RAYMOND JAMES FINANCIAL INC
Form 10-Q
August 08, 2012
Index

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

FORM 10-Q
(Mark one)
x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2012
or
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission File Number: 1-9109

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

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

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

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

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

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

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

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

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

138,017,783 shares of common stock as of August 3, 2012

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

Form 10-Q for the quarter ended June 30, 2012

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PART I FINANCIAL INFORMATION
Item 1. FINANCIAL STATEMENTS

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

| | June 30, 2012 | September 30, 2011 |
|---|---|---|
| | ($ in thousands) | |
| Assets: | | |
| Cash and cash equivalents | $1,729,035 | $2,439,695 |
| Assets segregated pursuant to regulations and other segregated assets | 2,719,026 | 3,548,683 |
| Securities purchased under agreements to resell and other collateralized financings | 706,713 | 398,247 |
| Financial instruments, at fair value: | | |
| Trading instruments | 908,426 | 492,771 |
| Available for sale securities | 751,637 | 520,665 |
| Private equity and other investments | 565,093 | 294,356 |
| Receivables: | | |
| Brokerage clients, net | 2,186,737 | 1,716,828 |
| Stock borrowed | 206,690 | 225,561 |
| Bank loans, net | 7,838,574 | 6,547,914 |
| Brokers-dealers and clearing organizations | 392,443 | 96,096 |
| Other | 1,054,874 | 536,364 |
| Deposits with clearing organizations | 144,230 | 91,482 |
| Prepaid expenses and other assets (includes derivative contracts at fair value of $472.4 million as of June 30, 2012) | 966,271 | 364,264 |
| Investments in real estate partnerships held by consolidated variable interest entities | 302,544 | 320,384 |
| Property and equipment, net | 223,560 | 169,850 |
| Deferred income taxes, net | 188,330 | 171,911 |
| Goodwill | 286,372 | 71,924 |
| Total assets | $21,170,555 | $18,006,995 |
| | | |
| Liabilities and equity: | | |
| Trading instruments sold but not yet purchased, at fair value | $186,894 | $76,150 |
| Securities sold under agreements to repurchase | 506,618 | 188,745 |
| Payables: | | |
| Brokerage clients | 4,776,027 | 4,690,414 |
| Stock loaned | 459,860 | 814,589 |
| Bank deposits | 8,277,304 | 7,739,322 |
| Brokers-dealers and clearing organizations | 212,243 | 111,408 |
| Trade and other (includes derivative contracts at fair value of $481.2 million as of June 30, 2012) | 1,164,260 | 309,723 |
| Accrued compensation, commissions and benefits | 591,120 | 452,849 |
| Loans payable of consolidated variable interest entities | 80,549 | 99,982 |
| Corporate debt | 1,333,971 | 611,968 |
| Total liabilities | 17,588,846 | 15,095,150 |
| Commitments and contingencies (see Note 14) | | |

| | | |
|---|---|---|
| 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 142,541,708 at June 30, 2012 and 130,670,086 at September 30, 2011 | 1,399 | 1,271 |
| Additional paid-in capital | 998,567 | 565,135 |
| Retained earnings | 2,281,407 | 2,125,818 |
| Treasury stock, at cost; 5,105,380 common shares at June 30, 2012 and 4,263,029 common shares at September 30, 2011 | (118,681) | (95,000) |
| Accumulated other comprehensive income | (4,996) | (9,605) |
| Total equity attributable to Raymond James Financial, Inc. | 3,157,696 | 2,587,619 |
| Noncontrolling interests | 424,013 | 324,226 |
| Total equity | 3,581,709 | 2,911,845 |
| Total liabilities and equity | $21,170,555 | $18,006,995 |

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

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

| | Three months ended June 30, | | Nine months ended June 30, | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| | (in thousands, except per share amounts) | | | |
| Revenues: | | | | |
| Securities commissions and fees | $733,180 | $551,337 | $1,803,041 | $1,649,186 |
| Investment banking | 72,266 | 64,518 | 169,556 | 186,618 |
| Investment advisory fees | 57,887 | 55,016 | 165,661 | 160,069 |
| Interest | 121,186 | 95,832 | 332,134 | 297,029 |
| Account and service fees | 82,082 | 71,739 | 231,947 | 211,928 |
| Net trading profits | 14,544 | 7,529 | 36,866 | 29,097 |
| Other | 34,617 | 22,241 | 65,227 | 31,362 |
| Total revenues | 1,115,762 | 868,212 | 2,804,432 | 2,565,289 |
| Interest expense | 29,554 | 17,825 | 63,510 | 49,016 |
| Net revenues | 1,086,208 | 850,387 | 2,740,922 | 2,516,273 |
| Non-interest expenses: | | | | |
| Compensation, commissions and benefits | 736,050 | 575,726 | 1,874,563 | 1,707,197 |
| Communications and information processing | 55,282 | 36,156 | 136,590 | 103,681 |
| Occupancy and equipment costs | 41,087 | 27,140 | 94,255 | 80,142 |
| Clearance and floor brokerage | 11,025 | 10,277 | 27,549 | 29,641 |
| Business development | 33,098 | 24,800 | 88,319 | 71,565 |
| Investment sub-advisory fees | 7,765 | 7,703 | 21,470 | 22,474 |
| Bank loan loss provision | 9,315 | 8,363 | 21,925 | 28,232 |
| Acquisition related expenses | 20,955 | — | 40,559 | — |
| Loss provision for auction rate securities | — | 45,000 | — | 45,000 |
| Other | 33,640 | 34,143 | 85,151 | 96,278 |
| Total non-interest expenses | 948,217 | 769,308 | 2,390,381 | 2,184,210 |
| Income including noncontrolling interests and before provision for income taxes | 137,991 | 81,079 | 350,541 | 332,063 |
| Provision for income taxes | 48,520 | 31,881 | 134,674 | 125,992 |
| Net income including noncontrolling interests | 89,471 | 49,198 | 215,867 | 206,071 |
| Net income (loss) attributable to noncontrolling interests | 13,121 | 2,412 | 3,323 | (3,355 ) |
| Net income attributable to Raymond James Financial, Inc. | $76,350 | $46,786 | $212,544 | $209,426 |
| | | | | |
| Net income per common share – basic | $0.55 | $0.37 | $1.61 | $1.66 |
| Net income per common share – diluted | $0.55 | $0.37 | $1.60 | $1.65 |
| Weighted-average common shares outstanding – basic | 135,256 | 123,238 | 129,206 | 122,200 |
| Weighted-average common and common equivalent shares outstanding – diluted | 136,657 | 123,958 | 130,187 | 122,689 |
| | | | | |
| Net income attributable to Raymond James Financial, Inc. | $76,350 | $46,786 | $212,544 | $209,426 |
| Other comprehensive income, net of tax:[1] | | | | |
| | 622 | (26 ) | 6,197 | 6,895 |

| | | | | |
|---|---|---|---|---|
| Change in unrealized gain (loss) on available for sale securities and non-credit portion of other-than-temporary impairment losses | | | | |
| Change in currency translations | (8,933) | 998 | (1,588) | 10,205 |
| Total comprehensive income | $68,039 | $47,758 | $217,153 | $226,526 |
| | | | | |
| Other-than-temporary impairment: | | | | |
| Total other-than-temporary impairment, net | $(1,260) | $(2,680) | $5,406 | $(4,064) |
| Portion of (recoveries) losses recognized in other comprehensive income (before taxes) | (175) | 425 | (10,274) | (3,589) |
| Net impairment losses recognized in other revenue | $(1,435) | $(2,255) | $(4,868) | $(7,653) |

(1) The components of other comprehensive income, net of tax, are attributable to Raymond James Financial, Inc.  None of the components of other comprehensive income are attributable to noncontrolling interests.

