing to maintain relatively lower average balances of trading securities in response to the market uncertainty (refer to Note 6 of the Notes to Condensed Consolidated Financial Statements in this Form 10-Q for information on our levels of trading instruments held at period end).

The number of lead and co-managed underwritings during the current period increased as compared to the prior year quarter, thus related revenues increased by \$5 million, or 24%. The majority of the increase results from underwriting activities associated with our domestic operations. The underwriting revenues in our Canadian operations reflect a significant increase compared to the preceding quarter, but are relatively unchanged from their prior year quarter level.

Our fixed income and public finance underwriting activities increased \$4 million, or 39%, over the prior year quarter due to an increase in the volume of domestic transactions.

Tax credit fund syndication fee revenues increased \$5 million, or 55%, over the prior year quarter. The increase is due to both volume of tax credit fund partnership interests sold, and revenues that are associated with partnership interests sold in prior years for which we deferred a portion of the revenues. Recognition of previously deferred revenues in the current period result from the favorable resolution of certain conditions associated with sold partnership interests which, once favorably resolved, result in the recognition of previously deferred revenues.

Non-interest expenses increased \$7 million, or 3%, compared to the prior year quarter. Administrative and incentive compensation and benefit expense increased \$7 million, or 6%, as compared to the prior year primarily resulting from annual compensation increases and increases in incentive compensation related to increased profitability. Losses of real estate partnerships held by consolidated VIEs result directly from the consolidation of certain low-income housing tax credit funds. Such losses increased \$6 million, or 83%, compared to the prior year quarter. Since we only hold an insignificant interest in these consolidated funds, nearly all of these losses are attributable to others and are therefore included in the offsetting noncontrolling interests. Refer to Note 9 of the Notes to Condensed Consolidated Financial Statements in this Form 10-Q for further information on the consolidation of VIEs. Offsetting these increases, sales commission expense decreased \$7 million, or 14%, which is directly correlated with the 12% decrease in overall institutional sales commission revenues.

Noncontrolling interests include the impact of consolidating certain low-income housing tax credit funds, which impacts other revenue, interest expense, and the losses of real estate partnerships held by consolidated VIEs (as described in the preceding paragraph), reflecting the portion of these consolidated entities which we do not own. Total segment expenses attributable to others increased by \$4 million as compared to the prior year as a result of increases in expenses or losses of the consolidated entities.

Nine months ended June 30, 2014 compared with the nine months ended June 30, 2013 – Capital Markets

Net revenues increased \$6 million, or 1%, while pre-tax income increased \$29 million, or 48%.

Institutional equity sales commissions increased \$9 million, or 5%, resulting from both favorable equity markets throughout the current year, and an active new issue market environment, especially early in the year.

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Institutional fixed income sales commissions decreased \$70 million, or 27%, primarily due to the challenging fixed income market conditions in the current year resulting from economic uncertainty, historically low interest rates, periods of relatively low volatility of benchmark interest rates, and the resulting decreased customer trading volumes. Despite such conditions, trading results have been solid and steady during the current year, resulting in a \$34 million, or 263%, improvement over the prior year. These trading profits are based primarily on fixed income securities. These favorable trading results were achieved even as we continued to maintain relatively lower average balances of trading securities in response to the market uncertainty (refer to Note 6 of the Notes to Condensed Consolidated Financial Statements in this Form 10-Q for information on our levels of trading instruments held at period end).

Merger and acquisitions and advisory fee revenues increased \$8 million, or 9%, compared to the prior year. The current year activity has been relatively strong, evidenced by increases in revenues in both our domestic and Canadian operations.

Tax credit fund syndication fee revenues increased by \$8 million, or 47%, due to an increase in the volume of tax credit fund partnership interests sold during the current year as compared to the prior year as well as the recognition of previously deferred revenues in the current year (see discussion of the deferred revenues associated with these syndications in the preceding discussion of the quarter results).

Non-interest expenses decreased \$16 million, or 2%, compared to the prior year. Sales commission expense decreased \$28 million, or 16%, which is directly correlated with the 14% decrease in overall institutional sales commission revenues. Administrative and incentive compensation and benefit expense increased \$9 million, or 3%, compared to the prior year. Incentive compensation expense increases result primarily from the higher volume of underwriting, mergers & acquisitions and advisory fees, investment banking and tax credit fund syndication fee revenues, as well as to a lesser extent, annual salary increases applicable to all of our operations. The prior year included goodwill impairment expense of \$7 million related to our RJES operations which did not recur in the current year.

Losses of real estate partnerships held by consolidated VIEs result directly from the consolidation of certain low-income housing tax credit funds, and reflect an increase of \$10 million, or 45%, over the prior year. Since we only hold an insignificant interest in these consolidated funds, nearly all of these losses are attributable to others and are therefore included in the offsetting noncontrolling interests. Refer to Note 9 of the Notes to Condensed Consolidated Financial Statements in this Form 10-Q for further information on the consolidation of VIEs.

Noncontrolling interests includes the impact of consolidating RJES (in the first six months of the prior year period, we acquired a controlling interest thereafter) and certain low-income housing tax credit funds, which impacts other revenue, interest expense, and the losses of real estate partnerships held by consolidated VIEs (as described in the preceding paragraph), reflecting the portion of these consolidated entities which we do not own. Total segment expenses attributable to others increased by \$8 million as compared to the prior year. The increase in expenses associated with noncontrolling interest resulting from losses of real estate partnerships held by consolidated VIEs discussed above, are offset by the impact of the prior year consolidation of RJES. As a result of our April 2013 acquisition of the RJES interest previously held by others, there is no comparable noncontrolling interest impact from the consolidation of RJES in the current year.



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## Results of Operations – Asset Management

The following table presents consolidated financial information for our Asset Management segment for the periods indicated:

	Three months ended June 30,			Nine months ended June 30,		
	2014	% change	2013	2014	% change	2013
	(\$ in thousands)					
Revenues:						
Investment advisory fees	\$77,977	20	% \$65,189	\$236,391	33	% \$178,222
Other	13,245	14	% 11,616	38,381	14	% 33,753
Total revenues	91,222	19	% 76,805	274,772	30	% 211,975
Expenses:						
Admin & incentive compensation and benefit costs	25,378	5	% 24,261	78,401	13	% 69,447
Communications and information processing	6,025	10	% 5,468	16,482	17	% 14,076
Occupancy and equipment	1,146	(2	)% 1,169	3,388	4	% 3,253
Business development	2,269	13	% 2,009	6,813	13	% 6,047
Investment sub-advisory fees	12,070	31	% 9,180	33,691	42	% 23,757
Other	12,382	22	% 10,143	36,901	33	% 27,663
Total expenses	59,270	13	% 52,230	175,676	22	% 144,243
Income before taxes and including noncontrolling interests	31,952	30	% 24,575	99,096	46	% 67,732
Noncontrolling interests	646		647	6,090		2,001
Pre-tax income excluding noncontrolling interests	\$31,306	31	% \$23,928	\$93,006	41	% \$65,731

The Asset Management segment includes the operations of Eagle, the Eagle Family of Funds, the asset management operations of RJ&A, Raymond James Trust, N. A. (“RJT”), and other fee-based programs. The majority of the revenues for this segment are generated by the investment advisory fees related to asset management services provided for individual and institutional investment portfolios, along with mutual funds. Investment advisory fees are earned on assets held in managed or non-managed programs. These fees are computed based on balances either at the beginning of the quarter, the end of the quarter, or average daily assets. Asset balances are impacted by both the performance of the market and the new sales and redemptions of client accounts/funds. Rising markets have historically had a positive impact on investment advisory fee revenues as existing accounts increase in value, and individuals and institutions may commit incremental funds in rising markets.

## Managed Programs

As of June 30, 2014, approximately 82% of investment advisory fees recorded in this segment are earned from assets held in managed programs. Of these revenues, approximately 55% of our investment advisory fees recorded in a quarter are determined based on balances at the beginning of a quarter, approximately 30% are based on balances at the end of the quarter and the remaining 15% are computed based on average assets throughout the quarter.

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The following table reflects fee-billable financial assets under management in managed programs at the dates indicated:

	June 30, 2014 (in millions)	March 31, 2014	September 30, 2013	June 30, 2013	March 31, 2013	September 30, 2012
Financial assets under management:						
Eagle Asset Management, Inc. <sup>(1)</sup>	\$29,837	\$29,542	\$27,886	\$26,202	\$25,718	\$19,986
Raymond James Consulting Services	13,139	12,566	11,385	11,054	11,042	9,443
Unified Managed Accounts (“UMA”)	7,237	6,405	4,962	4,372	3,917	2,855
Freedom Accounts & other managed programs	19,810	18,755	16,555	15,371	14,851	11,884
Sub-total financial assets under management	70,023	67,268	60,788	56,999	55,528	44,168
Less: Assets managed for affiliated entities	(4,761 )	(4,935 )	(4,799 )	(4,767 )	(4,520 )	(4,185 )
Sub-total net financial assets under management	65,262	62,333	55,989	52,232	51,008	39,983
Morgan Keegan managed fee-based assets <sup>(2)</sup>	—	—	—	—	—	2,801
Total financial assets under management	\$65,262	\$62,333	\$55,989	\$52,232	\$51,008	\$42,784

(1) For all periods after December 24, 2012, includes the assets under management of ClariVest.

(2) Revenues generated from the Closing Date of the Morgan Keegan acquisition through mid-February 2013 (the platform conversion date to RJ&A) arising from assets in what were during such time MK & Co. managed fee-based programs, were included in the PCG segment. These assets were managed by unaffiliated portfolio managers.

The following table summarizes the activity impacting the fee-billable financial assets under management in managed programs (excluding activity in assets managed for affiliated entities and MK & Co. managed fee-based assets for the periods prior to the conversion of MK & Co. accounts to the RJ&A platform) for the periods indicated:

	Three months ended June 30, 2014	Three months ended June 30, 2013	Nine months ended June 30, 2014	Nine months ended June 30, 2013
	(in millions)			
Financial assets under management at beginning of period	\$67,268	\$55,528	\$60,788	\$44,168
Net inflows of client assets	906	1,580	3,559	4,112
Net market appreciation (depreciation) in asset values	1,849	(109 )	5,676	3,205
Inflows resulting from the conversion of MK & Co. accounts to the RJ&A platform <sup>(1)</sup>	—	—	—	2,401
Inflow resulting from ClariVest acquisition <sup>(2)</sup>	—	—	—	3,113
Financial assets under management at end of period	\$70,023	\$56,999	\$70,023	\$56,999

(1) In mid-February 2013, the client accounts of MK & Co. were converted onto the RJ&A platform.

(2) Eagle acquired a 45% interest in ClariVest on December 24, 2012.

#### Non-Managed Programs

As of June 30, 2014, approximately 18% of investment advisory fees revenue recorded in this segment are earned for administrative services on assets held in non-managed programs and all such investment advisory fees are determined based on balances at the beginning of the quarter.

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The following table reflects fee-billable assets under management in non-managed programs at the dates indicated:

	June 30, 2014 (in millions)	March 31, 2014	September 30, 2013	June 30, 2013	March 31, 2013	September 30, 2012
Passport	\$38,814	\$36,415	\$32,121	\$30,478	\$30,273	\$28,405
Ambassador	38,657	35,694	30,043	26,667	26,058	16,772
Other non-managed fee-based assets	2,862	2,721	2,517	3,328	3,340	3,191
Sub-total assets under management	80,333	74,830	64,681	60,473	59,671	48,368
Less: Assets managed for affiliated entities	(274	) (243	) (173	) (147	) (122	) (88
Sub-total net assets under management	80,059	74,587	64,508	60,326	59,549	48,280
Morgan Keegan non-managed fee-based assets <sup>(1)</sup>	—	—	—	—	—	6,772
Total assets under management	\$80,059	\$74,587	\$64,508	\$60,326	\$59,549	\$55,052

Revenues generated from the Closing Date of the Morgan Keegan acquisition through mid-February 2013 (the platform conversion date to RJ&A) arising from assets in what were during such time MK & Co. managed fee-based programs, were included in the PCG segment. These assets were managed by unaffiliated portfolio managers.

The following table summarizes the activity impacting the fee-billable financial assets under management in non-managed programs (excluding activity in MK & Co. non-managed fee-based assets for the periods prior to the conversion of MK & Co. accounts to the RJ&A platform) for the periods indicated:

	Three months ended June 30,		Nine months ended June 30,	
	2014	2013	2014	2013
	(in millions)			
Assets under management at beginning of period	\$74,830	\$59,671	<sup>(1)</sup> \$64,681	\$48,368 <sup>(1)</sup>
Net inflows of client assets	2,723	1,788	8,159	4,274
Net market appreciation (depreciation) in asset values	2,780	(986	) 7,493	1,204
Inflows resulting from the conversion of Morgan Keegan accounts to the RJ&A platform <sup>(2)</sup>	—	—	—	6,627
Assets under management at end of period	\$80,333	\$60,473	\$80,333	\$60,473

Certain assets in non-managed accounts, predominately comprised of cash balances, are excluded from the calculation of the account value for fee billing purposes. The assets under management balances presented have been revised from the amounts initially reported to reflect only billable assets and to present such balances on a consistent basis with those reported as of June 30, 2014.

In mid-February 2013, the client accounts of MK & Co. were converted onto the RJ&A platform.

Quarter ended June 30, 2014 compared with the quarter ended June 30, 2013 – Asset Management

Pre-tax income in the Asset Management segment increased \$7 million, or 31%, over the prior year quarter.

Investment advisory fee revenue increased by \$13 million, or 20%, over the prior year quarter primarily generated by an increase in assets under management.

Total financial assets under management in managed programs have increased 22% between billing dates, resulting from a combination of net inflows of client assets and net market appreciation.

Total assets under management in non-managed programs have increased 25% between billing dates, resulting from net inflows of client assets and net market appreciation.

Other revenue increased by \$2 million, or 14%, primarily resulting from an increase in fee income generated by our RJT subsidiary reflecting a 19% increase in RJT client assets (to \$3.4 billion at June 30, 2014) as compared to the prior year.

