

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

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

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

INDEX

	PAGE
PART I. <u>FINANCIAL INFORMATION</u>	
Item 1. <u>Financial Statements (Unaudited)</u>	<u>3</u>
<u>Condensed Consolidated Statements of Financial Condition as of June 30, 2014 and September 30, 2013 (Unaudited)</u>	<u>3</u>
<u>Condensed Consolidated Statements of Income and Comprehensive Income for the three and nine months ended June 30, 2014 and June 30, 2013 (Unaudited)</u>	<u>5</u>
<u>Condensed Consolidated Statements of Changes in Shareholders' Equity for the nine months ended June 30, 2014 and June 30, 2013 (Unaudited)</u>	<u>6</u>
<u>Condensed Consolidated Statements of Cash Flows for the nine months ended June 30, 2014 and June 30, 2013 (Unaudited)</u>	<u>7</u>
<u>Notes to Condensed Consolidated Financial Statements (Unaudited)</u>	<u>9</u>
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>63</u>
Item 3. <u>Quantitative and Qualitative Disclosures about Market Risk</u>	<u>103</u>
Item 4. <u>Controls and Procedures</u>	<u>111</u>
PART II. <u>OTHER INFORMATION</u>	<u>112</u>
Item 1. <u>Legal Proceedings</u>	<u>112</u>
Item 1A. <u>Risk Factors</u>	<u>113</u>
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>113</u>
Item 3. <u>Defaults upon Senior Securities</u>	<u>114</u>
Item 5. <u>Other Information</u>	<u>114</u>
Item 6. <u>Exhibits</u>	<u>114</u>
Signatures	<u>115</u>

Index

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).

3

IndexRAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(Unaudited)

(continued from previous page)

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

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

4

Index

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

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

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

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

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

Index

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

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

Edgar Filing: RAYMOND JAMES FINANCIAL INC - Form 10-Q

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).

6

Index

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).

7

IndexRAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(continued from previous page)

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

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

8

Index

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

Index

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.

Index

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 ⁽¹⁾	\$1,497	\$24,042
Severance ⁽²⁾	6,742	12,947
Temporary services	2,019	3,622
Occupancy and equipment costs ⁽³⁾	2,340	3,614
Financial advisory fees	—	1,176
Legal	27	486
Other integration costs	824	5,866
Total acquisition related expense	\$13,449	\$51,753

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

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

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

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

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

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

	June 30, 2014 (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 ⁽¹⁾	2,845,757	2,596,616
Cash segregated pursuant to federal regulations and other segregated assets ⁽²⁾	2,298,518	4,064,827

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

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.

Index

NOTE 5 – FAIR VALUE

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

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

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

Edgar Filing: RAYMOND JAMES FINANCIAL INC - Form 10-Q

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

(continued on next page)

Index

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

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.

Index

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

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

(continued on next page)

Index

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

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.

Index

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: (2)										
Into Level 3	—	—	—	—	—	—	27,906	(3) —	—	—
Out of Level 3	—	—	—	—	—	—	—	—	—	22
Fair value										
June 30, 2014	\$12	\$52	\$953	\$—	\$110,701	\$113,449	\$208,876	\$1,836	\$2,852	\$(58)
	\$(1)	\$2	\$(42)	\$—	\$1,060	\$1,234	\$3,831	\$89	\$2,837	\$—

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

- 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.

Index

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

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

- 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.

Index

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

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

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

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

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

Index

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.

Index

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

Index

Quantitative information about level 3 fair value measurements

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

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

enterprise value^(g)

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

21

Index

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.

Index

Fair value option

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

Other fair value disclosures

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

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

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

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

Index

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

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

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.

Index

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

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

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

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

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

Index

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

Total available for sale
securities:

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

26

Index

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 ⁽¹⁾
Default rate	0% - 20.3%	8.05%
Loss severity	0% - 66.7%	37.73%
Prepayment rate	0.5% - 35.0%	8.44%

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

Index

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

28

Index

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

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

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

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

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

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

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

Loans held for sale

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

Index

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.

Index

Aging analysis

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

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

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

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

Index

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

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

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:

Edgar Filing: RAYMOND JAMES FINANCIAL INC - Form 10-Q

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

32

Index

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.

Index

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 ⁽¹⁾	108,784	—	192	—	16,562	—	—	125,538
Substandard ⁽¹⁾	25,322	—	22,289	—	71,840	364	—	119,815
Doubtful ⁽¹⁾	—	—	1,943	—	—	—	—	1,943
Total	\$6,049,340	\$102,051	\$1,581,780	\$94,855	\$1,729,856	\$21,332	\$908,034	\$10,487,248
September 30, 2013								
Pass	\$5,012,786	\$60,840	\$1,257,130	\$—	\$1,627,090	\$21,582	\$555,805	\$8,535,233
Special mention ⁽¹⁾	139,159	—	195	—	18,912	150	—	158,416
Substandard ⁽¹⁾	94,060	—	23,524	—	77,446	470	—	195,500
Doubtful ⁽¹⁾	—	—	2,197	—	—	—	—	2,197
Total	\$5,246,005	\$60,840	\$1,283,046	\$—	\$1,723,448	\$22,202	\$555,805	\$8,891,346