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

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

| | Nine months ended June 30, | |
|---|---|---|
| | 2012 | 2011 |
| | (in thousands, except per share amounts) | |
| Common stock, par value $.01 per share: | | |
| Balance, beginning of year | $1,271 | $1,244 |
| Issuance of shares, registered public offering | 111 [1] | — |
| Other issuances | 17 | 23 [2] |
| Balance, end of period | 1,399 | 1,267 |
| Shares exchangeable into common stock: | | |
| Balance, beginning of year | — | 3,119 |
| Exchanged | — | (3,119) [2] |
| Balance, end of period | — | — |
| Additional paid-in capital: | | |
| Balance, beginning of year | 565,135 | 476,359 |
| Issuance of shares, registered public offering | 362,712 [1] | — |
| Employee stock purchases | 12,286 | 7,116 |
| Exercise of stock options and vesting of restricted stock units, net of forfeitures | 16,142 | 32,281 |
| Restricted stock, stock option and restricted stock unit expense | 39,287 | 30,412 |
| Excess tax benefit from share-based payments | 2,407 | 460 |
| Issuance of stock as consideration for acquisition [3] | — | 4,011 |
| Other | 598 | 3,281 [2] |
| Balance, end of period | 998,567 | 553,920 |
| Retained earnings: | | |
| Balance, beginning of year | 2,125,818 | 1,909,865 |
| Net income attributable to Raymond James Financial, Inc. | 212,544 | 209,426 |
| Cash dividends declared | (52,118) | (49,346) |
| Other | (4,837) | 4,370 |
| Balance, end of period | 2,281,407 | 2,074,315 |
| Treasury stock: | | |
| Balance, beginning of year | (95,000) | (81,574) |
| Purchases/surrenders | (19,211) | (6,662) |
| Exercise of stock options and vesting of restricted stock units, net of forfeitures | (4,470) | 1,991 |
| Issuance of stock as consideration for acquisition | — | 4,504 |
| Balance, end of period | (118,681) | (81,741) |
| Accumulated other comprehensive income: [4] | | |
| Balance, beginning of year | (9,605) | (6,197) |
| Net unrealized gain on available for sale securities and non-credit portion of other-than-temporary impairment losses [5] | 6,197 | 6,895 |
| Net change in currency transactions | (1,588) | 10,205 |
| Balance, end of period | (4,996) | 10,903 |
| Total equity attributable to Raymond James Financial, Inc. | $3,157,696 | $2,558,664 |
| Noncontrolling interests: | | |
| Balance, beginning of year | $324,226 | $294,052 |
| Net income (loss) attributable to noncontrolling interests | 3,323 | (3,355) |
| Capital contributions | 33,228 | 33,576 |

| | | |
|---|---|---|
| Distributions | (6,645 ) | (9,541 ) |
| Deconsolidation of previously consolidated low income housing tax credit funds | — | (6,789 ) |
| Consolidation of low income housing tax credit funds not previously consolidated | — | 14,635 |
| Consolidation of private equity partnerships | 78,394 | — |
| Other | (8,513 ) | (16,003 ) |
| Balance, end of period | 424,013 | 306,575 |
| Total equity | $3,581,709 | $2,865,239 |

(1) During the quarter ending March 31, 2012, in a registered public offering, 11,075,000 common shares were issued generating approximately $363 million in net proceeds (after consideration of the underwriting discount and direct expenses of the offering).

(2) During the quarter ending March 31, 2011, approximately 243,000 exchangeable shares were exchanged for common stock on a one-for-one basis.

(3) In April, 2011, we acquired Howe Barnes, Hoefer & Arnett (“Howe Barnes”) by exchanging RJF shares for all issued and outstanding shares of Howe Barnes.

(4) The components of other comprehensive income are attributable to Raymond James Financial, Inc.  None of the components of other comprehensive income are attributable to noncontrolling interests.

(5) Net of tax.

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

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

| | Nine months ended June 30, | |
|---|---|---|
| | 2012 | 2011 |
| | (in thousands) | |
| Cash flows from operating activities: | | |
| Net income attributable to Raymond James Financial, Inc. | $212,544 | $209,426 |
| Net income (loss) attributable to noncontrolling interests | 3,323 | (3,355) |
| Net income including noncontrolling interests | 215,867 | 206,071 |
| Adjustments to reconcile net income including noncontrolling interests to net cash provided by operating activities: | | |
| Depreciation and amortization | 38,079 | 30,330 |
| Deferred income taxes | (16,389) | (43,242) |
| Premium and discount amortization on available for sale securities and unrealized/realized gain on other investments | (21,222) | (11,758) |
| Provisions for loan losses, legal proceedings, bad debts and other accruals | 26,679 | 44,125 |
| Share-based compensation expense | 41,774 | 32,969 |
| Loss provision for auction rate securities | — | 45,000 |
| Other | 11,469 | 20,017 |
| Net change in: | | |
| Assets segregated pursuant to regulations and other segregated assets | 954,857 | 934,240 |
| Securities purchased under agreements to resell and other collateralized financings, net of securities sold under agreements to repurchase | (192,771) | (294,113) |
| Stock loaned, net of stock borrowed | (328,145) | (35,259) |
| Brokerage client receivables and other accounts receivable, net | (316,477) | (244,615) |
| Trading instruments, net | (26,886) | 99,634 |
| Prepaid expenses and other assets | 5,726 | (17,522) |
| Brokerage client payables and other accounts payable | (84,289) | 383,015 |
| Accrued compensation, commissions and benefits | (39,591) | 17,034 |
| Purchase and origination of loans held for sale, net of proceeds from sale of securitizations and loans held for sale | (49,893) | (73,999) |
| Excess tax benefits from stock-based payment arrangements | (3,001) | (1,772) |
| Net cash provided by operating activities | 215,787 | 1,090,155 |
| Cash flows from investing activities: | | |
| Additions to property and equipment | (53,572) | (28,170) |
| Increase in loans, net | (1,256,018) | (114,152) |
| Redemptions of Federal Home Loan Bank stock, net | 20,169 | 42,811 |
| (Purchases) sales of private equity and other investments, net | (18,887) | 10,503 |
| Acquisition of controlling interest in subsidiary | — | (6,354) |
| Purchases of available for sale securities | (249,381) | (2,328) |
| Available for sale securities maturations, repayments and redemptions | 145,860 | 92,049 |
| Proceeds from sales of available for sale securities | — | 13,767 |
| Investments in real estate partnerships held by consolidated variable interest entities, net of other investing activity | (141) | (12,048) |

| | | |
|---|---|---|
| Business acquisition, net of cash acquired (see Note 2 for the components of net assets acquired) | (1,096,631 ) | — |
| Net cash used in investing activities | $(2,508,601 ) | $(3,922 ) |

(continued on next page)