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Expenses increased by approximately \$7 million, or 13%, primarily resulting from a \$3 million, or 31%, increase in investment sub-advisory fees and a \$2 million, or 22%, increase in other expenses. The increase in investment sub-advisory fee expense is directly related to the increase in advisory fees paid to the external managers associated with certain assets included within the UMA and Raymond James Consulting Services programs. The increase in other expense is primarily due to increases in trust administrative expenses of RJT, resulting from the increase in client assets, as well as increases in the costs incurred by Eagle so that certain of its sponsored funds are available as investment choices on the platforms of other broker-dealers.

Nine months ended June 30, 2014 compared with the nine months ended June 30, 2013 – Asset Management

Pre-tax income in the Asset Management segment increased \$27 million, or 41%.

Investment advisory fee revenue increased by \$58 million, or 33%, primarily generated by an increase in assets under management and performance fees earned from certain managed funds. Assets under management in both managed and non-managed programs have increased substantially since the prior year. Refer to the tables above for information regarding the increases in the balances of assets under management. Performance fees, which are earned from managed funds for exceeding certain performance targets, increased \$8 million over the amount earned in the prior year.

Other revenue increased by \$5 million, or 14%, primarily resulting from an increase in fee income generated by our RJT subsidiary, reflecting a 19% increase in RJT client assets compared to the prior year.

Expenses increased by approximately \$31 million, or 22%, primarily resulting from a \$9 million, or 13%, increase in administrative and performance based incentive compensation, a \$10 million, or 42%, increase in investment sub-advisory fees, and a \$9 million, or 33%, increase in other expenses. The increase in administrative and performance based incentive compensation is a result of: the combination of increases in performance compensation which is directly related to the increase in investment advisory fee revenues and the performance fees earned during the period; increases in salary and related expenses resulting from the addition of ClariVest on December 24, 2012; and annual salary increases and certain additions to staff associated with our operations. The increase in investment sub-advisory fee expense is directly related to the increase in advisory fees paid to the external managers associated with the increase in certain assets included within the UMA and Raymond James Consulting Services programs. The increase in other expense is primarily due to increases in the costs incurred so that certain funds sponsored by Eagle are available as investment choices on the platforms of other broker-dealers and increases in trust administrative expenses of RJT resulting from the increase in client assets.

Noncontrolling interests includes the impact of the consolidation of certain subsidiary investment advisors and other subsidiaries (including ClariVest). Total segment net income attributable to others increased by \$4 million as compared to the prior year since certain of the current year performance fees were earned by certain of these subsidiaries, and therefore a portion is attributable to others.

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## Results of Operations – RJ Bank

The following table presents consolidated financial information for RJ Bank for the periods indicated:

	Three months ended June 30,			Nine months ended June 30,		
	2014	% change	2013	2014	% change	2013
	(\$ in thousands)					
<b>Revenues:</b>						
Interest income	\$89,273	4	% \$85,504	\$259,798	(1	)% \$263,499
Interest expense	(2,184	) —	(2,191	) (6,068	) (16	)% (7,243
Net interest income	87,089	5	% 83,313	253,730	(1	)% 256,256
Other income	4,467	283	% (2,436	) 4,972	245	% 1,440
Net revenues	91,556	13	% 80,877	258,702	—	257,696
<b>Non-interest expenses:</b>						
Compensation and benefits	6,743	15	% 5,860	19,016	19	% 16,032
Communications and information processing	1,230	88	% 654	3,173	50	% 2,109
Occupancy and equipment	308	(7	)% 331	950	9	% 871
Loan loss provision (benefit)	4,467	309	% (2,142	) 8,082	79	% 4,518
FDIC insurance premiums	1,609	10	% 1,469	7,024	63	% 4,300
Affiliate deposit account servicing fees	9,125	16	% 7,899	26,796	18	% 22,632
Other	3,153	(20	)% 3,925	14,884	23	% 12,134
Total non-interest expenses	26,635	48	% 17,996	79,925	28	% 62,596
Pre-tax income	\$64,921	3	% \$62,881	\$178,777	(8	)% \$195,100

RJ Bank is a national bank, regulated by the Office of the Comptroller of the Currency (“OCC”), the Board of Governors of the Federal Reserve System (the “Fed”), and the FDIC. RJ Bank provides corporate, residential, tax-exempt, and SBL and other consumer loans, as well as FDIC insured deposit accounts, to clients of our broker-dealer subsidiaries and to the general public. RJ Bank is active in corporate loan syndications and participations, and also purchases commercial loans in the secondary market. Residential mortgage loans are originated and held for investment or sold in the secondary market. RJ Bank generates revenue principally through the interest income earned on loans and investments, which is offset by the interest expense it pays on client deposits and on its borrowings.

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The tables below present certain credit quality trends for corporate loans, residential loans, tax-exempt loans, and SBL and other consumer loans:

	Three months ended June 30,		Nine months ended June 30,	
	2014	2013	2014	2013
	(in thousands)			
Net loan (charge-offs)/recoveries:				
C&I loans	\$—	\$(106)	\$(1,829)	\$(656)
CRE loans	—	(5,525)	80	(4,452)
Residential mortgage loans	(404)	177	(214)	(4,012)
SBL and other consumer loans	9	(47)	27	(109)
Total	\$(395)	\$(5,501)	\$(1,936)	\$(9,229)

	June 30,	September 30,
	2014	2013
	(in thousands)	
Allowance for loan losses:		
Loans held for investment:		
C&I loans	\$98,991	\$95,994
CRE construction loans	1,745	1,000
CRE loans	23,494	19,266
Tax-exempt loans	1,021	—
Residential/mortgage loans	15,238	19,126
SBL and other consumer loans	1,820	1,115
Total	\$142,309	\$136,501

## Nonperforming assets:

## Nonperforming loans:

C&I loans	\$—	\$89
CRE loans	24,033	25,512
Residential mortgage loans:		
Residential mortgage loans	66,092	75,889
Home equity loans/lines	360	468
Total nonperforming loans	90,485	101,958
Other real estate owned:		
Residential first mortgage	3,704	2,434
Home equity	36	—
Total other real estate owned	3,740	2,434
Total nonperforming assets	\$94,225	\$104,392

## Total loans:

Loans held for sale, net <sup>(1)</sup>	\$67,292	\$110,292
Loans held for investment:		
C&I loans	6,049,340	5,246,005
CRE construction loans	102,051	60,840
CRE loans	1,581,780	1,283,046
Tax-exempt loans	94,855	—
Residential mortgage loans	1,751,188	1,745,650
SBL and other consumer loans	908,034	555,805
Net unearned income and deferred expenses	(37,957)	(43,936)



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Total loans held for investment	10,449,291	8,847,410
Total loans	\$10,516,583	\$8,957,702

(1) Net of unearned income and deferred expenses.

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The following table presents RJ Bank's allowance for loan losses by loan category:

	June 30, 2014		September 30, 2013	
	Allowance	Loan category as a % of total loans receivable	Allowance	Loan category as a % of total loans receivable
	(\$ in thousands)			
Loans held for sale	\$—	1 %	\$—	1 %
C&I loans	83,803	48 %	81,733	50 %
CRE construction loans	1,151	—	674	—
CRE loans	20,079	13 %	16,566	12 %
Tax-exempt loans	1,021	1 %	—	—
Residential mortgage loans	15,228	16 %	19,117	20 %
SBL and other consumer loans	1,817	9 %	1,112	6 %
Foreign loans	19,210	12 %	17,299	11 %
Total	\$142,309	100 %	\$136,501	100 %

Information on foreign assets held by RJ Bank:

Changes in the allowance for loan losses with respect to loans RJ Bank has made to borrowers who are not domiciled in the U.S. are as follows:

	Three months ended June 30,		Nine months ended June 30,	
	2014	2013	2014	2013
	( in thousands)			
Allowance for loan losses attributable to foreign loans, beginning of period:	\$18,453	\$10,481	\$17,299	\$7,955
Provision for loan losses - foreign loans	460	2,683	2,249	5,396
Net charge-offs - foreign loans	—	—	—	—
Foreign exchange translation adjustment	297	(250)	(338)	(437)
Allowance for loan losses attributable to foreign loans, end of period	\$19,210	\$12,914	\$19,210	\$12,914

Cross-border outstandings represent loans (including accrued interest), interest-bearing deposits with other banks, and any other monetary assets which are denominated in a currency other than the U.S. dollar. The following table sets forth the country where RJ Bank's total cross-border outstandings exceeded 1% of total RJF assets as of each respective period:

	Banks	C&I loans	CRE construction loans	CRE loans	Residential mortgage loans	SBL and other consumer loans	Total cross-border outstandings <sup>(1)</sup>
	(in thousands)						
June 30, 2014							
Canada	\$44,954	\$397,362	\$—	\$93,301	\$590	\$—	\$536,207
September 30, 2013:							
Canada	\$44,196	\$352,221	\$8,093	\$63,456	\$1,013	\$48	\$469,027

(1) Excludes any hedged, non-U.S. currency amounts.

Quarter ended June 30, 2014 compared with the quarter ended June 30, 2013 – RJ Bank

Pre-tax income generated by the RJ Bank segment increased \$2 million, or 3%. The increase in pre-tax income was primarily attributable to a \$11 million, or 13% increase in net revenues offset by an increase of \$7 million, or 309%, in the provision for

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loan losses and a \$2 million, or 10%, increase in non-interest expenses (excluding the provision for loan losses). The increase in net revenues was attributable to a \$4 million increase in net interest income and a \$7 million increase in other income.

The \$4 million increase in net interest income was the result of a \$1.7 billion increase in average interest-earning banking assets offset by a decrease in the net interest margin. The increase in average interest-earning banking assets was primarily driven by a \$1.8 billion increase in average loans, with average corporate loans increasing \$1.4 billion, or 22%, and average SBL increasing \$383 million, or 82%. The yield on interest-earning banking assets decreased to 2.95% from 3.27% due to a decline in the loan portfolio yield, which decreased to 3.29% from 3.81%. This decline was due primarily to a reduction in the corporate loan portfolio yield resulting from lower corporate loan fee income as well as lower yields on new loans and on the refinancing of existing loans at lower rates. In addition, the residential mortgage loan portfolio yield declined due to adjustable rate loans resetting at lower rates. Primarily as a result of the decrease in the yield on the average interest-earning assets, the net interest margin decreased to 2.88% from 3.20%.

Corresponding to the increase in average interest-earning banking assets, average interest-bearing banking liabilities increased \$1.6 billion to \$10.9 billion.

The increase in other income as compared to the prior year was primarily due to a \$4 million positive change related to foreign currency, a \$2 million increase in bank-owned life insurance valuation gains, and a \$1 million increase as a result of held for sale loan activities.

The increase in provision for loan losses resulted from significant loan portfolio growth as compared to the prior year quarter, which was partially offset by a substantial decrease in corporate criticized loans, lower LTV ratios in the residential mortgage loan portfolio, and a reduction in delinquent residential mortgage loans. These credit characteristics reflected the positive impact from improved economic conditions.

The \$2 million increase in non-interest expenses (excluding provision for loan losses) as compared to the prior year quarter was primarily attributable to a \$1 million, or 16%, increase in affiliate deposit account servicing fees resulting from increased deposit balances, a \$1 million, or 15%, increase in compensation and benefits related to staff additions, a \$1 million increase in SBL affiliate fees, and a \$1 million increase in communications and information processing expense, which was partially offset by a \$2 million decrease in expense related to the reserve for unfunded lending commitments.

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The following table presents average balance, interest income and expense, the related interest yields and rates, and interest spreads for RJ Bank for the periods indicated:

	Three months ended June 30, 2014				2013			
	Average balance	Interest inc./exp.	Average yield/ cost		Average balance	Interest inc./exp.	Average yield/ cost	
	(\$ in thousands)							
Interest-earning banking assets:								
Loans, net of unearned income <sup>(1)</sup>								
Loans held for sale - all domestic	\$96,716	\$618	2.56	%	\$111,034	\$554	2.00	%
Loans held for investment:								
Domestic:								
C&I loans	5,010,299	43,595	3.45	%	4,432,552	47,216	4.21	%
CRE construction loans	72,710	867	4.72	%	50,790	701	5.46	%
CRE loans	1,316,269	9,100	2.74	%	948,152	8,139	3.40	%
Tax-exempt loans <sup>(2)</sup>	67,122	577	5.30	%	—	—	—	
Residential mortgage loans	1,753,050	12,726	2.87	%	1,720,126	12,998	2.99	%
SBL and other consumer loans	851,363	5,908	2.75	%	467,705	3,428	2.90	%
Foreign:								
C&I loans	972,952	9,432	3.83	%	652,518	7,112	4.31	%
CRE construction loans	45,220	845	7.39	%	25,867	420	6.42	%
CRE loans	230,463	2,534	4.35	%	159,866	1,909	4.72	%
Residential mortgage loans	2,254	17	2.96	%	1,958	16	3.30	%
SBL and other consumer loans	1,350	12	3.50	%	1,594	15	3.76	%
Total loans, net	10,419,768	86,231	3.29	%	8,572,162	82,508	3.81	%
Agency MBS	291,021	639	0.88	%	359,128	742	0.83	%
Non-agency CMOs	130,129	807	2.48	%	152,228	995	2.61	%
Money market funds, cash and cash equivalents	1,077,867	695	0.28	%	1,191,806	743	0.25	%
FHLB stock, Federal Reserve Bank of Atlanta ("FRB") stock, and other	117,497	901	3.07	%	82,110	516	2.52	%
Total interest-earning banking assets	12,036,282	\$89,273	2.95	%	10,357,434	\$85,504	3.27	%
Non-interest-earning banking assets:								
Allowance for loan losses	(140,500	)			(148,143	)		
Unrealized loss on available for sale securities	(8,368	)			(7,782	)		
Other assets	269,556				258,182			
Total non-interest-earning banking assets	120,688				102,257			
Total banking assets	\$12,156,970				\$10,459,691			

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	Three months ended June 30, 2014				2013			
	Average balance	Interest inc./exp.	Average yield/ cost		Average balance	Interest inc./exp.	Average yield/ cost	
(continued from previous page)								
(\$ in thousands)								
Interest-bearing banking liabilities:								
Deposits:								
Certificates of deposit	\$332,306	\$1,535	1.85	%	\$294,466	\$1,499	2.04	%
Money market, savings, and NOW accounts	10,067,731	445	0.02	%	8,761,162	692	0.03	%
FHLB advances and other	479,703	204	0.17	%	244,857	—	—	
Total interest-bearing banking liabilities	10,879,740	\$2,184	0.08	%	9,300,485	\$2,191	0.09	%
Non-interest-bearing banking liabilities	48,754				45,235			
Total banking liabilities	10,928,494				9,345,720			
Total banking shareholders' equity	1,228,476				1,113,971			
Total banking liabilities and shareholders' equity	\$12,156,970				\$10,459,691			
Excess of interest-earning banking assets over interest-bearing banking liabilities/net interest income	\$1,156,542	\$87,089			\$1,056,949	\$83,313		
Bank net interest:								
Spread			2.87	%			3.18	%
Margin (net yield on interest-earning banking assets)			2.88	%			3.20	%
Ratio of interest-earning banking assets to interest-bearing banking liabilities			111	%			111	%
Annualized return on average:								
Total banking assets			1.40	%			1.55	%
Total banking shareholders' equity			13.81	%			14.52	%
Average equity to average total banking assets			10.11	%			10.65	%

(1) Nonaccrual loans are included in the average loan balances. Payment or income received on corporate nonaccrual loans are applied to principal. Income on other nonaccrual loans is recognized on a cash basis. Fee income on loans included in interest income for the three months ended June 30, 2014 and 2013 was \$7 million and \$13 million, respectively.