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

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

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

Balance⁽¹⁾
(in thousands)

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

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

Index

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

Edgar Filing: RAYMOND JAMES FINANCIAL INC - Form 10-Q

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

Index

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: ⁽¹⁾							
Individually evaluated for impairment	\$—	\$—	\$24,033	\$—	\$39,039	\$—	\$63,072
Collectively evaluated for impairment	6,049,340	102,051	1,557,747	94,855	1,712,149	908,034	10,424,176
Total recorded investment	\$6,049,340	\$102,051	\$1,581,780	\$94,855	\$1,751,188	\$908,034	\$10,487,248
September 30, 2013							
Allowance for loan losses:							
Individually evaluated for impairment	\$—	\$—	\$1	\$—	\$2,379	\$—	\$2,380
Collectively evaluated for impairment	95,994	1,000	19,265	—	16,747	1,115	134,121
Total allowance for loan losses	\$95,994	\$1,000	\$19,266	\$—	\$19,126	\$1,115	\$136,501
Recorded investment: ⁽¹⁾							
Individually evaluated for impairment	\$89	\$—	\$25,512	\$—	\$36,648	\$—	\$62,249
Collectively evaluated for impairment	5,245,916	60,840	1,257,534	—	1,709,002	555,805	8,829,097
Total recorded investment	\$5,246,005	\$60,840	\$1,283,046	\$—	\$1,745,650	\$555,805	\$8,891,346

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

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

respectively.

NOTE 9 – VARIABLE INTEREST ENTITIES

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

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

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

Index

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

VIEs where we are the primary beneficiary

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

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

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

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.

Index

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 ⁽¹⁾	13,390	13,073
Prepaid expenses and other assets	5,827	8,230
Total assets	\$275,073	\$311,019
Liabilities and equity:		
Trade and other payables	\$5,867	\$1,428
Intercompany payables	13,294	6,390
Loans payable of consolidated variable interest entities ⁽²⁾	43,245	62,938
Total liabilities	62,406	70,756
RJF equity	6,353	6,175
Noncontrolling interests	206,314	234,088
Total equity	212,667	240,263
Total liabilities and equity	\$275,073	\$311,019

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

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

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

	Three months ended June 30,		Nine months ended June 30,	
	2014	2013	2014	2013
	(in thousands)			
Revenues:				
Interest	\$—	\$—	\$1	\$3
Other	700	697	(716	) 4,721
Total revenues	700	697	(715	) 4,724
Interest expense	653	917	2,237	3,029
Net revenues (expense)	47	(220	) (2,952	) 1,695
Non-interest expenses				
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.

Index

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.

Edgar Filing: RAYMOND JAMES FINANCIAL INC - Form 10-Q

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

Index

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

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.

Index

Identifiable intangible assets, net

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

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

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

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

Identifiable intangible assets by type are presented below:

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

Index

NOTE 11 – BANK DEPOSITS

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

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

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

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

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

Scheduled maturities of certificates of deposit are as follows:

	June 30, 2014		September 30, 2013	
	Denominations greater than or equal to \$100,000 (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
------------------------------------	---------	---------	---------	---------

Index

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 ⁽¹⁾	\$59,166	\$84,076
FHLB advances ⁽²⁾	500,000	—
Borrowings on unsecured lines of credit ⁽³⁾	—	—
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

Index

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.

Index

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

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.

Index

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

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

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

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

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

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

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

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

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

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

Index

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) ⁽¹⁾	\$—		\$—
Derivatives - interest rate contracts ⁽²⁾	89,065	(60,674)	28,391	(5,150)	—		23,241
Derivative instruments associated with offsetting matched book positions	318,253	—	318,253	(318,253) ⁽³⁾	—		—
Stock borrowed	171,440	—	171,440	—	(166,099)		5,341
Total assets	\$1,086,763	\$(60,674)	\$1,026,089	\$(831,408)	\$(166,099)		\$28,582
Liabilities							
Securities sold under agreements to repurchase	\$(286,924)	\$—	\$(286,924)	\$286,924) ⁽⁴⁾	\$—		\$—
Derivatives - interest rate contracts ⁽²⁾	(75,395)	67,256	(8,139)	—	—		(8,139)
Derivative instruments associated with offsetting matched book positions	(318,253)	—	(318,253)	318,253) ⁽³⁾	—		—
Derivatives - forward foreign exchange contracts ⁽⁵⁾	(4,117)	—	(4,117)	—	—		(4,117)
Stock loaned	(453,661)	—	(453,661)	—	442,349		(11,312)
Total liabilities	\$(1,138,350)	\$67,256	\$(1,071,094)	\$605,177	\$442,349		\$(23,568)

As of September 30,
2013:

Assets

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

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

Index

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)	

Edgar Filing: RAYMOND JAMES FINANCIAL INC - Form 10-Q

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.

Index

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.

Index

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.

Index

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.

Index

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.