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

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

(continued from previous page)

| | Nine months ended June 30, | |
|---|---|---|
| | 2012 | 2011 |
| | (in thousands) | |
| Cash flows from financing activities: | | |
| Proceeds from borrowed funds, net | $1,149,275 | $249,498 |
| Repayments of borrowed funds, net | (425,598) | (2,560,493) |
| Proceeds from issuance of shares in registered public offering | 362,823 | — |
| Repayments of borrowings by consolidated variable interest entities which are real estate partnerships | (23,147) | (23,679) |
| Proceeds from capital contributed to and borrowings of consolidated variable interest entities which are real estate partnerships | 30,546 | 32,912 |
| Purchase of additional equity interest in subsidiary | (4,017) | — |
| Exercise of stock options and employee stock purchases | 23,416 | 40,643 |
| Increase (decrease) in bank deposits | 537,982 | (135,260) |
| Purchase of treasury stock | (20,489) | (6,998) |
| Dividends on common stock | (50,655) | (49,346) |
| Excess tax benefits from share-based payment arrangements | 3,001 | 1,772 |
| Net cash provided by (used in) financing activities | 1,583,137 | (2,450,951) |
| | | |
| Currency adjustment: | | |
| Effect of exchange rate changes on cash | (983) | 1,801 |
| Net decrease in cash and cash equivalents | (710,660) | (1,362,917) |
| Increase in cash resulting from the consolidation of an acquired entity and the acquisition of a controlling interest in a subsidiary | — | 18,366 |
| Cash and cash equivalents at beginning of year | 2,439,695 | 2,943,239 |
| Cash and cash equivalents at end of period | $1,729,035 | $1,598,688 |
| | | |
| Supplemental disclosures of cash flow information: | | |
| Cash paid for interest | $51,407 | $36,187 |
| Cash paid for income taxes | $123,715 | $154,275 |
| Non-cash transfers of loans to other real estate owned | $11,121 | $12,157 |

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

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
June 30, 2012

## NOTE 1 – BASIS OF PRESENTATION

Raymond James Financial, Inc. ("RJF") is a 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.

On April 2, 2012 (the "Closing Date") RJF completed its acquisition of all of the issued and outstanding shares of Morgan Keegan & Company, Inc. (a broker-dealer hereinafter referred to as "MK & Co.") and MK Holding, Inc. and certain of its related affiliates (altogether referred to hereinafter as "Morgan Keegan") from Regions Financial Corporation ("Regions"). This acquisition expands both our private client wealth management and our capital markets businesses. See Note 17 for information regarding the capital position of MK & Co. as of June 30, 2012 and Note 2 for further discussion of our acquisition of Morgan Keegan.

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. 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.

Certain financial information that is normally included in annual financial statements prepared in accordance with United States of America ("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 Annual Report on Form 10-K for the year ended September 30, 2011, as filed with the U.S. Securities and Exchange Commission (the "2011 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.

### Update of significant accounting policies

A summary of our significant accounting policies is included in Note 1 on pages 81 - 97 of our 2011 Form 10-K. Other than as discussed below, there have been no significant changes in our significant accounting policies since September 30, 2011.

At March 31, 2012, we implemented new Financial Accounting Standards Board guidance regarding fair value measurement.  This new guidance primarily provides for certain additional fair value disclosures.  See Note 4 for the additional disclosures required under this new accounting guidance.

As more fully described in Note 1, page 87, of our 2011 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, the net balances associated therewith are included within other receivables on our Condensed Consolidated Statements of Financial Condition.  The outstanding balance of these loans is $453.5 million and $231.5 million at June 30, 2012 and September 30, 2011, respectively.  The June 30, 2012 outstanding balance includes $135.7 million of loans made to MK & Co. financial advisors during April 2012 in conjunction with our acquisition of Morgan Keegan (see Note 2 for further discussion of this acquisition) and $71.4 million of outstanding loans of MK & Co. as of the acquisition date. The related allowance for doubtful accounts balance is $2.2 million and $5.9 million at June 30, 2012 and September 30, 2011, respectively. Of the June 30, 2012 loan balance referred to above, 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 $2.8 million.

Reclassifications

In the fourth quarter of fiscal year 2011, we changed the title of what had been known as “Financial Service Fees” on our Condensed Consolidated Statements of Income and Comprehensive Income to “Account and Service Fees,” to better reflect the nature of the revenues included within the line item description.  Additionally, we reclassified certain components of revenue previously included within other revenues into Account and Service Fees.  A reclassification of $32.8 million and $90.3 million million of revenue previously reported as a component of other revenues for the three and nine months ended June 30, 2011 has been included in Account and Service Fees on the Condensed Consolidated Statements of Income and Comprehensive Income as presented, to conform the prior period to the current period presentation.

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

NOTE 2 – ACQUISITION OF MORGAN KEEGAN

As of the Closing Date, we applied the acquisition method of accounting to our acquisition of Morgan Keegan (as more fully described in Note 1).

Net assets acquired and consideration paid

The fair value of the assets acquired and liabilities assumed as of the Closing Date are reflected below.

| | (in thousands) | |
|---|---|---|
| Cash and cash equivalents | $114,466 | |
| Assets segregated pursuant to regulations and other segregated assets | 125,200 | |
| Securities purchased under agreements to resell and other collateralized financings | 166,604 | |
| Financial instruments, at fair value: | | |
| Trading instruments | 504,477 | |
| Available for sale securities | 122,309 | |
| Private equity and other investments | 245,033 | |
| Receivables: | | |
| Brokerage clients, net | 365,567 | |
| Stock borrowed | 16,020 | |
| Brokers-dealers and clearing organizations | 291,759 | |
| Other | 287,417 | |
| Deposits with clearing organizations | 51,362 | |
| Prepaid expenses and other assets | 443,973 | |
| Property and equipment, net | 34,269 | |
| Acquired intangible assets (see detail below) | 84,000 | |
| Goodwill | 214,448 | |
| Trading instruments sold but not yet purchased, at fair value | (216,094 | ) |
| Securities sold under agreements to repurchase | (368,782 | ) |
| Payables: | | |
| Brokerage client payables | (372,981 | ) |
| Stock loaned | (8,307 | ) |
| Brokers-dealers and clearing organizations | (12,171 | ) |
| Trade and other | (723,897 | ) |
| Accrued compensation, commissions and benefits | (176,585 | ) |
| Net assets acquired at fair value | $1,188,087 | |

The fair value of the consideration paid and the estimated net purchase price are as follows:

| | (in thousands) | |
|---|---|---|
| Cash paid to Regions on the Closing Date | $1,211,097 | |
| Receivable from Regions as of June 30, 2012 [1] | (23,010 | ) |
| Estimated net purchase price consideration | $1,188,087 | |

[1] The estimated outcome of the determination of the final Closing Date tangible book value of Morgan Keegan, as discussed below.

The total cash flow impact during fiscal year 2012 of a use of cash of $1.1 billion results from the $1.2 billion cash payment on the Closing Date offset by Morgan Keegan's Closing Date cash balance of $114 million.

Preliminary valuation of identified intangible assets

We are in the process of finalizing the valuation of the identifiable intangible assets acquired in the Morgan Keegan acquisition. Based upon our preliminary results, the preliminary values and our estimate of their respective useful lives are as follows:

| Identified intangible asset description: | Asset amount (in thousands) | Weighted average useful lives (in yrs) |
|---|---|---|
| Customer relationships | $51,000 | 11.9 |
| Non-solicitation agreements | 11,000 | 5.0 |
| Developed technology | 11,000 | 5.0 |
| Non-competition agreements | 7,000 | 2.0 |
| Trade names | 4,000 | 1.0 |
| Total identified intangible assets | $84,000 | |

Once our final valuation of the identified intangible assets is complete, we will adjust our preliminary estimates accordingly. We utilize the straight-line method of amortization for the acquired intangible assets. Based on our current estimate, amortization expense of $4 million related to the intangible assets acquired in the Morgan Keegan acquisition is included in other expense in our Condensed Consolidated Statements of Income and Comprehensive Income in the three month and nine month periods ended June 30, 2012.

Preliminary estimate of goodwill

The remaining consideration, after adjusting for the preliminary estimate of the identified intangible assets and the net assets and liabilities recorded at fair value, was preliminarily determined to be $214 million, which represents synergies resulting from combining the businesses, and is allocated to goodwill. To the extent that our preliminary value of identified intangible assets changes, there will be an equal and offsetting change to the recorded goodwill.