(2) The yield is presented on a tax-equivalent basis utilizing the federal statutory tax rate of 35%.



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Increases and decreases in interest income and interest expense result from changes in average balances (volume) of interest-earning banking assets and liabilities, as well as changes in average interest rates. The following table shows the effect that these factors had on the interest earned on RJ Bank's interest-earning assets and the interest incurred on its interest-bearing liabilities. The effect of changes in volume is determined by multiplying the change in volume by the previous period's average yield/cost. Similarly, the effect of rate changes is calculated by multiplying the change in average yield/cost by the previous year's volume. Changes applicable to both volume and rate have been allocated proportionately.

	Three months ended June 30, 2014 compared to 2013		
	Increase (decrease) due to		
	Volume	Rate	Total
	(in thousands)		
Interest revenue:			
Interest-earning banking assets:			
Loans, net of unearned income:			
Loans held for sale - all domestic	\$(71	) \$135	\$64
Loans held for investment:			
Domestic:			
C&I loans	6,154	(9,775	) (3,621
CRE construction loans	303	(137	) 166
CRE loans	3,160	(2,199	) 961
Tax-exempt loans	577	—	577
Residential mortgage loans	248	(520	) (272
SBL and other consumer loans	2,812	(332	) 2,480
Foreign:			
C&I loans	3,493	(1,173	) 2,320
CRE construction loans	314	111	425
CRE loans	843	(218	) 625
Residential mortgage loans	3	(2	) 1
SBL and other consumer loans	(2	) (1	) (3
Agency MBS	(141	) 38	(103
Non-agency CMOs	(145	) (43	) (188
Money market funds, cash and cash equivalents	(71	) 23	(48
FHLB stock, FRB stock, and other	223	162	385
Total interest-earning banking assets	17,700	(13,931	) 3,769
Interest expense:			
Interest-bearing banking liabilities:			
Deposits:			
Certificates of deposit	192	(156	) 36
Money market, savings and NOW accounts	103	(350	) (247
FHLB advances and other	204	—	204
Total interest-bearing banking liabilities	499	(506	) (7
Change in net interest income	\$17,201	\$(13,425	) \$3,776

Nine months ended June 30, 2014 compared with the nine months ended June 30, 2013 – RJ Bank



Pre-tax income generated by the RJ Bank segment decreased \$16 million, or 8%. The decrease in pre-tax income was primarily attributable to a \$14 million, or 24%, increase in non-interest expenses (excluding provision for loan losses) and an increase of \$4 million, or 79%, in the provision for loan losses, offset by a \$1 million increase in net revenues. The increase in net revenues was attributable to a \$4 million increase in other income offset by a \$3 million decrease in net interest income.

Net interest income decreased \$3 million as a result of a decrease in the net interest margin offset by a \$1.2 billion increase in average interest-earning banking assets. The yield on interest-earning banking assets decreased to 3.03% from 3.42% due to a decline in the loan portfolio yield, which decreased to 3.40% from 3.95% due primarily to a reduction in the corporate loan portfolio yield resulting from lower corporate loan fee income as well as lower yields on new loans and the refinancing of existing loans at lower rates. The residential mortgage loan portfolio yield declined due to adjustable rate loans resetting at lower rates. Primarily as a result of the decrease in the yield of the average interest-earning assets, the net interest margin decreased to 2.96%

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from 3.32%. The increase in average interest-earning banking assets was driven by a \$1.3 billion increase in average loans with average corporate loans increasing \$972 million, or 16%, and average SBL increasing \$301 million, or 72%.

Corresponding to the increase in average interest-earning banking assets, average interest-bearing banking liabilities increased \$1.1 billion to \$10.3 billion.

The increase in other income as compared to the prior year was primarily due to \$3 million in bank-owned life insurance valuation gains and a \$1 million positive change related to foreign currency.

The increase in provision for loan losses resulted from significant loan portfolio growth, which was partially offset by a decrease in corporate criticized loans, the favorable resolution of corporate problem loans, lower LTV ratios in the residential mortgage loan portfolio, and a reduction in delinquent residential mortgage loans. These credit characteristics reflected the positive impact from improved economic conditions. In addition, net loan charge-offs decreased \$7 million, or 79%, to \$2 million, which was primarily attributable to improved credit characteristics within both the CRE and residential mortgage loan portfolios.

The \$14 million increase in non-interest expenses (excluding provision for loan losses) as compared to the prior year was primarily attributable to a \$4 million, or 18%, increase in affiliate deposit account servicing fees resulting from increased deposit balances, a \$3 million or 63% increase in FDIC insurance premiums due to higher deposit balances, a \$3 million, or 19%, increase in compensation and benefits related to staff additions and increased residential mortgage loan production, a \$1 million increase in SBL affiliate fees, and a \$1 million increase in communications and information processing expense.

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The following table presents average balance, interest income and expense, the related interest yields and rates, and interest spreads for RJ Bank for the periods indicated:

	Nine months ended June 30, 2014				2013			
	Average balance	Interest inc./exp.	Average yield/ cost		Average balance	Interest inc./exp.	Average yield/ cost	
	(\$ in thousands)							
Interest-earning banking assets:								
Loans, net of unearned income <sup>(1)</sup>								
Loans held for sale - all domestic	\$ 111,796	\$ 2,080	2.49 %		\$ 160,050	\$ 2,573	2.15 %	
Loans held for investment:								
Domestic:								
C&I loans	4,723,475	129,267	3.63 %		4,552,274	148,817	4.33 %	
CRE construction loans	42,570	1,558	4.83 %		37,717	1,577	5.52 %	
CRE loans	1,220,422	26,328	2.84 %		894,701	23,058	3.40 %	
Tax-exempt loans <sup>(2)</sup>	24,582	662	5.52 %		—	—	—	
Residential mortgage loans	1,751,263	38,699	2.91 %		1,702,357	39,380	3.05 %	
SBL and other consumer loans	718,684	15,110	2.77 %		417,489	9,308	2.94 %	
Foreign:								
C&I loans	932,674	28,671	4.05 %		571,616	20,419	4.71 %	
CRE construction loans	43,708	2,075	6.26 %		23,147	1,117	6.36 %	
CRE loans	202,356	6,537	4.26 %		138,145	8,073	7.71 % <sup>(3)</sup>	
Residential mortgage loans	2,051	47	3.02 %		1,870	51	3.57 %	
SBL and other consumer loans	1,634	45	3.67 %		1,622	48	3.89 %	
Total loans, net	9,775,215	251,079	3.40 %		8,500,988	254,421	3.95 %	
Agency MBS	305,356	2,008	0.88 %		349,584	2,194	0.84 %	
Non-agency CMOs	135,717	2,540	2.50 %		157,753	3,192	2.70 %	
Money market funds, cash and cash equivalents	1,038,721	2,017	0.28 %		1,097,490	2,073	0.25 %	
FHLB stock, FRB stock, and other	93,340	2,154	3.09 %		83,379	1,619	2.60 %	
Total interest-earning banking assets	11,348,349	\$ 259,798	3.03 %		10,189,194	\$ 263,499	3.42 %	
Non-interest-earning banking assets:								
Allowance for loan losses	(139,465 )				(148,147 )			
Unrealized loss on available for sale securities	(10,116 )				(10,913 )			
Other assets	287,959				270,027			
Total non-interest-earning banking assets	138,378				110,967			
Total banking assets	\$ 11,486,727				\$ 10,300,161			

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	Nine months ended June 30, 2014			2013		
	Average balance	Interest inc./exp.	Average yield/ cost	Average balance	Interest inc./exp.	Average yield/ cost
(continued from previous page)						
(\$ in thousands)						
Interest-bearing banking liabilities:						
Deposits:						
Certificates of deposit	\$325,485	\$4,591	1.89 %	\$306,332	\$4,725	2.06 %
Money market, savings, and NOW accounts	9,723,288	1,273	0.02 %	8,722,051	2,354	0.04 %
FHLB advances and other	232,601	204	0.12 %	125,076	164	0.18 %
Total interest-bearing banking liabilities	10,281,374	\$6,068	0.08 %	9,153,459	\$7,243	0.11 %
Non-interest-bearing banking liabilities	39,296			62,187		
Total banking liabilities	10,320,670			9,215,646		
Total banking shareholders' equity	1,166,057			1,084,515		
Total banking liabilities and shareholders' equity	\$11,486,727			\$10,300,161		
Excess of interest-earning banking assets over interest-bearing banking liabilities/net interest income	\$1,066,975	\$253,730		\$1,035,735	\$256,256	
Bank net interest:						
Spread			2.95 %			3.31 %
Margin (net yield on interest-earning banking assets)			2.96 %			3.32 %
Ratio of interest-earning banking assets to interest-bearing banking liabilities			110 %			111 %
Annualized return on average:						
Total banking assets			1.36 %			1.63 %
Total banking shareholders' equity			13.39 %			15.48 %
Average equity to average total banking assets			10.15 %			10.53 %

(1) Nonaccrual loans are included in the average loan balances. Payment or income received on corporate nonaccrual loans are applied to principal. Income on other nonaccrual loans is recognized on a cash basis. Fee income on loans included in interest income for the nine months ended June 30, 2014 and 2013 was \$24 million and \$38 million, respectively.

(2) The yield is presented on a tax-equivalent basis utilizing the federal statutory tax rate of 35%.

(3) The CRE yield was positively impacted by a loan payoff with a significant unearned discount.



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Increases and decreases in interest income and interest expense result from changes in average balances (volume) of interest-earning banking assets and liabilities, as well as changes in average interest rates. The following table shows the effect that these factors had on the interest earned on RJ Bank's interest-earning assets and the interest incurred on its interest-bearing liabilities. The effect of changes in volume is determined by multiplying the change in volume by the previous period's average yield/cost. Similarly, the effect of rate changes is calculated by multiplying the change in average yield/cost by the previous year's volume. Changes applicable to both volume and rate have been allocated proportionately.

	Nine months ended June 30, 2014 compared to 2013		
	Increase (decrease) due to		Total
	Volume	Rate	
	(in thousands)		
Interest revenue:			
Interest-earning banking assets:			
Loans, net of unearned income:			
Loans held for sale - all domestic	\$(776	) \$283	\$(493
Loans held for investment:			
Domestic:			
C&I loans	5,597	(25,147	) (19,550
CRE construction loans	203	(222	) (19
CRE loans	8,394	(5,124	) 3,270
Tax-exempt loans	662	—	662
Residential mortgage loans	1,131	(1,812	) (681
SBL and other consumer loans	6,715	(913	) 5,802
Foreign:			
C&I loans	12,898	(4,646	) 8,252
CRE construction loans	992	(34	) 958
CRE loans	3,752	(5,288	) (1,536
Residential mortgage loans	5	(9	) (4
SBL and other consumer loans	—	(3	) (3
Agency MBS	(277	) 91	(186
Non-agency CMOs	(446	) (206	) (652
Money market funds, cash and cash equivalents	(111	) 55	(56
FHLB stock, FRB stock, and other	194	341	535
Total interest-earning banking assets	38,933	(42,634	) (3,701
Interest expense:			
Interest-bearing banking liabilities:			
Deposits:			
Certificates of deposit	295	(429	) (134
Money market, savings and NOW accounts	270	(1,351	) (1,081
FHLB advances and other	141	(101	) 40
Total interest-bearing banking liabilities	706	(1,881	) (1,175
Change in net interest income	\$38,227	\$(40,753	) \$(2,526



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## Results of Operations – Other

The following table presents consolidated financial information for the Other segment for the periods indicated:

	Three months ended June 30,			Nine months ended June 30,		
	2014	% change	2013	2014	% change	2013
	(\$ in thousands)					
Revenues:						
Interest income	\$2,241	(45 )%	\$4,109	\$9,722	(9 )%	\$10,693
Investment advisory fees	590	73 %	342	1,148	8 %	1,064
Other	10,153	(45 )%	18,531	26,185	(75 )%	106,746
Total revenues	12,984	(44 )%	22,982	37,055	(69 )%	118,503
Interest expense	19,525	(4 )%	20,298	58,402	(2 )%	59,747
Net revenues	(6,541 )	NM	2,684	(21,347 )	NM	58,756
Non-interest expenses:						
Compensation and other	8,889	(41 )%	14,957	30,191	(8 )%	32,812
Acquisition related expenses	—	(100 )%	13,449	—	(100 )%	51,753
Total non-interest expenses	8,889	(69 )%	28,406	30,191	(64 )%	84,565
Loss before taxes and including noncontrolling interests	(15,430 )	40 %	(25,722 )	(51,538 )	(100 )%	(25,809 )
Noncontrolling interests	(964 )		3,744	5,737		60,191
Pre-tax loss excluding noncontrolling interests	\$(14,466 )	51 %	\$(29,466 )	\$(57,275 )	33 %	\$(86,000 )

This segment includes our principal capital and private equity activities as well as various corporate overhead costs of RJF including the interest cost on our public debt, and the acquisition and integration costs associated with our acquisitions including, most significantly, Morgan Keegan.