52

Index

Other matters

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

NOTE 17 – ACCUMULATED OTHER COMPREHENSIVE INCOME

Accumulated other comprehensive income

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

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

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

these derivatives).

53

Index

Reclassifications out of AOCI

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

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

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

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.

Index

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,
--	-----------------------------	----------------------------

Edgar Filing: RAYMOND JAMES FINANCIAL INC - Form 10-Q

	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.

Index

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)
---	--

Edgar Filing: RAYMOND JAMES FINANCIAL INC - Form 10-Q

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.

Index

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.

Index

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
--------------------	----------	----------

58

Index

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.

Index

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 ⁽¹⁾	(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 ⁽¹⁾	(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:

Edgar Filing: RAYMOND JAMES FINANCIAL INC - Form 10-Q

	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

60

Index

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 ⁽¹⁾	\$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 ⁽²⁾	(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

Index

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

	June 30, 2014 (in thousands)	September 30, 2013
Total assets:		
Private Client Group ⁽¹⁾	\$6,090,193	\$7,649,030
Capital Markets ⁽²⁾	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, 2014		Nine months ended June 30, 2014	
	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 ⁽¹⁾	\$21,198,353	\$21,154,293
Canada ⁽²⁾	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.

Index

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 and the SEC's website at 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.

Index

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).⁽¹⁾

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.

64

Index

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).⁽¹⁾ 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.

65

Index

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)							
Total company								
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		%
Private Client Group								
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		%
Capital Markets								
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		%
Asset Management								
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		%
RJ Bank								
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))%
Other								
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,

Index

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 ⁽¹⁾	13,449	51,753	
RJF's share of RJES goodwill impairment expense ⁽²⁾	—	4,564	
RJES restructuring expense ⁽³⁾	—	1,600	
Pre-tax non-GAAP adjustments	13,449	57,917	
Tax effect of non-GAAP adjustment ⁽⁴⁾	(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 ⁽⁵⁾	\$3,507,475	\$3,415,923	
Average equity - non-GAAP basis ⁽⁶⁾	\$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) ⁽⁷⁾	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) ⁽⁷⁾	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.

67

Index

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.

Index

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 ⁽¹⁾ (\$ in thousands)	Interest inc./exp.	Average yield/cost	Average balance ⁽¹⁾	Interest inc./exp.	Average yield/cost		
Interest-earning assets:								
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 ⁽²⁾	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 ⁽³⁾	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 ⁽³⁾	420,113	1,528	1.45	% 418,896	1,699	1.62	%	
Corporate cash and all other ⁽³⁾	1,971,488	2,524	0.51	% 3,431,133	3,644	0.42	%	
Total	\$18,833,460	\$119,391	2.54	% \$19,560,701	\$117,376	2.40	%	
Interest-bearing liabilities:								
Brokerage client liabilities	\$3,473,301	273	0.03	% \$4,872,946	\$511	0.04	%	
Bank deposits ⁽²⁾	10,400,037	1,980	0.08	% 9,055,628	2,191	0.10	%	
Trading instruments sold but not yet purchased ⁽³⁾	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 ⁽³⁾	50,085	653	5.22	% 68,959	917	5.32	%	
Other ⁽³⁾	365,718	2,033	2.22	% 336,975	2,801	3.32	%	
Total	\$16,190,823	\$27,052	0.67	% \$16,271,022	\$28,192	0.69	%	
Net interest income		\$92,339			\$89,184			

(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.

Index

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 ⁽¹⁾	Interest inc./exp.	Average yield/cost	Average balance ⁽¹⁾	Interest inc./exp.	Average yield/cost	
	(\$ in thousands)						
Interest-earning assets:							
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 ⁽²⁾	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 ⁽³⁾	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 ⁽³⁾	411,661	4,831	1.56	% 427,020	4,851	1.51	%
Corporate cash and all other ⁽³⁾	2,349,131	9,853	0.56	% 3,086,268	11,689	0.50	%
Total	\$18,898,860	\$354,877	2.50	% \$19,130,271	\$358,534	2.50	%
Interest-bearing liabilities:							
Brokerage client liabilities	\$4,116,394	990	0.03	% \$4,733,833	\$1,651	0.05	%
Bank deposits ⁽²⁾	10,048,773	5,864	0.08	% 9,028,383	7,079	0.10	%
Trading instruments sold but not yet purchased ⁽³⁾	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 ⁽³⁾	54,206	2,237	5.50	% 72,987	3,029	5.53	%
Other ⁽³⁾	346,985	3,903	1.50	% 353,277	6,243	2.36	%
Total	\$16,372,039	\$78,404	0.64	% \$16,131,404	\$83,416	0.69	%
Net interest income		\$276,473			\$275,118		

(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.

Index

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

Edgar Filing: RAYMOND JAMES FINANCIAL INC - Form 10-Q

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	%

71

Index

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.

72

Index

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 ⁽¹⁾
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.

Index

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.

Index

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

Edgar Filing: RAYMOND JAMES FINANCIAL INC - Form 10-Q

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

75

Index

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%.