We elected to write-up to fair value, the tax basis of the acquired assets and liabilities assumed. As a result of this tax election, $68 million of the net deferred tax asset balance of Morgan Keegan as of the Closing Date is included in our allocation to goodwill. The goodwill arising from this transaction is attributable to our private client group and our capital markets business units. Our valuation process to determine the amount of goodwill to allocate to each respective business unit has not been completed. The portion of goodwill that is amortizable for tax purposes is approximately $211 million.

Selected Unaudited Pro forma financial information

The following unaudited pro forma financial information assumes the acquisition had occurred at the beginning of each period presented. Our fiscal year 2012 results of operations include the operations of Morgan Keegan for the period from April 2, 2012 to June 30, 2012. Integration of both equity and fixed income capital markets operations of Morgan Keegan began immediately following the Closing Date which precludes the determination of legacy Morgan Keegan results in those areas. Therefore, the results of the Morgan Keegan business, as acquired, does not exist as a discrete comparable entity within our reporting structure.

Pro forma results have been prepared by adjusting our historical results to include Morgan Keegan's results of operations adjusted for the following: amortization expense related to the estimated intangible assets arising from the acquisition; interest expense to reflect the impact of senior notes issued in March 2012; incremental bonus expense resulting from the bonus agreements made for retention purposes to certain Morgan Keegan financial advisors, incremental compensation expense related to restricted stock units granted to certain executives and key revenue producers for retention purposes; our acquisition expenses; a $545 million goodwill impairment charge included in Morgan Keegan's pre-Closing Date financial statements directly resulting from the transaction; and the applicable tax effect of each adjustment described above. The weighted average common shares used in the computation of both pro forma basic and pro forma diluted earnings per share were adjusted to reflect that the issuance of additional RJF shares that occurred in February 2012 had been outstanding for the entirety of each respective period presented.

The unaudited pro forma results presented do not necessarily reflect the results of operations that would have resulted had the acquisition been completed at the beginning of the applicable periods presented, nor does it indicate the results of operations in future periods. Additionally, the unaudited pro forma results do not include the impact of possible business model changes, nor does it consider any potential impacts of current market conditions on revenues, reduction of expenses, asset dispositions, or other factors. The impact of these items could alter the following unaudited pro forma results.

| | Three months ended | Nine months ended | |
|---|---|---|---|
| Pro forma results (Unaudited): | June 30, 2011 | June 30, 2012 | June 30, 2011 |
| | ($ in thousands except per share amounts) | | |
| Total net revenues | $1,102,328 | $3,253,924 | $3,334,666 |
| Net income | $65,457 | $255,647 | $242,603 |
| Net income per share: | | | |
| Basic | $0.48 | $1.86 | $1.77 |
| Diluted | $0.47 | $1.85 | $1.76 |

Other items of significance

Under the terms of the Stock Purchase Agreement (the “SPA”), on the Closing Date RJF paid Regions approximately $1.2 billion in cash in exchange for the Morgan Keegan shares. This purchase price represented a $230 million premium over a preliminary estimate of tangible book value at closing of $970 million. The SPA contemplated that Morgan Keegan would pay a cash dividend of $250 million to Regions prior to the closing of the transaction. However, the parties subsequently decided to defer payment of the dividend until after the closing, resulting in an increase in the book value of Morgan Keegan and therefore, the purchase price. Following the closing, RJF received a cash dividend in the amount of $250 million from Morgan Keegan. Subsequent to the closing of the transaction, the parties to the SPA were to determine the final closing date tangible book value; we believe we have an agreement in principle with Regions that it owes us approximately $23 million. Although definitive documentation has not yet been completed with respect to this matter, we have included this amount in the estimated net purchase price consideration and in other receivables on our June 30, 2012 Condensed Consolidated Statements of Financial Condition. The SPA provided for a potential downward adjustment of the purchase price if certain revenue retention hurdles were not met during the 90 days following closing; such revenue retention hurdles were met as of July 2, 2012 and as a result there will be no downward adjustment of the purchase price related to any revenue retention hurdles.

During April, 2012, RJF made approximately $136 million of loans to Morgan Keegan financial advisors and issued approximately 1.5 million of restricted stock units to certain key Morgan Keegan revenue producers as part of an employee retention program (see Note 1 for additional information). Concurrent with the execution of the SPA, RJF executed employment agreements with certain key members of the Morgan Keegan management team.

In addition to customary indemnity for breaches of representations and warranties and covenants, the SPA also provides that Regions will indemnify RJF for losses incurred in connection with legal proceedings pending as of the closing date or commenced after the closing date and related to pre-closing matters. With respect to the indemnification pertaining to most breaches of representations and warranties and covenants, there is no indemnification for the first $9 million of aggregate losses, and thereafter indemnification is subject to a maximum amount equal to 15% of the purchase price. With respect to representations regarding certain fundamental matters and with respect to legal proceedings pending as of the Closing Date, such matters are not subject to any annual indemnification deductible or cap. Indemnification for legal proceedings commenced after the closing is subject to an aggregate annual $2 million indemnification deductible for three years, after which RJF is entitled to receive the full amount of all such losses incurred in excess of $2 million.

In our application of the acquisition method of accounting, we recorded an indemnification asset of approximately $198 million pertaining primarily to legal matters, which is included in other assets, and the related liability is reflected in trade and other payables on our Condensed Consolidated Statements of Financial Condition. See Note 14 for discussion of the Morgan Keegan pre-Closing Date litigation matters.

On January 11, 2012, J.P. Morgan Chase ("JPM Chase") entered into a commitment letter to provide RJF with a $900 million  bridge financing facility to provide financing of the purchase price.  On February 16, 2012, JPM Chase and a number of other lenders executed a $900 million bridge credit agreement (the "Bridge Financing Agreement").  As a result of the successful completion of certain equity and debt financings during the quarter ended March 31, 2012, RJF terminated the Bridge Financing Agreement on March 10, 2012.

On the Closing Date, certain subsidiaries of RJF (the "Borrowers") entered into a credit agreement (the "Regions Credit Agreement") with Regions Bank, an Alabama banking corporation (the "Lender"). See Note 11 for information regarding this borrowing.

One or more of Morgan Keegan's affiliates are the general partner in private equity funds. As a result of the general partner interest, we are consolidating nine of the funds. Our share (inclusive of any related parties for purposes of this determination) of the ownership interest in the funds we are consolidating ranges from 9% to 100%. As a result of the consolidation, funds with total assets of approximately $116 million as of the Closing Date were consolidated. The portion of the consolidated funds equity that is attributable to others approximated $78 million.