## Quarter ended June 30, 2014 compared with the quarter ended June 30, 2013 – Other

The pre-tax loss generated by this segment decreased by approximately \$15 million, or 51%.

Net revenues in this segment decreased \$9 million. Net favorable valuation adjustments of our private equity portfolio investments resulted in other revenues of \$8 million in the current period, compared to approximately \$16 million in valuation increases in the prior year quarter.

Non-interest expenses decreased \$20 million, or 69%. The decrease is primarily a result of acquisition related expenses, which in the current period are no longer material for separate disclosure since our integration of Morgan Keegan was substantially complete as of September 30, 2013. The acquisition related expenses incurred in the prior year period were primarily comprised of expenses associated with the integration of Morgan Keegan's operations into our own (see Note 3 of our Notes to Condensed Consolidated Financial Statements in this Form 10-Q for additional information on the components of the prior year period expense).

The portion of revenue attributable to noncontrolling interests decreased \$5 million compared to the prior year period. A greater portion of the valuation increases were attributed to others in the prior year, than in the current year.

## Nine months ended June 30, 2014 compared with the nine months ended June 30, 2013 – Other



The pre-tax loss generated by this segment decreased by approximately \$29 million, or 33%.

Net revenues in this segment decreased \$80 million. The decrease is primarily attributable to a decrease in revenues in the current year arising from our private equity portfolio investments. Approximately \$74 million of prior year revenues were associated with our indirect investment in Albion, an investment which was sold in April 2013 and therefore such revenues did not recur in the current year. Revenues associated with the remainder of our private equity portfolio have decreased \$8 million as compared to the prior year period. Partially offsetting these decreases, we realized a \$5 million increase in the current year from gains on

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redemptions or sales of ARS, most notably arising from the current year redemption of Jefferson County Alabama Sewer Revenue Refunding Warrants ARS.

Non-interest expenses decreased \$54 million, or 64%. The decrease is primarily a result of a decrease in acquisition related expenses, which in the current year are no longer material for separate disclosure since our integration of Morgan Keegan was substantially complete as of September 30, 2013. The acquisition related expenses incurred in the prior year period were primarily comprised of expenses associated with the integration of Morgan Keegan's operations into our own (see Note 3 of our Notes to Condensed Consolidated Financial Statements in this Form 10-Q for additional information on the components of the prior year expense).

The portion of revenue attributable to noncontrolling interests decreased by nearly \$54 million compared to the prior year. Of the prior year Albion revenues received, approximately \$50 million related to the portion of that investment which we did not own.

#### Certain statistical disclosures by bank holding companies

As a financial holding company, we are required to provide certain statistical disclosures by bank holding companies pursuant to the Securities and Exchange Commission's Industry Guide 3. Certain of those disclosures are as follows for the periods indicated:

	For the three months ended June 30,		For the nine months ended June 30,	
	2014	2013	2014	2013
RJF return on assets <sup>(1)</sup>	2.1%	1.5%	2.0%	1.5%
RJF return on equity <sup>(2)</sup>	12.4%	9.6%	11.9%	9.7%
Equity to assets <sup>(3)</sup>	18.5%	17.3%	18.0%	17.4%
Dividend payout ratio <sup>(4)</sup>	18.8%	23.7%	20.2%	23.9%

(1) Computed as net income attributable to RJF for the period indicated, divided by average assets (the sum of total assets at the beginning and end of the period, divided by two) the product of which is then annualized.

Computed by utilizing the net income attributable to RJF for the period indicated, divided by the average equity attributable to RJF (for the quarter, computed by adding the total equity attributable to RJF as of the date indicated plus the prior quarter-end total, divided by two and for the year-to-date period, computed by adding the total equity attributable to RJF as of each quarter-end date during the indicated year-to-date period, plus the beginning of the year total, divided by four) the result is then annualized.

(3) Computed as average equity (the sum of total equity at the beginning and end of the period, divided by two), divided by average assets (the sum of total assets at the beginning and end of the period, divided by two).

(4) Computed as dividends declared per common share during the period as a percentage of diluted earnings per common share.

Refer to the RJ Bank section of this MD&A and the Notes to Condensed Consolidated Financial Statements in this Form 10-Q for the other required disclosures.

#### Liquidity and Capital Resources

Liquidity is essential to our business. The primary goal of our liquidity management activities is to ensure adequate funding to conduct our business over a range of market environments.

Senior management establishes our liquidity and capital policies. These policies include senior management's review of short- and long-term cash flow forecasts, review of monthly capital expenditures, the monitoring of the availability of alternative sources of financing, and the daily monitoring of liquidity in our significant subsidiaries. Our decisions on the allocation of capital to our business units consider, among other factors, projected profitability and cash flow, risk and impact on future liquidity needs. Our treasury departments assist in evaluating, monitoring and controlling the impact that our business activities have on our financial condition, liquidity and capital structure as well as maintain our relationships with various lenders. The objectives of these policies are to support the successful execution of our business strategies while ensuring ongoing and sufficient liquidity.

Liquidity is provided primarily through our business operations and financing activities. Financing activities could include bank borrowings, repurchase agreement transactions or additional capital raising activities under our "universal" shelf registration statement.

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Cash provided by operating activities during the nine months ended June 30, 2014 was \$451 million. Cash generated by successful operating results over the period resulted in a \$396 million increase in cash. Significant changes in various other asset and liability balances which impact cash include: a \$1.77 billion decrease in assets segregated pursuant to regulations and other segregated assets, which results in an increase in cash. Brokerage client payables and other accounts payable decreased \$2 billion which results in an offsetting decrease in cash. Both of these activities are largely the result of a decrease in client cash deposits, refer to the discussion of the impact of an increase in the capacity to re-deposit client cash with unaffiliated banks who participate in our RJB DP, as described in the statement of financial condition analysis that follows within this Item 2, for more information regarding these activities. Other significant activities that impacted operating cash include: an increase in securities sold under agreements to repurchase, net of securities purchased under agreements to resell, resulted in a \$187 million increase in operating cash. An increase in the stock loaned, net of stock borrowed balances resulted in a \$75 million increase in operating cash. A decrease in trading instruments held resulted in an increase of \$56 million in operating cash. Proceeds from sales of loans held for sale, net of purchases, resulted in a \$49 million increase in operating cash. Partially offsetting these activities which resulted in increases of cash, decreases in cash resulted from the following activities: we used \$45 million in operating cash as the accrued compensation, commissions and benefits decreased, partially resulting from the annual payment of certain incentive awards, and we used \$30 million in cash to fund loans provided to financial advisors, net of repayments. All other components of operating activities combined to net an \$18 million use of cash.

Investing activities resulted in the use of \$1.57 billion of cash during the nine months ended June 30, 2014. The primary investing activity was the use of \$1.66 billion in cash to fund an increase in bank loans, net of proceeds from sales of loans held for investment. We received proceeds from the maturation, repayment, redemption or sale of securities in our available for sale security portfolio of \$112 million, net of purchases of additional securities. All other components of investing activities combined to net a \$22 million use of cash.

Financing activities provided \$1.39 billion of cash during the nine months ended June 30, 2014. Increases in RJ Bank deposits provided \$972 million. Proceeds from borrowed funds, net of repayments, have resulted in a \$472 million increase in cash. RJ Bank's advances from the FHLB are the primary source of these borrowings (see Note 12 of the Notes to Condensed Consolidated Financial Statements in this Form 10-Q for additional information regarding these borrowings). We used \$65 million in payment of dividends to our shareholders. All other components of financing activities combined to net an \$8 million source of cash.

We believe our existing assets, most of which are liquid in nature, together with funds generated from operations and committed and uncommitted financing facilities, should provide adequate funds for continuing operations at current levels of activity.

## Sources of Liquidity

Approximately \$1.11 billion of our total June 30, 2014 cash and cash equivalents (a portion of which is invested on behalf of the parent company by RJ&A) was available to us without restrictions. The cash and cash equivalents held were as follows:

Cash and cash equivalents:	June 30, 2014 (in thousands)
RJF	\$285,302
RJ&A <sup>(1)</sup>	976,252
RJ Bank	1,039,328
RJ Ltd.	294,369
Other subsidiaries	250,506

Total cash and cash equivalents \$2,845,757

(1) RJF has loaned \$846 million to RJ&A as of June 30, 2014, which RJ&A has invested on behalf of RJF in cash and cash equivalents.

In addition to the liquidity on hand described above, we have other various potential sources of liquidity which are described below.

#### Liquidity Available from Subsidiaries

Liquidity is principally available to the parent company from RJ&A and RJ Bank.

RJ&A is required to maintain net capital equal to the greater of \$1 million or 2% of aggregate debit balances arising from customer transactions. Covenants in RJ&A's committed secured financing facilities require its net capital to be a minimum of 10% of aggregate debit balances. At June 30, 2014, RJ&A significantly exceeded both the minimum regulatory and its financing

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covenants net capital requirements. At that date, RJ&A had excess net capital of approximately \$406 million, of which approximately \$240 million is available for dividend while still maintaining its desired net capital ratio of 15% of aggregate debit items. There are also limitations on the amount of dividends that may be declared by a broker-dealer without Financial Industry Regulatory Authority (“FINRA”) approval.

RJ Bank may pay dividends to the parent company without prior approval by its regulator as long as the dividend does not exceed the sum of RJ Bank’s current calendar year and the previous two calendar years’ retained net income, and RJ Bank maintains its targeted capital to risk-weighted assets ratios. At June 30, 2014, RJ Bank had approximately \$15 million of capital in excess of the amount it would need as of June 30, 2014 to maintain its targeted total capital to risk-weighted assets ratio of 12.5%.

Liquidity available to us from our subsidiaries, other than RJ&A and RJ Bank, is relatively insignificant and in certain instances may be subject to regulatory requirements.

**Borrowings and Financing Arrangements**

The following table presents our domestic financing arrangements with third party lenders that we generally utilize to finance a portion of our fixed income securities trading instruments held, and the outstanding balances related thereto, as of June 30, 2014:

	Committed secured <sup>(1)</sup>		Uncommitted secured (1)(2)		Uncommitted unsecured (1)(2)		Total	
	Financing amount (\$ in thousands)	Outstanding balance	Financing amount	Outstanding balance	Financing amount	Outstanding balance	Financing amount	Outstanding balance
RJ&A	\$300,000	\$30,000	\$1,750,000	\$135,272	\$375,000	\$—	\$2,425,000	\$165,272
RJ Securities, Inc.	100,000	5,000	—	—	—	—	100,000	5,000
RJF	—	—	—	—	100,000	—	100,000	—
Total	\$400,000	\$35,000	\$1,750,000	\$135,272	\$475,000	\$—	\$2,625,000	\$170,272
Total number of agreements	4		6		8		18	

(1) Our ability to borrow is dependent upon compliance with the conditions in the various committed loan agreements and collateral eligibility requirements.

(2) Lenders are under no contractual obligation to lend to us under uncommitted credit facilities.

The committed domestic financing arrangements are in the form of either tri-party repurchase agreements or a secured line of credit. The uncommitted domestic financing arrangements are in the form of secured lines of credit, secured bilateral or tri-party repurchase agreements, or unsecured lines of credit.

We maintain three unsecured settlement lines of credit available to our Argentine joint venture in the aggregate amount of \$12 million. Of the aggregate amount, one settlement line for \$9 million is guaranteed by RJF. There were no borrowings outstanding on any of these lines of credit as of June 30, 2014.

RJ Bank had \$500 million in FHLB advances outstanding at June 30, 2014, comprised of two \$250 million short-term fixed-rate advances, both of which are secured by a blanket lien on RJ Bank’s residential loan portfolio (see Note 12 of

the Notes to Condensed Consolidated Financial Statements in this Form 10-Q for additional information regarding these borrowings). RJ Bank has \$590 million in immediate credit available from the FHLB on June 30, 2014 and total available credit of 30% of total assets, with the pledge of additional collateral to the FHLB. On October 9, 2013, RJ Bank entered into a forward-starting advance transaction with the FHLB to borrow \$25 million on October 13, 2015. Once funded, this borrowing will bear interest at the rate of 3.4%, and will mature on October 13, 2020.

RJ Bank is eligible to participate in the Fed's discount-window program; however, RJ Bank does not view borrowings from the Fed as a primary means of funding. The credit available in this program is subject to periodic review and may be terminated or reduced at the discretion of the Fed.

From time to time we purchase short-term securities under agreements to resell ("Reverse Repurchase Agreements") and sell securities under agreements to repurchase ("Repurchase Agreements"). We account for each of these types of transactions

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as collateralized financings with the outstanding balances on the Repurchase Agreements included in securities sold under agreements to repurchase. At June 30, 2014, collateralized financings outstanding in the amount of \$287 million are included in securities sold under agreements to repurchase on the Condensed Consolidated Statements of Financial Condition. Of this total, outstanding balances on the committed and uncommitted Repurchase Agreements (which are reflected in the table of domestic financing arrangements above) were \$30 million and \$81 million, respectively, as of June 30, 2014. Such financings are generally collateralized by non-customer, RJ&A owned securities. The required market value of the collateral associated with the committed secured facilities ranges from 102% to 133% of the amount financed.

The average daily balance outstanding during the five most recent successive quarters, the maximum month-end balance outstanding during the quarter and the period end balances for Repurchase Agreements and Reverse Repurchase Agreements of RJF are as follows:

	Repurchase transactions			Reverse repurchase transactions		
	Average daily balance outstanding	Maximum month-end balance outstanding during the quarter	End of period balance outstanding	Average daily balance outstanding	Maximum month-end balance outstanding during the quarter	End of period balance outstanding
For the quarter ended:	(in thousands)					
June 30, 2014	\$371,573	\$420,327	\$286,924	\$556,806	\$707,170	\$508,005
March 31, 2014	316,581	377,677	377,677	685,402	674,694	637,486
December 31, 2013	328,867	363,845	345,701	642,940	658,244	638,893
September 30, 2013	267,984	300,933	300,933	643,422	709,120	709,120
June 30, 2013	335,497	397,398	248,382	689,219	744,084	578,147

At June 30, 2014, in addition to the financing arrangements described above, we had corporate debt of \$1.2 billion. The balance is comprised of \$350 million outstanding on our 6.90% senior notes due 2042, \$249 million outstanding on our 5.625% senior notes due 2024, \$300 million outstanding on our 8.60% senior notes due August 2019, \$250 million outstanding on our 4.25% senior notes due April 2016 and \$43 million outstanding on a 5.7% mortgage loan for our home-office complex.

Our current senior long-term debt ratings are:

Rating Agency	Rating	Outlook
Standard & Poor's Ratings Services ("S&P")	BBB	Stable
Moody's Investors Services ("Moody's")	Baa2	Stable

The S&P rating and outlook reflected above are as presented in their December, 2013 report.

The Moody's rating and outlook reflected above are as presented in their July, 2014 report.

Our current long-term debt ratings depend upon a number of factors including industry dynamics, operating and economic environment, operating results, operating margins, earnings trends and volatility, balance sheet composition, liquidity and liquidity management, our capital structure, our overall risk management, business diversification and our market share, and competitive position in the markets in which we operate. Deteriorations in any of these factors could impact our credit ratings. Any rating downgrades could increase our costs in the event we were to pursue obtaining additional financing.



Should our credit rating be downgraded prior to a public debt offering it is probable that we would have to offer a higher rate of interest to bond holders. A downgrade to below investment grade may make a public debt offering difficult to execute on terms we would consider to be favorable. One of our committed secured financing agreements having a maximum borrowing in the amount of \$100 million, includes as an event of default, the failure of RJF as a guarantor of the repayment of the loan, to maintain an investment grade rating on its unsecured senior debt. Otherwise, none of our credit agreements contain a condition or event of default related to our credit ratings. A downgrade below investment grade could also result in the termination of certain derivative contracts and the counterparties to the derivative instruments could request immediate payment or demand immediate and ongoing overnight collateralization on our derivative instruments in liability positions (see Note 13 of our Notes to Condensed Consolidated Financial Statements in this Form 10-Q for additional information). A credit downgrade could create a reputational issue and could also result in certain counterparties limiting their business with us, result in negative comments by analysts and potentially impact investor perception of us, and resultantly impact our stock price and/or our clients' perception of us.

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Other sources of liquidity

We own life insurance policies which are utilized to fund certain non-qualified deferred compensation plans and other employee benefit plans. The policies which we could readily borrow against have a cash surrender value of approximately \$221 million as of June 30, 2014 and we are able to borrow up to 90%, or \$199 million of the June 30, 2014 total, without restriction. There are no borrowings outstanding against any of these policies as of June 30, 2014.

On May 24, 2012 we filed a “universal” shelf registration statement with the SEC to be in a position to access the capital markets if and when necessary or perceived by us to be opportune.

See the “contractual obligations, commitments and contingencies” section below for information regarding our commitments.

Potential impact of Morgan Keegan matters subject to indemnification by Regions on our liquidity

As more fully described in Note 3 on pages 123 - 124 of our 2013 Form 10-K, on January 11, 2012, RJF entered into a Stock Purchase Agreement (“SPA”) to acquire all of the issued and outstanding shares of Morgan Keegan from Regions. On April 2, 2012, we completed the purchase transaction. Under the terms of the SPA, in addition to customary indemnity for breaches of representations and warranties and covenants, the SPA also provides that Regions will indemnify RJF for losses incurred in connection with any litigation or similar matter related to pre-closing actions. As a result of these indemnifications, we do not anticipate the resolution of any pre-Closing Date Morgan Keegan litigation matters to negatively impact our liquidity (see Note 16 of the Notes to Condensed Consolidated Financial Statements, and Part II Item 1 - Legal Proceedings, in this Form 10-Q for further information regarding the indemnifications and the nature of the pre-Closing Date matters).

Potential impact of on our liquidity from the scheduled maturity of corporate debt

One of our senior note issuances, the 4.25% senior notes with an aggregate principal amount of \$250 million, matures in April, 2016. At the present time, we do not intend to refinance this offering on or prior to its maturity date. Should we ultimately elect not to refinance, the repayment of the principal on the maturity date would reduce our excess liquidity.

Statement of financial condition analysis

The assets on our condensed consolidated statement of financial condition consist primarily of cash and cash equivalents (a large portion of which is segregated for the benefit of customers), receivables including bank loans, financial instruments held for either trading purposes or as investments, and other assets. A significant portion of our assets are liquid in nature, providing us with flexibility in financing our business. Total assets of \$23.1 billion at June 30, 2014 are approximately \$116 million, or 0.5% less than our total assets as of September 30, 2013. Segregated assets pursuant to federal regulations at June 30, 2014 decreased \$1.8 billion compared to September 30, 2013, resulting from an increase during the current year in the capacity of the unaffiliated banks who participate in our RJB DP to accept client cash balances under the program. With the increase in RJB DP capacity, we increased the client cash balances re-deposited with such unaffiliated banks, which reduces the amount of brokerage client liabilities carried on our financial statements. Securities purchased under agreements to resell and other collateralized financings decreased \$201 million, as RJ Ltd. reduced its amount of secured call loans receivable (which is considered to be an other collateralized financing), and redirected such short-term investments to cash deposits with large Canadian financial institutions (which are included in our cash balance). Receivables from brokers-dealers and clearing organizations decreased \$118 million as certain receivable balances associated with our broker-dealer subsidiaries in

the normal course of their businesses which were outstanding as of September 30, 2013 were settled during the current year and did not recur. The investment balance associated with our available for sale securities portfolio decreased \$95 million primarily as a result of redemptions, maturations, or sales of certain securities in the portfolio. Offsetting the decreases in assets described above, net bank loans receivable increased \$1.6 billion due to growth of RJ Bank's net loan portfolio during the current year. Cash and cash equivalents increased \$249 million, refer to the discussion of the various sources and uses of cash during the period in the preceding liquidity and capital resources section of this MD&A.

As of June 30, 2014, our liabilities of \$18.8 billion were \$431 million, or 2.2% less than our liabilities as of September 30, 2013. The decrease in liabilities at June 30, 2014 compared to September 30, 2013 is primarily due to the following: a \$2 billion decrease in brokerage client payables, which occurred due to the increase in capacity with unaffiliated banks in our RJB DP program and the resultant increase in client cash balances that were re-deposited with unaffiliated banks, which reduces the amount of brokerage client payable balances carried on our financial statements (refer to the related decrease in segregated assets pursuant to federal regulations discussed in the preceding paragraph). Offsetting the decrease, bank deposit liabilities increased \$1 billion, reflecting increased deposits at RJ Bank, and our net borrowings increased by \$475 million, primarily resulting from \$500 million

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in borrowings RJ Bank made from the FHLB during the current year (refer to Note 12 of the Notes to Condensed Consolidated Financial Statements in this Form 10-Q for information regarding these borrowings).

### Contractual obligations, commitments and contingencies

As of June 30, 2014 and since September 30, 2013, there have been no material changes in our contractual obligations other than in the ordinary course of business. See Note 16 of the Notes to Condensed Consolidated Financial Statements in this Form 10-Q, and the contractual obligations, commitments and contingencies section of Item 7 on page 70 of our 2013 Form 10-K, for additional information.

### Regulatory

The following discussion should be read in conjunction with the description of the regulatory framework applicable to the financial services industry and relevant to us as described in the Regulation section of Item 1 on pages 10 - 13 of our 2013 Form 10-K, and the Regulatory section on page 71 of our 2013 Form 10-K.

RJ&A, MK & Co., RJFS, Eagle Fund Distributors, Inc. and Raymond James (USA) Ltd. all had net capital in excess of minimum requirements as of June 30, 2014.

RJ Ltd. was not in Early Warning Level 1 or Level 2 as of or during the nine months ended June 30, 2014.

As part of the legislation known as the Dodd-Frank Wall Street Reform & Consumer Protection Act (“Dodd-Frank Act”), congress adopted a ban on proprietary trading and restricted investment in hedge funds and private equity by commercial banks and their affiliates (the “Regulated Entities”), the so-called “Volcker Rule.” On December 10, 2013, the SEC adopted a final version of the Volcker Rule. The final Volcker Rule prohibits Regulated Entities from engaging in “proprietary trading” and imposes limitations on the extent to which Regulated Entities are permitted to invest in certain “covered funds” (i.e. hedge funds and private equity funds) and requires that such investments be fully deducted from Tier 1 Capital. The final Volcker Rule broadly limits a Regulated Entity’s aggregate ownership in hedge funds and private equity funds to three percent of Tier I capital, although the impact of such limit to RJF’s investment portfolio is subject to further analysis. Additionally, Regulated Entities are prohibited from owning three percent or more of any single fund. Congress provided an exemption for certain permitted activities of Regulated Entities which were identified as systemically important, such as market making, hedging, securitization, and risk management.

The final rules became effective as of April 1, 2014 and conformance is required by July 21, 2015. However, the conformance period may be subject to two additional one-year extensions by the Fed. Furthermore, Regulated Entities can apply for an additional five-year extension for certain qualifying investments. We are in the process of evaluating the impact these final rules will have on our business operations. We currently maintain investments in selected private equity and merchant banking entities, some of which may meet the definition of “covered funds” and therefore be subject to certain limitations. The amount of future investments of this nature that we may make may be limited in order to maintain compliance levels specified by the regulation. Further, subsequent interpretations of what constitutes “covered funds” under the final Volcker Rule may adversely impact our analysis. We continue to review the details contained in the final Volcker Rule to assess its impact on these operations, and based upon our latest analysis and understandings of these regulations, we do not anticipate that it will have a material impact on our results of operations.

RJF and RJ Bank are subject to various regulatory and capital requirements. Under the regulatory framework for prompt corrective action, RJF and RJ Bank met the requirements to be categorized as “well capitalized” as of June 30, 2014. One of RJ Bank’s U.S. subsidiaries is an agreement corporation and is subject to regulation by the Fed. As of June 30, 2014, this RJ Bank subsidiary met the capital adequacy guideline requirements.

See Note 20 of the Notes to Condensed Consolidated Financial Statements in this Form 10-Q for further information on regulatory and capital requirements.

Effective July 1, 2014, certain final rules issued by the SEC regarding the mandatory registration of municipal advisors became effective. These rules specify which activities will be covered by the Dodd-Frank Act imposed fiduciary duty of a municipal advisor to its government client, may result in the need for new written representations by issuers, and may limit the manner in which we, in our capacity as an underwriter or in our other professional roles, interact with municipal issuers. Additionally, forthcoming rulemaking by the Municipal Securities Rulemaking Board may cause further changes to the manner in which state and local government are able to interact with the outside finance professionals. Although these new rules impact the nature of our interactions with public finance clients, and may have a negative short-term impact on the volume of public finance financing

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transactions while the industry adapts to the new rules, we do not expect these new rules to have a materially adverse impact on our public finance results of operations (which are included in our Capital Markets segment).

On July 23, 2014 the SEC adopted amendments to the rules that govern money market mutual funds. The amendments make structural and operational reforms to address risks of excessive withdraws over relatively short time frames by investors from money market funds, while preserving the benefits of the funds. These amendments have no direct impact on our operations since we do not sponsor any money market funds. We utilize such funds to a small extent for our own investment purposes, and offer to our clients money market funds that are sponsored by third parties as one of several cash sweep alternatives.

Other aspects of the Dodd-Frank Act which are not previously discussed above, have the potential to impact certain of our current business operations, including, but not limited to, their impact on RJ Bank which is discussed in the Item 1 Business, Regulation section in our 2013 Form 10-K referred to above. Because of the nature of our business and our business practices, we do not expect the Dodd-Frank Act to have a significant direct impact on our operations as a whole. However, because some of the regulations have yet to be adopted by various regulatory agencies, the specific impact on some of our businesses remains uncertain.

### Critical accounting estimates

The condensed consolidated financial statements are prepared in accordance with GAAP. For a description of our accounting policies, see Note 2 of the Notes to the Consolidated Financial Statements on pages 104 - 122 of our 2013 Form 10-K, as well as Note 2 of the Notes to Condensed Consolidated Financial Statements in this Form 10-Q. We believe that of our significant accounting estimates, those described below involve a high degree of judgment and complexity. These estimates and assumptions affect the amounts of assets, liabilities, revenues and expenses reported in the condensed consolidated financial statements. Due to their nature, estimates involve judgment based upon available information. Actual results or amounts could differ from estimates and the difference could have a material impact on the condensed consolidated financial statements. Therefore, understanding these critical accounting estimates is important in understanding the reported results of our operations and our financial position.

### Valuation of financial instruments, investments and other assets

The use of fair value to measure financial instruments, with related gains or losses recognized in our Condensed Consolidated Statements of Income and Comprehensive Income, is fundamental to our financial statements and our risk management processes. See Note 2 on pages 106 - 111 of our 2013 Form 10-K for a discussion of our fair value accounting policies regarding financial instruments owned and financial instruments sold but not yet purchased. Since September 30, 2013, we have not implemented any material changes in the accounting policies described therein during the period covered by this report.

“Trading instruments” and “available for sale securities” are reflected in the Condensed Consolidated Statements of Financial Condition at fair value or amounts that approximate fair value. Unrealized gains and losses related to these financial instruments are reflected in our net income or our other comprehensive income, depending on the underlying purpose of the instrument.

As of June 30, 2014, 8.5% of our total assets and 3% of our total liabilities are instruments measured at fair value on a recurring basis.

Financial instruments measured at fair value on a recurring basis categorized as Level 3 amount to \$439 million as of June 30, 2014 and represent 22% of our assets measured at fair value. Our ARS positions comprise \$224 million, or 51%, and our private equity investments comprise \$209 million, or 48%, of the Level 3 assets as of June 30,

2014. Level 3 assets represent 10.2% of total equity as of June 30, 2014.

Financial instruments which are liabilities categorized as Level 3 amount to \$58 thousand as of June 30, 2014 and represent less than 1% of liabilities measured at fair value.