Acquisition related expenses

Acquisition related expenses are recorded in the Condensed Consolidated Statement of Income and Comprehensive Income and include certain incremental expenses arising solely as a result of our acquisition of Morgan Keegan. During the three and nine months ended June 30, 2012, we incurred the following acquisition related expenses:

| | Three months ended | Nine months ended |
|---|---|---|
| | June 30, 2012 | June 30, 2012 |
| | (in thousands) | |
| Severance [(1)] | $13,845 | $17,028 |
| Financial advisory fees | 20 | 7,040 |
| Integration costs | 6,544 | 7,742 |
| Acquisition bridge financing facility fees | — | 5,684 |
| Legal | — | 2,230 |
| Other | 546 | 835 |
| Total acquisition related expenses | $20,955 | $40,559 |

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

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## NOTE 3 – CASH AND CASH EQUIVALENTS, ASSETS SEGREGATED PURSUANT TO REGULATIONS, AND DEPOSITS WITH CLEARING ORGANIZATIONS

Our cash equivalents include money market funds or highly liquid investments with original maturities of 90 days or less, other than those used for trading purposes.  For further discussion of our accounting policies regarding assets segregated pursuant to regulations and other segregated assets, see Note 1 on page 83 of our 2011 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,<br>2012 | September 30,<br>2011 |
|---|---|---|
| | (in thousands) | |
| Cash and cash equivalents: | | |
| Cash in banks | $1,724,460 | $2,438,249 |
| Money market investments | 4,575 | 1,446 |
| Total cash and cash equivalents [(1)] | 1,729,035 | 2,439,695 |
| Cash and securities segregated pursuant to federal regulations and other segregated assets [(2)] | 2,719,026 | 3,548,683 |
| Deposits with clearing organizations [(3)] | 144,230 | 91,482 |
| | $4,592,291 | $6,079,860 |

(1) The total amounts presented include: 1) Cash and cash equivalents of the parent company of $251 million as of June 30, 2012 that are not subject to any restrictions. 2) Cash and cash equivalents of $365 million and $471 million as of June 30, 2012 and September 30, 2011, respectively, which are either on deposit at our wholly owned bank subsidiary Raymond James Bank, FSB  (effective February 1, 2012, Raymond James Bank, N.A.) ("RJ Bank") or are otherwise invested by one of our subsidiaries on behalf of RJF, and are not subject to any restrictions.

(2) Consists of cash maintained in accordance with Rule 15c3-3 of the Securities Exchange Act of 1934. Raymond James & Associates, Inc., 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, Raymond James Ltd. ("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.

## NOTE 4 – FAIR VALUE

For a further discussion of our valuation methodologies for assets, liabilities measured at fair value, and the fair value hierarchy, see Note 1, pages 83 – 87, in our 2011 Form 10-K.

There have been no material changes to our valuation methodologies since our year ended September 30, 2011.

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

| June 30, 2012 | Quoted prices in active markets for identical assets (Level 1) [1]<br>(in thousands) | Significant other observable inputs (Level 2) [1] | Significant unobservable inputs (Level 3) | Netting adjustments [2] | Balance as of June 30, 2012 |
|---|---|---|---|---|---|
| Assets at fair value on a recurring basis: | | | | | |
| Trading instruments: | | | | | |
| Municipal and provincial obligations | $7 | $336,009 | $— | $— | $336,016 |
| Corporate obligations | 15,481 | 50,827 | — | — | 66,308 |
| Government and agency obligations | 9,163 | 132,811 | — | — | 141,974 |
| Agency mortgage-backed securities (“MBS”) and collateralized mortgage obligations (“CMOs”) | 4,232 | 239,871 | — | — | 244,103 |
| Non-agency CMOs and asset-backed securities (“ABS”) | — | 5,875 | 31 | — | 5,906 |
| Total debt securities | 28,883 | 765,393 | 31 | — | 794,307 |
| Derivative contracts | — | 141,388 | — | (94,564) | 46,824 |
| Equity securities | 44,064 | 2,027 | — | — | 46,091 |
| Other securities | 546 | 14,759 | 5,899 | — | 21,204 |
| Total trading instruments | 73,493 | 923,567 | 5,930 | (94,564) | 908,426 |
| Available for sale securities: | | | | | |
| Agency MBS and CMOs | — | 371,905 | — | — | 371,905 |
| Non-agency CMOs | — | 138,760 | 526 | — | 139,286 |
| Other securities | 12 | — | — | — | 12 |
| Auction rate securities (“ARS”): | | | | | |
| Municipals | — | — | 123,753 [3] | — | 123,753 |
| Preferred securities | — | — | 116,681 | — | 116,681 |
| Total available for sale securities | 12 | 510,665 | 240,960 | — | 751,637 |
| Private equity and other investments: | | | | | |
| Private equity investments | — | — | 335,237 [4] | — | 335,237 |
| Other investments | 222,831 | 2,897 | 4,128 | — | 229,856 |
| Total private equity and other investments | 222,831 | 2,897 | 339,365 | — | 565,093 |
| Other assets: | | | | | |
| Derivative contracts | — | 472,382 | — | — | 472,382 |
| Total assets at fair value on a recurring basis | $296,336 | $1,909,511 | $586,255 | $(94,564) | $2,697,538 |
| | | | | | |
| Assets at fair value on a nonrecurring basis: | | | | | |
| Bank loans, net: | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| Impaired loans[5] | $— | $54,850 | $34,659 | $— | $89,509 |
| Loans held for sale[6] | — | 49,276 | — | — | 49,276 |
| Total bank loans, net | — | 104,126 | 34,659 | — | 138,785 |
| Other Real Estate Owned (“OREO”)[7] | — | 8,132 | — | — | 8,132 |
| Total assets at fair value on a nonrecurring basis[8] | $— | $112,258 | $34,659 | $— | $146,917 |

(continued on next page)

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| June 30, 2012 | Quoted prices in active markets for identical assets (Level 1) [1]<br>(in thousands)<br>(continued from previous page) | Significant other observable inputs (Level 2) [1] | Significant unobservable inputs (Level 3) | Netting adjustments [2] | Balance as of June 30, 2012 |
|---|---|---|---|---|---|
| Liabilities at fair value on a recurring basis: | | | | | |
| Trading instruments sold but not yet purchased: | | | | | |
| Municipal and provincial obligations | $— | $234 | $— | $— | $234 |
| Corporate obligations | 32 | 5,986 | — | — | 6,018 |
| Government obligations | 164,393 | 2,980 | — | — | 167,373 |
| Agency MBS and CMOs | 277 | 103 | — | — | 380 |
| Total debt securities | 164,702 | 9,303 | — | — | 174,005 |
| Derivative contracts | — | 127,375 | — | (124,845 ) | 2,530 |
| Equity securities | 10,309 | 50 | — | — | 10,359 |
| Total trading instruments sold but not yet purchased | 175,011 | 136,728 | — | (124,845 ) | 186,894 |
| Trade and other payables: | | | | | |
| Derivative contracts | — | 481,151 | — | — | 481,151 |
| Other | — | — | 60 | — | 60 |
| Total trade and other payables | — | 481,151 | 60 | — | 481,211 |
| Total liabilities at fair value on a recurring basis | $175,011 | $617,879 | $60 | $(124,845 ) | $668,105 |

[1] We had no transfers of financial instruments from Level 1 to Level 2 during either the three or nine month periods ended June 30, 2012. We had $105 thousand and $541 thousand in transfers of financial instruments from Level 2 to Level 1 during the three and nine month periods ended June 30, 2012, respectively. These transfers were a result of an increase in availability and reliability of the observable inputs utilized in the respective instruments' fair value measurement. Our policy is that the end of each respective quarterly reporting period determines when transfers of financial instruments between levels are recognized.

[2] We have elected to net derivative receivables and derivative payables and the related cash collateral received and paid when a legally enforceable master netting agreement exists.

[3] Includes $48 million of Jefferson County, Alabama Limited Obligation School Warrants ARS and $21 million of Jefferson County, Alabama Sewer Revenue Refunding Warrants ARS.

[4] Includes $230 million in private equity investments of which the weighted-average portion we own is approximately 30%. Effectively, the economics associated with the portions of these investments we do not own become a component of noncontrolling interests on our Condensed Consolidated Statements of Financial Condition, and amounted to approximately $161 million of that total as of June 30, 2012.

(5)

There was a $55 million transfer of impaired loans from Level 3 to Level 2 during the nine month period ended June 30, 2012 due to the increase in availability and reliability of the observable inputs utilized in the respective instruments' fair value measurement.  Our analysis indicates that comparative sales data is a reasonable estimate of fair value, therefore, more consideration was given to this observable input.

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

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

(8) The adjustment to fair value of the nonrecurring fair value measures for the nine months ended June 30, 2012 resulted in $13.7 million in additional provision for loan losses, as well as $1.5 million in other losses during the nine month period.

| September 30, 2011 | Quoted prices in active markets for identical assets (Level 1) [(1)] | Significant other observable inputs (Level 2) [(1)] | Significant unobservable inputs (Level 3) | Netting adjustments [(2)] | Balance as of September 30, 2011 |
|---|---|---|---|---|---|
| | (in thousands) | | | | |
| Assets at fair value on a recurring basis: | | | | | |
| Trading instruments: | | | | | |
| Municipal and provincial obligations | $8 | $164,019 | $375 | $— | $164,402 |
| Corporate obligations | 4,137 | 23,470 | — | — | 27,607 |
| Government and agency obligations | 22,620 | 13,486 | — | — | 36,106 |
| Agency MBS and CMOs | 31 | 147,726 | — | — | 147,757 |
| Non-agency CMOs and ABS | — | 49,069 | 50 | — | 49,119 |
| Total debt securities | 26,796 | 397,770 | 425 | — | 424,991 |
| Derivative contracts | — | 126,867 | — | (88,563) | 38,304 |
| Equity securities | 17,908 | 3,274 | 15 | — | 21,197 |
| Other securities | 816 | 7,463 | — | — | 8,279 |
| Total trading instruments | 45,520 | 535,374 | 440 | (88,563) | 492,771 |
| | | | | | |
| Available for sale securities: | | | | | |
| Agency MBS and CMOs | — | 178,732 | — | — | 178,732 |
| Non-agency CMOs | — | 145,024 | 851 | — | 145,875 |
| Other securities | 10 | — | — | — | 10 |
| ARS: | | | | | |
| Municipals | — | — | 79,524 [(3)] | — | 79,524 |
| Preferred securities | — | — | 116,524 | — | 116,524 |
| Total available for sale securities | 10 | 323,756 | 196,899 | — | 520,665 |
| | | | | | |
| Private equity and other investments: | | | | | |
| Private equity investments | — | — | 168,785 [(4)] | — | 168,785 |
| Other investments | 123,421 | 63 | 2,087 | — | 125,571 |
| Total private equity and other investments | 123,421 | 63 | 170,872 | — | 294,356 |
| | | | | | |
| Other assets | — | 2,696 | — | — | 2,696 |
| Total assets at fair value on a recurring basis | $168,951 | $861,889 | $368,211 | $(88,563) | $1,310,488 |
| | | | | | |
| Assets at fair value on a nonrecurring basis: | | | | | |
| Bank loans, net [(5)] | $— | $39,621 | 111,941 [(7)] | $— | $151,562 |
| OREO[(6)] | — | 11,278 | — | — | 11,278 |
| | $— | $50,899 | $111,941 | $— | $162,840 |

Total assets at fair value on a nonrecurring basis

(continued on next page)

| September 30, 2011 | Quoted prices in active markets for identical assets (Level 1) [1] | Significant other observable inputs (Level 2) [1] | Significant unobservable inputs (Level 3) | Netting adjustments [2] | Balance as of September 30, 2011 |
|---|---|---|---|---|---|
| (in thousands) | | | | | |
| (continued from previous page) | | | | | |
| Liabilities at fair value on a recurring basis: | | | | | |
| Trading instruments sold but not yet purchased: | | | | | |
| Municipal and provincial obligations | $— | $607 | $— | $— | $607 |
| Corporate obligations | — | 5,625 | — | — | 5,625 |
| Government obligations | 56,472 | — | — | — | 56,472 |
| Agency MBS and CMOs | 159 | — | — | — | 159 |
| Total debt securities | 56,631 | 6,232 | — | — | 62,863 |
| Derivative contracts | — | 112,457 | — | (105,869 ) | 6,588 |
| Equity securities | 6,488 | 211 | — | — | 6,699 |
| Total trading instruments sold but not yet purchased | 63,119 | 118,900 | — | (105,869 ) | 76,150 |
| Trade and other payables: | | | | | |
| Other liabilities | — | 20 | 40 | — | 60 |
| Total trade and other payables | $— | $20 | $40 | $— | $60 |
| Total liabilities at fair value on a recurring basis | $63,119 | $118,920 | $40 | $(105,869 ) | $76,210 |

(1) We had no significant transfers of financial instruments between Level 1 and Level 2 during the period ended September 30, 2011. Our policy is that the end of each respective quarterly reporting period determines when transfers of financial instruments between levels are recognized.

(2) We have elected to net derivative receivables and derivative payables and the related cash collateral received and paid when a legally enforceable master netting agreement exists.

(3) Includes $53 million of Jefferson County, Alabama Limited Obligation School Warrants ARS and $19 million of Jefferson County, Alabama Sewer Revenue Refunding Warrants ARS.

(4) Includes $88 million in private equity investments of which the weighted-average portion we own is approximately 20%. Effectively, the economics associated with the portions of these investments we do not own become a component of noncontrolling interests on our Condensed Consolidated Statements of Financial Condition, and amounted to approximately $70 million of that total as of September 30, 2011.

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

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

(7) At September 30, 2011, Level 3 assets include residential first mortgage nonaccrual loans for which a charge-off had been recorded.  See Note 7, pages 110 – 116 of our 2011 Form 10-K.

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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, 2012
Level 3 assets at fair value
(in thousands)

| | Financial assets | | | | | | | | | Financial liabilities |
|---|---|---|---|---|---|---|---|---|---|---|
| | Trading instruments | | | | Available for sale securities | | | Private equity and other investments | | Payables-trade and other |
| | Municipal & provincial obligations | Non-agency CMOs & ABS | Equity securities | Other securities | Non-agency CMOs | ARS – municipals | ARS - preferred securities | Private equity investments | Other investments | Other liabilities |
| Fair value March 31, 2012 | $— | $34 | $— | $6,618 | $633 | $71,909 | $102,092 | $181,446 | $2,193 | $(39) |
| Total gains (losses) for the period: | | | | | | | | | | |
| Included in earnings | — | — | — | (63) | (157) | (947) | — | 20,983 [1] | 9 | (21) |
| Included in other comprehensive income | — | — | — | — | — | (31) | 2,209 | — | 109 | — |
| Purchases and contributions | — | — | — | 8,790 | 56 | 55,869 | 66,440 | 136,828 [3] | 2,273 | — |
| Sales | — | — | — | (8,903) | — | — | — | — | — | — |
| Redemptions by issuer | — | — | — | — | — | (3,047) | (54,060) | — | — | — |
| Distributions | — | (3) | — | (543) | (6) | — | — | (4,020) | (456) | — |
| Transfers: [2] | | | | | | | | | | |
| Into Level 3 | — | — | — | — | — | — | — | — | — | — |
| Out of Level 3 | — | — | — | — | — | — | — | — | — | — |
| Fair value June 30, 2012 | $— | $31 | $— | $5,899 | $526 | $123,753 | $116,681 | $335,237 | $4,128 | $(60) |
| Change in unrealized gains (losses) for the period included in | $— | $5 | $— | $(63) | $(157) | $(978) | $2,209 | $20,983 [1] | $95 | $— |

earnings (or changes in net assets) for assets held at the end of the reporting period

(1) Primarily results from valuation adjustments of certain private equity investments.  Since we only own a portion of these investments, our share of the net valuation adjustments resulted in a gain of $2.5 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 $18.4 million.

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

(3) Includes private equity investments of approximately $46 million arising from the Morgan Keegan acquisition and $90 million of other investments arising from the consolidation of certain of Morgan Keegan's private equity funds (see Note 2 for further information regarding the Morgan Keegan acquisition and the consolidation of some of the private equity funds they sponsor).