See Notes 5, 6, 7 and 14 of the Notes to Condensed Consolidated Financial Statements in this Form 10-Q for additional information on our financial instruments.

#### Goodwill

Goodwill involves the application of significant management judgment. For a discussion of our goodwill as of September 30, 2013, see the Goodwill section in Item 7 on pages 76 - 77 of our 2013 Form 10-K.

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

## Loss provisions

Refer to the discussion of loss provisions in Item 7 on pages 77 -78 of our 2013 Form 10-K.

RJ Bank provides an allowance for loan losses which reflects our continuing evaluation of the probable losses inherent in the loan portfolio. See Note 8 of the Notes to Condensed Consolidated Financial Statements in this Form 10-Q for additional information.

At June 30, 2014, the amortized cost of all RJ Bank loans was \$10.5 billion and an allowance for loan losses of \$142 million was recorded against that balance. The total allowance for loan losses is equal to 1.36% of the amortized cost of the loan portfolio.

The uncertainty of the real estate and credit markets continues to influence the complexity involved in estimating the losses inherent in RJ Bank's loan portfolio. If our underlying assumptions and judgments prove to be inaccurate, the allowance for loan losses could be insufficient to cover actual losses. In such an event, any losses would result in a decrease in our net income as well as a decrease in the level of regulatory capital at RJ Bank.

## Income taxes

For a description of the significant assumptions, judgments and interpretations associated with the accounting for income taxes, see the income taxes section of Item 7 on page 78 of our 2013 Form 10-K.

## Effects of recently issued accounting standards, and accounting standards not yet adopted

In March 2013, the FASB issued new guidance intended to clarify the applicable guidance for the release of the cumulative translation adjustment when either an entity ceases to have a controlling financial interest in a subsidiary or involving an equity method investment that is a foreign entity. The new guidance is intended to resolve the diversity in current practice in the accounting for the release of the cumulative translation adjustment into net income for sales or transfers of a controlling financial interest that is in a foreign entity. This new guidance is first effective for our financial report covering the quarter ended December 31, 2014, however early adoption is permitted as long as an entity that adopts the guidance early applies the new guidance as of the beginning of the fiscal year of adoption. To the extent that we have any future transactions with our foreign entities that fall within the scope of this clarifying guidance, we will evaluate the option of adopting this guidance early. Given that this guidance applies to entity specific transactions, we are unable to estimate the financial impact, if any, this clarifying guidance may have on our financial position or results of operations.



In June 2013, the FASB issued new guidance intended to amend the scope, measurement and disclosure requirements for investment companies. The new guidance is intended to change the approach to the investment company assessment, clarify the characteristics of an investment company, require an investment company to measure noncontrolling ownership interests in other investment companies at fair value and requires additional disclosures about the investment company. This new guidance is first effective for our financial report covering the quarter ending December 31, 2014, early adoption is prohibited. Based upon the characteristics of our relevant investments, we do not anticipate that this new guidance will have any material impact on our financial position and results of operations.

In January 2014, the FASB issued new guidance which allows investors in Low Income Housing Tax Credit programs that meet specified conditions to present the net tax benefits (net of amortization of the cost of the investment) within income tax expense. The cost of the investments that meet the specified conditions will be amortized in proportion to (and over the same period as) the total expected tax benefits, including tax credits and other tax benefits as they are realized on the tax return. This new guidance is first effective for our financial report covering the quarter ending December 31, 2015, early adoption is permitted.

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Based upon the nature of our current investments in LIHTC programs, we do not expect to meet the specified conditions which allow for election of this accounting treatment and thus this new guidance is not anticipated to have any impact on our financial position and results of operations. However, our future LIHTC investments may be structured in such a manner to qualify for this new accounting treatment.

In January 2014, the FASB issued new guidance which clarifies when banks and similar institutions (creditors) should reclassify mortgage loans collateralized by residential real estate properties from the loan portfolio to OREO. This guidance defines when an in-substance repossession or foreclosure has occurred and when a creditor is considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan. This new guidance is first effective for our financial report covering the quarter ending December 31, 2015, early adoption is permitted. We do not anticipate that this new guidance will have any material impact on our financial position and results of operations, however, depending on the materiality upon the adoption of this new guidance, it may impact certain of our OREO disclosures.

In April 2014, the FASB issued new guidance which changes the prior guidance regarding the requirements for reporting discontinued operations. Under the new guidance, a disposal of a component of an entity or a group of components of an entity, are required to be reported in discontinued operations if the disposal represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results when any of the following occurs: 1) the component of an entity or group of components of an entity meets certain criteria to be classified as held for sale. 2) The component of an entity or group of components of an entity is disposed of by sale. 3) The component of an entity or group of components of an entity is disposed of other than by sale (for example by abandonment or in a distribution to owners in a spinoff). The new guidance requires additional disclosures about discontinued operations that meet the above criteria. This new guidance is first effective prospectively, for all disposals of components of an entity that occur commencing with the beginning of our fiscal year 2016, however early adoption is permitted in certain circumstances. To the extent that we have any disposals of an entity or a group of components of an entity that fall within the scope of this clarifying guidance, we will evaluate the option of adopting this guidance early. Given that this guidance applies to entity specific transactions, we are unable to estimate the impact, if any, this new guidance may have on our financial position or results of operations.

In May 2014, the FASB issued new guidance regarding revenue recognition. 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. This new guidance is first effective for our financial report covering the quarter ending December 31, 2017, early adoption is not permitted. Upon adoption, we may use either a full retrospective or a modified retrospective approach with respect to presentation of comparable periods prior to the effective date, we are currently evaluating which transition approach to use. In addition, we are currently evaluating the impact the adoption of this new guidance will have on our financial position and results of operations.

In June 2014, the FASB issued amended guidance regarding "repo-to-maturity" transactions, as well as repurchase agreements and securities lending agreements accounted for as secured borrowings. The new guidance requires a transferor to disclose more information about certain transactions, including those in which it retains substantially all of the exposure to the economic returns of the underlying transferred asset over the transaction's term. This new guidance is first effective for our interim financial report covering the quarter ending March 31, 2015, early adoption is not permitted. We are currently evaluating the impact the adoption of this new guidance will have on our financial position and results of operations.

In June 2014, the FASB issued amended guidance for the accounting for share-based payments when the terms of an award provide that a performance target could be achieved after the requisite service period. The new guidance requires that a performance target that affects vesting of an award and that could be achieved after the requisite service

period be treated as a performance condition. This new guidance is first effective for our interim financial report covering the quarter ending December 31, 2016, early adoption is permitted. We are currently evaluating the impact the adoption of this new guidance will have on our financial position and results of operations.

#### Off-Balance Sheet arrangements

For information regarding our off-balance sheet arrangements, see Note 21 of the Notes to Condensed Consolidated Financial Statements in this Form 10-Q, and Note 26 on pages 184 - 186 of the Notes to Consolidated Financial Statements in our 2013 Form 10-K.

#### Effects of inflation

For information regarding the effects of inflation on our business, see the Effects of Inflation section of Item 7 on page 79 of our 2013 Form 10-K.

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Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

RISK MANAGEMENT

For a description of our risk management policies, including a discussion of our primary market risk exposures, which include interest rate risk and equity price risk, as well as a discussion of our foreign exchange risk, credit risk including a discussion of our loan underwriting policies and risk monitoring processes applicable to RJ Bank, liquidity risk, operational risk, and regulatory and legal risk and a discussion of how these exposures are managed, refer to Item 7A on pages 80 - 94 of our 2013 Form 10-K.

Market risk

Market risk is our risk of loss resulting from changes in interest rates and security prices. We have exposure to market risk primarily through our broker-dealer and banking operations. See page 80 of our 2013 Form 10-K for discussion of how we manage our market risk.

See Notes 5 and 6 of the Notes to the Condensed Consolidated Financial Statements in this Form 10-Q for information regarding the fair value of trading inventories associated with our broker-dealer client facilitation, market-making and proprietary trading activities in addition to RJ Bank's securitizations. See Note 7 of the Notes to the Condensed Consolidated Financial Statements in this Form 10-Q for information regarding the fair value of available for sale securities.

Interest rate risk

We are exposed to interest rate risk as a result of our trading inventories (primarily comprised of fixed income instruments) in our capital markets segment, as well as our RJ Bank operations. See pages 80 - 83 of our 2013 Form 10-K for discussion of how we manage our interest rate risk.

Trading activities

We monitor, on a daily basis, the Value-at-Risk ("VaR") for all of our trading portfolios. VaR is an appropriate statistical technique for estimating potential losses in trading portfolios due to typical adverse market movements over a specified time horizon with a suitable confidence level.

We apply the Fed's Market Risk Rule ("MRR") for the purpose of calculating our capital ratios. The MRR requires us to extend the calculation of VaR for all of our trading portfolios, including equity and derivative instruments.

To calculate VaR, we use historical simulation. This approach assumes that historical changes in market conditions are representative of future changes. The simulation is based upon daily market data for the previous twelve months. VaR is reported at a 99% confidence level based on a one-day time horizon. This means that we could expect to incur losses greater than those predicted by the VaR estimates only once in every 100 trading days, or about 2.5 times a year on average over the course of time.

We have chosen the historical period of twelve months to be representative of the current interest rate and equity markets. We utilize stress testing to complement our VaR analysis so as to measure risk under historical and hypothetical adverse scenarios. VaR results are indicative of relatively recent changes in general interest rates and equity markets and are not designed to capture historical stress periods beyond the twelve month historical period. Back testing procedures performed include comparing projected VaR results to regulatory-defined daily trading

losses, which excludes fees, commissions, reserves, net interest income, and intraday trading, as required by the MRR. We then verify that the number of times that regulatory-defined daily trading losses exceed VaR is consistent with our expectations at a 99% confidence level. During the nine months ended June 30, 2014, the reported regulatory-defined daily loss in our trading portfolios did not exceed the predicted VaR on any trading day.

Should markets suddenly become more volatile, actual trading losses may exceed VaR results presented on a single day and might accumulate over a longer time horizon, such as a number of consecutive trading days. Accordingly, management applies additional controls including position limits, a daily review of trading results, review of the status of aged inventory, independent controls on pricing, monitoring of concentration risk, and review of issuer ratings, as well as stress testing. During volatile markets we may choose to pare our trading inventories to reduce risk.

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The following table sets forth the high, low, and daily average VaR for all of our trading portfolios, including fixed income, equity, and derivative instruments, as of the period and dates indicated:

	Nine months ended June 30, 2014			VaR at	
	High	Low	Daily Average	June 30, 2014	September 30, 2013
	(in thousands)				
Daily VaR	\$2,647	\$968	\$ 1,630	\$1,236	\$1,471

The modeling of the risk characteristics of trading positions involves a number of assumptions and approximations. While management believes that its assumptions and approximations are reasonable, there is no uniform industry methodology for estimating VaR, and different assumptions or approximations could produce materially different VaR estimates. As a result, VaR statistics are more reliable when used as indicators of risk levels and trends within a firm than as a basis for inferring differences in risk-taking across firms.

Separately, RJF provides additional market risk disclosures to comply with the “Risk-Based Capital Guidelines: Market Risk” rule released by the Fed, the OCC and the FDIC. The results of the application of this market risk capital rule, also known as Basel 2.5, are available on our website under “Our Company - Financial Reports - Market Risk Rule Disclosure” within 45 days after the end of each of our reporting periods (the information on our website is not incorporated by reference into this report).

As a part of our fixed income public finance operations, RJ&A enters into forward commitments to purchase GNMA MBS. The MBS securities are issued on behalf of various state and local HFA’s and consist of the mortgages originated through their lending programs. RJ&A’s forward GNMA MBS purchase commitment arises at the time of the loan reservation for a borrower in the HFA lending program (these loan reservations fix the terms of the mortgage, including the interest rate and maximum principal amount). The underlying terms of the GNMA MBS purchase, including the price for the MBS security (which is dependent upon the interest rates associated with the underlying mortgages) are also fixed at loan reservation. Upon acquisition of the MBS security, RJ&A typically sells such security in open market transactions as part of its fixed income operations. In order to hedge the interest rate risk to which RJ&A would otherwise be exposed between the date of the commitment and the date of sale of the MBS, RJ&A enters into TBA security contracts with investors for generic MBS securities at specific rates and prices to be delivered on settlement dates in the future. See Note 16 of the Notes to Condensed Consolidated Financial Statements in this Form 10-Q for additional information regarding these activities and the related balances outstanding as of June 30, 2014.

**Banking operations**

RJ Bank maintains an earning asset portfolio that is comprised of C&I, commercial and residential real estate, tax-exempt and SBL and other consumer loans, as well as MBS, CMOs, Small Business Administration loan securitizations, deposits at other banks and other investments. Those earning assets are funded by RJ Bank’s obligations to customers (i.e. customer deposits). Based on its current earning asset portfolio, RJ Bank is subject to interest rate risk. The current economic environment has led to an extended period of low market interest rates. As a result, the majority of RJ Bank’s adjustable rate assets and liabilities have experienced a reduction in interest rate yields and costs that reflect these very low market interest rates. During the current period, RJ Bank has focused its interest rate risk analysis on the risk of market interest rates rising. RJ Bank analyzes interest rate risk based on forecasted net interest income, which is the net amount of interest received and interest paid, and the economic value of equity, both in a range of interest rate scenarios.

One of the objectives of RJ Bank’s Asset Liability Management Committee is to manage the sensitivity of net interest income to changes in market interest rates. The methods used to measure this sensitivity are described on page 82 of

our 2013 Form 10-K. There were no material changes to these methods during the nine months ended June 30, 2014.

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The following table is an analysis of RJ Bank's estimated net interest income over a 12 month period based on instantaneous shifts in interest rates (expressed in basis points) using the asset/liability model applied by RJ Bank:

Instantaneous changes in rate	Net interest income (\$ in thousands)	Projected change in net interest income
+300	\$417,779	10.51%
+200	\$413,644	9.41%
+100	\$411,163	8.76%
0	\$378,051	—
-100	\$359,496	(4.91)%

Refer to the Net Interest section of MD&A, in Item 2 of this Form 10-Q, for a discussion and estimate of the potential favorable impact on RJF's pre-tax income that could result from a 100 basis point instantaneous rise in short-term interest rates applicable to RJF's entire operations.