Nine months ended June 30, 2012
Level 3 assets at fair value
(in thousands)

| | Financial assets | | | | | | | | | Financial liabilities |
|---|---|---|---|---|---|---|---|---|---|---|
| | Trading instruments | | | | Available for sale securities | | | Private equity and other investments | | Payables-trade and other |
| | Municipal & provincial obligations | Non-agency CMOs & ABS | Equity securities | Other securities | Non-agency CMOs | ARS – municipals | ARS - Preferred securities | Private equity investments | Other investments | Other liabilities |
| Fair value September 30, 2011 | $375 | $50 | $15 | $— | $851 | $79,524 | $116,524 | $168,785 | $2,087 | $(40) |
| Total gains (losses) for the period: | | | | | | | | | | |
| Included in earnings | 89 | (3) | 11 | (1,222) | (295) | (1,487) | (75) | 29,013 [1] | 225 | (20) |
| Included in other comprehensive income | — | — | — | — | — | (7,499) | 4,870 | — | — | — |
| Purchases and contributions | — | — | 16 | 13,978 | 2 | 56,344 | 66,915 | 152,090 [4] | 2,273 | — |
| Sales | (320) | — | (16) | (12,397) | — | — | | — | (1) | — |
| Redemptions by issuer | — | — | — | — | — | (3,172) | (71,510) | — | — | — |
| Distributions | — | (16) | — | (1,037) | (32) | — | — | (14,651) | (456) | — |
| Transfers: | | | | | | | | | | |
| Into Level 3 | — | — | 152 | 6,577 [2] | — | 43 | — | — | — | — |
| Out of Level 3[3] | (144) | — | (178) | — | — | — | (43) | — | — | — |
| Fair value June 30, 2012 | $— | $31 | $— | $5,899 | $526 | $123,753 | $116,681 | $335,237 | $4,128 | $(60) |
| 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 | $— | $— | $— | $(61) | $(295) | $(8,908) | $4,870 | $28,909 [1] | $147 | $— |

period

(1) Primarily results from valuation adjustments of certain private equity investments. Since we only own a portion of these investments, our share of the net valuation adjustments resulted in a gain of $5.4 million which is included in net income attributable to RJF (after noncontrolling interests). The noncontrolling interests' share of the net valuation adjustments was a gain of approximately $23.6 million.

(2) During the nine month period ended June 30, 2012, we transferred certain securities which were previously included in Level 2, non-agency CMOs and ABS.

(3) The transfers out of Level 3 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.

(4) Includes private equity investments of approximately $46 million arising from the Morgan Keegan acquisition and $90 million of other investments arising from the consolidation of certain of Morgan Keegan's private equity funds (see Note 2 for further information regarding the Morgan Keegan acquisition and the consolidation of some of the private equity funds they sponsor).

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Three months ended June 30, 2011
Level 3 assets at fair value
(in thousands)

| | Financial assets | | | | | | | Financial liabilities |
|---|---|---|---|---|---|---|---|---|
| | Trading instruments | | | Available for sale securities | Private equity and other investments | | Prepaid expenses and other assets | Payables-trade and other |
| | Municipal & provincial obligations | Non-agency CMOs & ABS | Equity securities | Non-agency CMOs | Private equity investments | Other investments | Other assets | Other liabilities |
| Fair value March 31, 2011 | $5,688 | $3,921 | $1,925 | $800 | $157,046 | $45 | $25 | $ (42) |
| Total gains (losses) for the period: | | | | | | | | |
| Included in earnings | (129) | 570 | — | — | 8,819 | — | — | — |
| Included in other comprehensive income | — | — | — | 136 | — | — | — | — |
| Purchases, issues & settlements, net | 751 | (4,433) | (578) | (21) | 1,909 | — | — | — |
| Transfers: | | | | | | | | |
| Into Level 3 | — | — | — | — | — | — | — | — |
| Out of Level 3 | — | — | — | — | — | — | — | 2 |
| Fair value June 30, 2011 | $6,310 | $58 | $1,347 | $915 | $167,774 | $45 | $25 | $ (40) |
| 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 | $(54) | $(63) | $— | $— | $8,819 | $— | $— | $ — |

Nine months ended June 30, 2011
Level 3 assets at fair value
(in thousands)

| | Financial assets | | | | | | | Financial liabilities |
|---|---|---|---|---|---|---|---|---|
| | Trading instruments | | | Available for sale securities | Private equity and other investments | | Prepaid expenses and other assets | Payables-trade and other |
| | | Non- | Equity | Non- | Private | Other | Other | Other |

| | Municipal & provincial obligations | agency CMOs & ABS | securities | agency CMOs | equity investments | investments | assets | liabilities |
|---|---|---|---|---|---|---|---|---|
| Fair value September 30, 2010 | $6,275 | $3,930 | $3,025 | $1,011 | $161,230 | $45 | $25 | $ (46) |
| Total gains (losses) for the period: | | | | | | | | |
| Included in earnings | (710) | 1,310 | — | 121 | 8,417 | — | — | — |
| Included in other comprehensive income | — | — | — | 202 | — | — | — | — |
| Purchases, issues & settlements, net | 745 | (5,182) | (1,678) | (419) | (1,873) | — | — | — |
| Transfers: | | | | | | | | |
| Into Level 3 | — | — | — | — | — | — | — | (3) |
| Out of Level 3 | — | — | — | — | — | — | — | 9 |
| Fair value June 30, 2011 | $6,310 | $58 | $1,347 | $915 | $167,774 | $45 | $25 | $ (40) |
| 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 | $(855) | $(190) | $— | $(81) | $8,417 | $— | $— | $ — |

As of June 30, 2012, 12.7% of our assets and 3.8% 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, 2012 represent 21.7% of our assets measured at fair value, a substantial increase as compared to June 30, 2011 as a result of the purchase of ARS that occurred during the fourth quarter of fiscal year 2011 (see the ARS repurchase discussion in Note 18 on pages 130 – 131 of our 2011 Form 10-K) and as a component of our acquisition of Morgan Keegan (see Note 2 for further information). As of June 30, 2011, 7.6% and 1.5% 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, 2011 represented 14.5% of our assets measured at fair value.

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

| For the three months ended June 30, 2012 | Net trading profits | Other revenues |
|---|---|---|
| | (in thousands) | |
| Total (losses) gains for the period included in revenues | $(63) | $19,867 |
| Change in unrealized (losses) gains for the period for assets held at the end of the reporting period | $(58) | $22,152 |

| For the nine months ended June 30, 2012 | Net trading profits | Other revenues |
|---|---|---|
| | (in thousands) | |
| Total (losses) gains for the period included in revenues | $(1,125) | $27,361 |
| Change in unrealized (losses) gains for the period for assets held at the end of the reporting period | $(61) | $24,723 |

| For the three months ended June 30, 2011 | Net trading profits | Other revenues |
|---|---|---|
| | (in thousands) | |
| Total gains for the period included in revenues | $441 | $8,819 |
| Change in unrealized (losses) gains for the period for assets held at the end of the reporting period | $(117) | $8,819 |

| For the nine months ended June 30, 2011 | Net trading profits | Other revenues |
|---|---|---|
| | (in thousands) | |
| Total gains for the period included in revenues | $600 | $8,538 |
| Change in unrealized (losses) gains for the period for assets held at the end of the reporting period | $(1,045) | $8,336 |