The following table presents the amount of RJ Bank's interest-earning assets and interest-bearing liabilities expected to reprice, prepay or mature in each of the indicated periods at June 30, 2014:

	Repricing opportunities			
	0 - 6 months (in thousands)	7 - 12 months	1 - 5 years	5 or more years
Interest-earning assets:				
Loans	\$9,274,389	\$470,903	\$533,394	\$275,854
Available for sale securities	206,769	17,102	100,867	60,603
Other investments	1,119,798	—	—	—
Total interest-earning assets	10,600,956	488,005	634,261	336,457
Interest-bearing liabilities:				
Transaction and savings accounts	9,929,742	—	—	—
Certificates of deposit	36,841	34,177	266,401	—
Borrowings	500,000	—	—	—
Total interest-bearing liabilities	10,466,583	34,177	266,401	—
Gap	134,373	453,828	367,860	336,457
Cumulative gap	\$134,373	\$588,201	\$956,061	\$1,292,518

The following table shows the contractual maturities of RJ Bank's loan portfolio at June 30, 2014, including contractual principal repayments. This table does not, however, include any estimates of prepayments. These prepayments could shorten the average loan lives and cause the actual timing of the loan repayments to differ significantly from those shown in the following table:

	Due in			Total
	One year or less (in thousands)	>One year – five years	> 5 years	
Loans held for sale	\$—	\$—	\$61,746	\$61,746
Loans held for investment:				
C&I loans	9,207	3,489,663	2,550,470	6,049,340
CRE construction loans	40,048	53,030	8,973	102,051
CRE loans	154,556	1,210,264	216,960	1,581,780
Tax-exempt loans	—	—	94,855	94,855
Residential mortgage loans	3,989	15,878	1,731,321	1,751,188



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SBL and other consumer loans	902,325	5,661	48	908,034
Total loans held for investment	1,110,125	4,774,496	4,602,627	10,487,248
Total loans	\$1,110,125	\$4,774,496	\$4,664,373	\$10,548,994

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The following table shows the distribution of the recorded investment of those RJ Bank loans that mature in more than one year between fixed and adjustable interest rate loans at June 30, 2014:

	Interest rate type		Total <sup>(1)</sup>
	Fixed (in thousands)	Adjustable	
Loans held for sale	\$5,604	\$56,142	\$61,746
Loans held for investment:			
C&I loans	1,567	6,038,566	6,040,133
CRE construction loans	—	62,003	62,003
CRE loans	43,611	1,383,613	1,427,224
Tax-exempt loans	94,855	—	94,855
Residential mortgage loans	257,809	1,489,390	<sup>(2)</sup> 1,747,199
SBL and other consumer loans	5,709	—	5,709
Total loans held for investment	403,551	8,973,572	9,377,123
Total loans	\$409,155	\$9,029,714	\$9,438,869

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

(2) See the discussion within the “Risk Monitoring process” section of Item 3 in this Form 10-Q, for additional information regarding RJ Bank’s interest-only loan portfolio and related repricing schedule.

## Equity price risk

We are exposed to equity price risk as a consequence of making markets in equity securities and the investment activities of RJ&A and RJ Ltd. RJ&A’s broker-dealer activities are primarily client-driven, with the objective of meeting clients’ needs while earning a trading profit to compensate for the risk associated with carrying inventory. RJ Ltd. has a proprietary trading business; the average aggregate inventory of equity securities held for proprietary trading by RJ Ltd. during the nine months ended June 30, 2014 was CDN \$8.6 million. We attempt to reduce the risk of loss inherent in our inventory of equity securities by monitoring those security positions constantly throughout each day and establishing position limits.

## Foreign exchange risk

We are subject to foreign exchange risk due to: financial instruments denominated in U.S. dollars predominantly held by RJ Ltd., whose functional currency is the Canadian dollar, which may be impacted by fluctuation in foreign exchange rates; certain loans held by RJ Bank denominated in Canadian currency; and our investments in foreign subsidiaries.

In order to mitigate its portion of this risk, RJ Ltd. enters into forward foreign exchange contracts. The fair value of these contracts is nominal. As of June 30, 2014, RJ Ltd. held forward contracts to buy and sell U.S. dollars totaling CDN \$6.7 million, and CDN \$7.8 million, respectively. In addition, RJ Bank’s U.S. subsidiaries hedge the foreign exchange risk related to their net investment in a Canadian subsidiary utilizing short-term, forward foreign exchange contracts. These derivative agreements are accounted for as net investment hedges in the Condensed Consolidated Financial Statements. See Note 13 of the Notes to Condensed Consolidated Financial Statements in this Form 10-Q for further information regarding these derivative contracts.

## Credit risk

Credit risk is the risk of loss due to adverse changes in a borrower's, issuer's or counterparty's ability to meet its financial obligations under contractual or agreed upon terms. The nature and amount of credit risk depends on the type of transaction, the structure and duration of that transaction, and the parties involved. Credit risk is an integral component of the profit assessment of lending and other financing activities. See further discussion of our credit risk on pages 84 - 92 of our 2013 Form 10-K.

RJ Bank has substantial corporate and residential mortgage loan portfolios. A significant downturn in the overall economy, deterioration in real estate values or a significant issue within any sector or sectors where RJ Bank has a concentration could result in large provisions for loan losses and/or charge-offs.

Several factors were taken into consideration in evaluating the allowance for loan losses at June 30, 2014, including the risk profile of the portfolios, net charge-offs during the period, the level of nonperforming loans, and delinquency ratios. RJ Bank also considered the uncertainty related to certain industry sectors and the extent of credit exposure to specific borrowers within the

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portfolio. RJ Bank further stratified the performing residential mortgage loan portfolio based upon updated LTV estimates with higher reserve percentages allocated to the higher LTV loans. Finally, RJ Bank considered current economic conditions that might impact the portfolio. RJ Bank determined the allowance that was required for specific loan grades based on relative risk characteristics of the loan portfolio. On an ongoing basis, RJ Bank evaluates its methods for determining the allowance for each class of loans and makes enhancements it considers appropriate. There was no material change in RJ Bank's methodology for determining the allowance for loan losses during the nine months ended June 30, 2014.

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

	Nine months ended June 30,	
	2014	2013
	(\$ in thousands)	
Allowance for loan losses, beginning of year	\$ 136,501	\$ 147,541
Provision for loan losses	8,082	4,518
Charge-offs:		
C&I loans	(1,845)	(656)
CRE loans	—	(5,875)
Residential mortgage loans	(1,634)	(6,045)
SBL and other consumer	—	(129)
Total charge-offs	(3,479)	(12,705)
Recoveries:		
C&I loans	16	—
CRE loans	80	1,423
Residential mortgage loans	1,420	2,033
SBL and other consumer	27	20
Total recoveries	1,543	3,476
Net recoveries/(charge-offs)	(1,936)	(9,229)
Foreign exchange translation adjustment	(338)	(437)
Allowance for loan losses, end of period	\$ 142,309	\$ 142,393
Allowance for loan losses to bank loans outstanding	1.36	% 1.61

The primary factors influencing the provision for loan losses during the period were significant loan portfolio growth, which was partially offset by a decrease in corporate criticized loans compared to the prior year, the favorable resolution of corporate problem loans, lower LTV ratios in the residential mortgage loan portfolio, and a reduction in delinquent residential mortgage loans. The provision for loan losses during the current quarter includes \$1.6 million of provision expense resulting from the impact of the annual Shared National Credit ("SNC") review and examination. The prior period provision (benefit) for loan losses included \$5.6 million from the impact of the respective period's annual SNC examination. The allowance for loan losses of \$142 million as of June 30, 2014 was relatively flat compared to June 30, 2013 despite the significant loan portfolio growth. The credit characteristics mentioned above reflected the positive impact from improved economic conditions.

The following table presents net loan charge-offs and the percentage of net loan charge-offs to the average outstanding loan balances by loan portfolio segment:

Three months ended June 30,				Nine months ended June 30,			
2014		2013		2014		2013	
Net loan	% of avg.	Net loan	% of avg.	Net loan	% of avg.	Net loan	% of avg.
charge-off	outstanding	charge-off	outstanding	charge-off	outstanding	charge-off	outstanding
amount	loans	amount	loans	amount	loans	amount	loans
(\$ in thousands)							

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C&I loans	\$—	—	\$ (106 )	0.01	%	\$ (1,829 )	0.04	%	\$ (656 )	0.02	%	
CRE loans	—	—	(5,525 )	1.99	%	80	0.01	%	(4,452 )	0.57	%	
Residential mortgage loans	(404 )	0.09	%	177	0.04	%	(214 )	0.02	%	(4,012 )	0.31	%
SBL and other consumer loans	9	—	(47 )	0.04	%	27	—	%	(109 )	0.03	%	
Total	\$ (395 )	0.02	%	\$ (5,501 )	0.26	%	\$ (1,936 )	0.03	%	\$ (9,229 )	0.14	%

The level of charge-off activity is a factor that is considered in evaluating the potential for and severity of future credit losses. The 79% decline in net loan charge-offs for the current year as compared to prior year was primarily attributable to reductions in

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both the CRE and residential mortgage loan portfolios. The net charge-offs in the residential mortgage loan portfolio for the nine months ended June 30, 2014 reflect recoveries of \$1.4 million, which are becoming prevalent in the residential mortgage loan portfolio as home price appreciation over the past several quarters has resulted in loan balances being collected through sale or refinance proceeds that exceed written down balances.

The table below presents nonperforming loans and total allowance for loan losses:

	June 30, 2014		September 30, 2013	
	Nonperforming loan balance	Allowance for loan losses balance	Nonperforming loan balance	Allowance for loan losses balance
	(in thousands)			
Loans held for investment:				
C&I loans	\$—	\$(98,991)	) \$89	\$(95,994)
CRE construction loans	—	(1,745)	) —	(1,000)
CRE loans	24,033	(23,494)	) 25,512	(19,266)
Tax-exempt loans	—	(1,021)	) —	—
Residential mortgage loans	66,452	(15,238)	) 76,357	(19,126)
SBL and other consumer loans	—	(1,820)	) —	(1,115)
Total	\$90,485	\$(142,309)	) \$101,958	\$(136,501)

The level of nonperforming loans is another indicator of potential future credit losses. The amount of nonperforming loans decreased during the nine months ended June 30, 2014. This decrease was due to a \$10 million decrease in nonperforming residential mortgage loans and a \$1.5 million decrease in nonperforming CRE loans. Included in nonperforming residential mortgage loans are \$55.5 million in loans for which \$31.4 million in charge-offs were previously recorded, resulting in less exposure within the remaining balance.

#### Loan underwriting policies

RJ Bank's underwriting policies for the major types of loans are described on page 89 of our 2013 Form 10-K. There was no material change in RJ Bank's underwriting policies during the nine months ended June 30, 2014.

#### Risk monitoring process

The credit risk strategy component of ongoing risk monitoring and review processes at RJ Bank for all residential, consumer and corporate credit exposures are discussed on pages 89 - 92 of our 2013 Form 10-K. There were no material changes to those processes and policies during the nine months ended June 30, 2014.

#### Residential mortgage, SBL and other consumer loans

We track and review many factors to monitor credit risk in RJ Bank's residential, and SBL and other consumer loan portfolios. The qualitative factors include, but are not limited to: loan performance trends, loan product parameters and qualification requirements, borrower credit scores, occupancy (i.e., owner occupied, second home or investment property), level of documentation, loan purpose, geographic concentrations, average loan size, and loan policy exceptions. These qualitative measures, while considered and reviewed in establishing the allowance for loan losses, have generally not resulted in any quantitative adjustments to RJ Bank's historical loss rates. In addition to historical loss rates, one other quantitative factor utilized for the performing residential mortgage loan portfolio is updated LTV ratios.

RJ Bank obtains the most recently available information (generally on a quarter lag) to estimate current LTV ratios on the individual loans in the performing residential mortgage loan portfolio. Current LTV ratios are estimated based on the initial appraisal obtained at the time of origination, adjusted using relevant market indices for housing price changes that have occurred since origination. The value of the homes could vary from actual market values due to change in the condition of the underlying property, variations in housing price changes within current valuation indices and other factors.

The current average estimated LTV is 62% for the total residential mortgage loan portfolio. Residential mortgage loans with estimated LTVs between 100% and 120% represent only 2% of the residential mortgage loan portfolio and residential mortgage loans with updated LTVs in excess of 120% represent only 1% of the residential mortgage loan portfolio. Credit risk management utilizes this data in conjunction with delinquency statistics, loss experience and economic circumstances to establish appropriate

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allowance for loan losses for the residential mortgage loan portfolio, which is based upon an estimate for the probability of default and loss given default for each homogeneous class of loans.

The marketable collateral securing RJ Bank's securities-based loans within the SBL and other consumer loan portfolio is monitored on a daily basis. Collateral adjustments are made by the borrower as necessary to ensure RJ Bank's loans are adequately secured, resulting in minimal credit risk.

Residential mortgage loan delinquency levels are elevated by historical standards at RJ Bank due to the economic downturn and the high level of unemployment, however, the levels have continued to improve during the current period. To-date, our SBL and other consumer loan portfolio has not experienced high levels of delinquencies. At June 30, 2014 there were no delinquent consumer loans.

At June 30, 2014, loans over 30 days delinquent (including nonperforming loans) decreased to 2.47% of residential mortgage loans outstanding, compared to 2.87% over 30 days delinquent at September 30, 2013. Additionally, our June 30, 2014 percentage compares favorably to the national average for over 30 day delinquencies of 7.82% as most recently reported by the Fed. RJ Bank's significantly lower delinquency rate as compared to its peers is the result of both our uniform underwriting policies and the lack of non-traditional loan products and subprime loans.

The following table presents a summary of delinquent residential mortgage loans:

	Delinquent residential loans (amount)			Delinquent residential loans as a percentage of outstanding loan balances			
	30-89 days	90 days or more	Total <sup>(1)</sup>	30-89 days	90 days or more	Total <sup>(1)</sup>	
(\$ in thousands)							
June 30, 2014							
Residential Mortgage Loans:							
First mortgage loans	\$5,547	\$37,643	\$43,190	0.32	% 2.17	% 2.49	%
Home equity loans/lines	52	111	163	0.24	% 0.51	% 0.75	%
Total residential mortgage loans	\$5,599	\$37,754	\$43,353	0.32	% 2.15	% 2.47	%
September 30, 2013							
Residential Mortgage Loans:							
First mortgage loans	\$6,824	\$43,004	\$49,828	0.40	% 2.49	% 2.89	%
Home equity loans/lines	—	372	372	—	1.66	% 1.66	%
Total residential mortgage loans	\$6,824	\$43,376	\$50,200	0.39	% 2.48	% 2.87	%

(1) Comprised of loans which are two or more payments past due as well as loans in process of foreclosure.

To manage and limit credit losses, we maintain a rigorous process to manage our loan delinquencies. See pages 90 - 92 of our 2013 Form 10-K for a discussion of these processes. There have been no material changes to these processes during the nine months ended June 30, 2014.



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Credit risk is also managed by diversifying the residential mortgage portfolio. The geographic concentrations (top five states) of RJ Bank's one-to-four family residential mortgage loans are as follows:

June 30, 2014		September 30, 2013	
(\$ outstanding as a % of RJ Bank total assets)			
2.9	% FL	3.0	% FL
2.1	% CA <sup>(1)</sup>	2.4	% CA <sup>(1)</sup>
1.0	% NY	1.2	% NY
0.7	% NJ	0.8	% NJ
0.6	% TX	0.7	% VA

The concentration ratio for the state of California excludes 1.1% for June 30, 2014 and 1.4% for September 30, (1)2013 for loans purchased from a large investment grade institution that have full repurchase recourse for any delinquent loans.

Loans where borrowers may be subject to payment increases include adjustable rate mortgage loans with terms that initially require payment of interest only. Payments may increase significantly when the interest-only period ends and the loan principal begins to amortize. At June 30, 2014 and September 30, 2013, these loans totaled \$309 million and \$363 million, respectively, or approximately 20% of the residential mortgage portfolio for both periods. At June 30, 2014, the balance of amortizing, former interest-only, loans totaled \$330 million. The weighted average number of years before the remainder of the loans, which were still in their interest-only period at June 30, 2014, begins amortizing is 2.7 years. The outstanding balance of loans that were interest-only at origination and based on their contractual terms are scheduled to reprice are as follows:

	June 30, 2014 (in thousands)
One year or less	\$202,694
Over one year through two years	8,673
Over two years through three years	8,602
Over three years through four years	18,151
Over four years through five years	24,694
Over five years	46,527
Total outstanding residential interest-only loan balance	\$309,341

A component of credit risk management for the residential portfolio is the LTV and borrower credit score at origination or purchase. The most recent LTV/FICO scores at origination of RJ Bank's residential first mortgage loan portfolio are as follows:

	June 30, 2014	September 30, 2013
Residential first mortgage loan weighted-average LTV/FICO <sup>(1)</sup>	66%/754	66%/754

(1) At origination. Small group of local loans representing less than 1% of residential portfolio excluded.

## Corporate loans

Credit risk in RJ Bank's corporate loan portfolio is monitored on an individual loan basis, see page 92 of our 2013 Form 10-K for a discussion of our monitoring processes. There have been no material changes in these processes during the nine months ended June 30, 2014.

At June 30, 2014, other than loans classified as nonperforming, there was one government-guaranteed loan totaling \$126 thousand that was delinquent greater than 30 days.

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Credit risk is also managed by diversifying the corporate loan portfolio. RJ Bank's corporate loan portfolio does not contain a significant concentration in any single industry. The industry concentrations (top five categories) of RJ Bank's corporate loans are as follows:

June 30, 2014		September 30, 2013	
(\$ outstanding as a % of RJ Bank total assets)			
5.4	% Retail real estate	3.5	% Media communications
5.0	% Technology	3.4	% Business systems and services
4.6	% Office	3.3	% Automotive/transportation
4.6	% Media communications	3.1	% Pharmaceuticals
4.2	% Hospitality	3.1	% Retail real estate

## Liquidity risk

See the section entitled "Liquidity and capital resources" in Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations, in this Form 10-Q for information regarding our liquidity and how we manage liquidity risk.

## Operational risk

Operational risk generally refers to the risk of loss resulting from our operations, including, but not limited to, business disruptions, improper or unauthorized execution and processing of transactions, deficiencies in our technology or financial operating systems and inadequacies or breaches in our control processes. See page 93 of our 2013 Form 10-K for a discussion of our operational risk and certain of our risk mitigation processes. There have been no material changes in such processes during the nine months ended June 30, 2014.

As more fully described in the discussion of our business technology risks included in Item 1A:Risk Factors on page 22 - 23 for our 2013 Form 10-K, notwithstanding that we take protective measures and endeavor to modify them as circumstances warrant, our computer systems, software and networks may be vulnerable to spam attacks, unauthorized access, distributed denial of service attacks, computer viruses and other malicious code and other events that could have a security impact. If one or more of these events occur, this could jeopardize our, or our clients' or counterparties', confidential and other information processed, stored in, and transmitted through our computer systems and networks, or otherwise cause interruptions or malfunctions in our, our clients', our counterparties' or third parties' operations. To-date, we have not experienced any material losses relating to cyber attacks or other information security breaches, however, there can be no assurance that we will not suffer such losses in the future.

In February 2014, we successfully relocated our primary data processing center from our corporate headquarters location in St. Petersburg, Florida to Denver, Colorado. This accomplishment mitigates certain of the operational risks described in the "our operations could be adversely affected by serious weather conditions" risk described in Item 1A - Risk Factors, on page 23 of our 2013 Form 10-K.

## Regulatory and legal risk

Our regulatory and legal risks are described on pages 93 - 94 of our 2013 Form 10-K. There have been no material changes in our risk mitigation processes during the nine months ended June 30, 2014.

## Item 4. CONTROLS AND PROCEDURES

## Disclosure Controls and Procedures

Disclosure controls are procedures designed to ensure that information required to be disclosed in our reports filed under the Exchange Act, such as this report, are recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms. Disclosure controls are also designed to ensure that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable, not absolute, assurance of achieving the desired control objectives, as ours are designed to do, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

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Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of our disclosure controls and procedures pursuant to Exchange Act Rule 13a-15(b) as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that these disclosure controls and procedures are effective.

### Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended June 30, 2014 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. We intend to implement the new “Internal Control - Integrated Framework,” issued in May 2013 by the Committee of Sponsoring Organizations of the Treadway Commission, during our fiscal year 2015.

## PART II

### Item 1. LEGAL PROCEEDINGS

The following information supplements and amends the disclosure set forth under Part I, Item 3 “Legal Proceedings” on pages 29 - 31 of our 2013 Form 10-K.

#### Indemnification from Regions

As more fully described in Note 3 of the Notes to the Consolidated Financial Statements on pages 123 - 124 of our 2013 Form 10-K, the stock purchase agreement provides that Regions will indemnify RJF for losses incurred in connection with any legal proceedings pending as of the closing date or commenced after the closing date related to pre-closing matters. All of the pre-Closing Date Morgan Keegan matters either described or referred to below, are subject to such indemnification provisions. See Note 16 of the Notes to the Condensed Consolidated Financial Statements in this Form 10-Q for additional information regarding Morgan Keegan’s pre-Closing Date legal matter contingencies.

#### Pre-Closing Date Morgan Keegan matters (all of which are subject to indemnification by Regions)

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

Other than the update to the matter described above, there are no other material changes in the matters as presented on pages 29 - 31 of our 2013 Form 10-K.

#### Other matters unrelated to Morgan Keegan

We are a defendant or co-defendant in various lawsuits and arbitrations incidental to our securities business, matters which are unrelated to the pre-Closing Date activities of Morgan Keegan. We are contesting the allegations in these cases and believe that there are meritorious defenses in each of these lawsuits and arbitrations. In view of the number

and diversity of claims against us, the number of jurisdictions in which litigation is pending and the inherent difficulty of predicting the outcome of litigation and other claims, we cannot state with certainty what the eventual outcome of pending litigation or other claims will be. In the opinion of management, based on current available information, review with outside legal counsel, and consideration of amounts provided for in the accompanying condensed consolidated financial statements with respect to these matters, ultimate resolution of these matters will not have a material adverse impact on our financial position or cumulative results of operations. However, resolution of one or more of these matters may have a material effect on the results of operations in any future period, depending upon the ultimate resolution of those matters and upon the level of income for such period.

See Note 16 of the Notes to the Condensed Consolidated Financial Statements in this Form 10-Q for additional information regarding legal matter contingencies.

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## ITEM 1A. RISK FACTORS

See Item 1A: Risk Factors, on pages 15 - 29 of our 2013 Form 10-K for a discussion of risk factors that impact our operations and financial results. There have been no material changes in the risk factors as discussed therein.

ITEM MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED SHAREHOLDER MATTERS AND  
2. ISSUER PURCHASES OF EQUITY SECURITIES

The following table presents information on our purchases of our own stock, on a monthly basis, for the nine months ended June 30, 2014:

	Number of shares purchased <sup>(1)</sup>	Average price per share
October 1, 2013 – October 31, 2013	11,890	\$43.16
November 1, 2013 – November 30, 2013	68,503	48.38
December 1, 2013 – December 31, 2013	24,774	48.48
First quarter	105,167	\$47.82
January 1, 2014 – January 31, 2014	1,427	\$52.18
February 1, 2014 – February 28, 2014	16,423	52.06
March 1, 2014 – March 31, 2014	2,631	51.39
Second quarter	20,481	\$51.98
April 1, 2014 – April 30, 2014	8,602	\$55.31
May 1, 2014 – May 31, 2014	22,160	49.32
June 1, 2014 – June 30, 2014	277	49.71
Third quarter	31,039	\$50.98
Year-to-date	156,687	\$48.99

We purchase our own stock in conjunction with a number of activities, each of which are described below. We do (1) not have a formal stock repurchase plan. As of June 30, 2014, there is \$49.4 million remaining on the current authorization of our Board of Directors for open market share repurchases.

From time to time, our Board of Directors has authorized specific dollar amounts for repurchases at the discretion of our Board's Securities Repurchase Committee. The decision to repurchase securities is subject to cash availability and other factors. Historically we have considered such purchases when the price of our stock approaches 1.5 times book value. We did not purchase any of our shares in open market transactions during the nine months ended June 30, 2014.

Share purchases for the trust fund that was established and funded to acquire our common stock in the open market and used to settle restricted stock units granted as a retention vehicle for certain employees of our wholly owned Canadian subsidiary (see Note 2 of the Notes to Consolidated Financial Statements on page 121 of our 2013 Form 10-K, and Note 9 of the Notes to Condensed Consolidated Financial Statements in this Form 10-Q, for more information on this trust fund) amounted to 17,668 shares for a total of \$850 thousand, for the nine months ended June 30, 2014.

We also repurchase shares when employees surrender shares as payment for option exercises or withholding taxes. During the nine months ended June 30, 2014, there were 139,019 shares surrendered to us by employees for a

total of \$6.8 million as payment for option exercises or withholding taxes.

RJF expects to continue paying cash dividends. However, the payment and rate of dividends on our common stock is subject to several factors including operating results, our financial requirements, regulatory capital restrictions applicable to RJF, and the availability of funds from our subsidiaries, including the broker-dealer subsidiaries, which may be subject to restrictions under regulatory capital rules of the SEC, FINRA and the Investment Industry Regulatory Organization of Canada (“IIROC”). The availability of funds from subsidiaries may also be subject to restrictions contained in loan covenants of certain broker-dealer loan agreements; dividends to the parent from RJ Bank may be subject to restrictions by bank regulators. None of these restrictions have ever limited our past dividend payments. (See Note 20 of the Notes to Condensed Consolidated Financial Statements in this Form 10-Q for more information on regulatory capital levels of RJF, RJ Bank and our significant broker-dealer subsidiaries.)



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Item 3. DEFAULTS UPON SENIOR SECURITIES

None.

Item 5. OTHER INFORMATION

None.

Item 6. EXHIBITS

- 3.1 Restated Articles of Incorporation of Raymond James Financial, Inc. as filed with the Secretary of State of Florida on November 25, 2008, incorporated by reference to Exhibit 3(i).1 to the Company's Annual Report on Form 10-K, filed with the Securities and Exchange Commission on November 28, 2008.
- 3.2 Amended and Restated By-Laws of Raymond James Financial, Inc., reflecting amendments adopted by the Board of Directors on February 23, 2014, incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on February 26, 2014.
- 10.13.5 Fifth Third Bank Uncommitted Line of Credit Agreement Extension Letter, dated June 19, 2014.
- 10.18.2 First Amendment to Revolving Credit Agreement, dated as of April 1, 2014, by Regions Bank and RJ Securities, Inc.
- 10.26 Amended and Restated Master Promissory Note, dated June 19, 2014, by Raymond James Financial, Inc. in favor of The Bank of New York Mellon.
- 11 Statement Re: Computation of per Share Earnings (the calculation of per share earnings is included in Part I, Item 1 in the Notes to Condensed Consolidated Financial Statements (Earnings Per Share) and is omitted here in accordance with Section (b)(11) of Item 601 of Regulation S-K).
- 12 Statement of Computation of Ratio of Earnings to Fixed Charges and Preferred Stock Dividends.
- 31.1 Certification of Paul C. Reilly pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of Jeffrey P. Julien pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32 Certification of Paul C. Reilly and Jeffrey P. Julien pursuant to Rule 13a-14(b) and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 101.INS XBRL Instance Document.
- 101.SCH XBRL Taxonomy Extension Schema Document.
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document.
- 101.DEF XBRL Taxonomy Extension Definition Linkbase Document.

101.LAB XBRL Taxonomy Extension Label Linkbase Document.

101.PRE XBRL Taxonomy Extension Presentation Linkbase Document.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

RAYMOND JAMES FINANCIAL, INC.  
(Registrant)

Date: August 8, 2014

/s/ Paul C. Reilly  
Paul C. Reilly  
Chief Executive Officer

Date: August 8, 2014

/s/ Jeffrey P. Julien  
Jeffrey P. Julien  
Executive Vice President - Finance  
Chief Financial Officer and Treasurer