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, 2012 (in thousands) | Valuation technique(s) | Unobservable input | Range (weighted-average) |
|---|---|---|---|---|
| Recurring measurements: | | | | |
| Available for sale securities: | | | | |
| ARS: | | | | |
| Municipals | $53,392 | Probability weighted internal scenario model: | | |
| | | Scenario 1 - recent trades | Observed trades (in inactive markets) of in-portfolio securities as well as observed trades (in active markets) of other comparable securities | 57% of par - 104% of par (67% of par) |
| | | Scenario 2 - scenario of potential outcomes | Par value of scenario based possible outcomes[a] | 70% of par - 94% of par (84% of par) |
| | | | Weighting assigned to weighted average of scenario 1 | 40% - 50% (45%) |
| | | | Weighting assigned to weighted average of scenario 2 | 50% - 60% (55%) |
| | $18,843 | Recent trades | Observed trades (in inactive markets) of in-portfolio securities as well as<br>observed trades of<br>other comparable securities<br>(in inactive markets) | 50% of par - 106% of par (63% of par) |
| | | | Comparability adjustments[b] | +/-5% of par ( +/-5% of par) |
| | $51,518 | Discounted cash flow | Average discount rate[c] | 3.1% - 7.25% (4.93%) |
| | | | Average interest rates applicable to future interest income on the securities[d] | .95% - 5.62% (2.78%) |
| | | | Prepayment year[e] | 2014 - 2039 (2021) |
| Preferred securities | $116,681 | Discounted cash flow | Average discount rate[c] | 3.79% - 5.97% (4.42%) |
| | | | Average interest rates applicable to future interest income on the securities[d] | 1.84% - 3.35% (2.49%) |
| | | | Prepayment year[e] | 2012 - 2021 (2018) |
| Private equity investments: | $103,620 | Market comparable | EBITDA multiple[f] | 6.5 - 6.5 (6.5) |

| | | | | |
|---|---|---|---|---|
| | | companies | Projected EBITDA growth[g] | 5.2% - 5.2% (5.2%) |
| | $33,939 | Discounted cash flow | Discount rate | 15% - 16% (15.5%) |
| | | | Terminal growth rate of cash flows | 3% - 3% (3%) |
| | | | Terminal year | 2015 - 2015 (2015) |
| | $197,678 | Transaction price or other investment-specific events[h] | Not meaningful[h] | Not meaningful[h] |
| Nonrecurring measurements: | | | | |
| Impaired loans: residential | $22,310 | Discounted cash flow | Prepayment rate | 7 yrs. - 12 yrs. (10.78 yrs.) |
| Impaired loans: corporate | $12,349 | Appraisal or discounted cash flow[i] | Not meaningful[i] | Not meaningful[i] |

The explanations to the footnotes in the above table are on the following page.

Footnote explanations pertaining to the table on the previous page:

(a) Management utilizes an internal model which projects the outcome of various scenarios which management believes market participants are evaluating as likely possible outcomes impacting the value of the security.  Values presented represent the range of fair values associated with the various potential scenarios.

(b) Management estimates that market participants apply this range of either discount or premium, as applicable, to the limited observable trade data in order to assess the value of the securities within this portfolio segment.

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

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

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

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

(g) 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.

(h) Certain direct private equity investments are valued initially at the transaction price until significant transactions or developments indicate that a change in the carrying values of these investments is appropriate.

(i) The valuation techniques used for the impaired corporate loan portfolio as of June 30, 2012 were appraisals less selling costs for the collateral dependent loans, and discounted cash flows for the one remaining impaired loan that is 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 relate 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 imbedded 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 included within our other assets 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 either 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.

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, 2012, 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 3, pages 103 – 104, of our 2011 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 as of June 30, 2012 are as follows:

| June 30, 2012 | Quoted prices in active markets for identical assets (Level 1)<br>(in thousands) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) | Total estimated fair value | Carrying amount |
|---|---|---|---|---|---|
| Financial assets: | | | | | |
| Bank loans, net[1] | $— | $— | $7,752,192 | $7,752,192 | $7,699,850 |
| Financial liabilities: | | | | | |
| Bank deposits | $— | $7,963,242 | $323,514 | $8,286,756 | $8,277,304 |
| Corporate debt | $379,960 | $944,334 | $— | $1,324,294 | $1,333,971 |

[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, 2012.

The estimated fair values and the carrying amounts of our financial instruments that are not carried at fair value as of September 30, 2011 are as follows:

| September 30, 2011 | Estimated fair value<br>(in thousands) | Carrying amount |
|---|---|---|

| | | |
|---|---|---|
| Financial assets: | | |
| Bank loans, net | $6,596,439 | $6,547,914 |
| Financial liabilities: | | |
| Bank deposits | $7,745,607 | $7,739,322 |
| Corporate debt | $675,509 | $611,968 |

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

| | June 30, 2012 | | September 30, 2011 | |
|---|---|---|---|---|
| | Trading instruments | Instruments sold but not yet purchased | Trading instruments | Instruments sold but not yet purchased |
| | (in thousands) | | | |
| Municipal and provincial obligations | $336,016 | $234 | $164,402 | $607 |
| Corporate obligations | 66,308 | 6,018 | 27,607 | 5,625 |
| Government and agency obligations | 141,974 | 167,373 | 36,106 | 56,472 |
| Agency MBS and CMOs | 244,103 | 380 | 147,757 | 159 |
| Non-agency CMOs and ABS | 5,906 | — | 49,119 | — |
| Total debt securities | 794,307 | 174,005 | 424,991 | 62,863 |
| | | | | |
| Derivative contracts [(1)] | 46,824 | 2,530 | 38,304 | 6,588 |
| Equity securities | 46,091 | 10,359 | 21,197 | 6,699 |
| Other securities | 21,204 | — | 8,279 | — |
| Total | $908,426 | $186,894 | $492,771 | $76,150 |

[(1)] Represents the derivative contracts held for trading purposes. For the period ended June 30, 2012, does not include all derivative instruments since the derivative contracts arising from Morgan Keegan's business operations are included in other assets and trade and other payables on our Condensed Consolidated Statements of Financial Condition. See Note 12 for further information regarding all of our derivative transactions.

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

## NOTE 6 – AVAILABLE FOR SALE SECURITIES

Available for sale securities are comprised of MBS and CMOs owned by RJ Bank, ARS and certain equity securities owned by our non-broker-dealer subsidiaries. Refer to the discussion of our available for sale securities accounting policies, including the fair value determination process, on Note 1 pages 85 – 86 in our 2011 Form 10-K.

There were no proceeds from the sale of available for sale securities during the nine month period ended June 30, 2012. There were proceeds of $13.8 million from the sale of available for sale securities during the nine month period ended June 30, 2011, which resulted in total losses of $203 thousand.

During the nine months ended June 30, 2012, ARS with an aggregate par value of approximately $75 million have been redeemed by their issuer at par; a gain of $343 thousand for the three and nine month periods ended June 30, 2012 was recorded in our Condensed Consolidated Statements of Income and Comprehensive Income resulting from redemptions of these ARS securities.

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, 2012 | | | | |
| Available for sale securities: | | | | |
| Agency MBS and CMOs | $371,879 | $786 | $(760) | $371,905 |
| Non-agency CMOs [1] | 172,933 | — | (33,647) | 139,286 |
| Total RJ Bank available for sale securities | 544,812 | 786 | (34,407) | 511,191 |
| | | | | |
| Auction rate securities: | | | | |
| Municipal obligations [2] | 131,251 | 227 | (7,725) | 123,753 |
| Preferred securities | 111,811 | 12,869 | (7,999) | 116,681 |
| Total auction rate securities | 243,062 | 13,096 | (15,724) | 240,434 |
| | | | | |
| Other securities | 3 | 9 | — | 12 |
| Total available for sale securities | $787,877 | $13,891 | $(50,131) | $751,637 |
| | | | | |
| September 30, 2011 | | | | |
| Available for sale securities: | | | | |
| Agency MBS and CMOs | $178,120 | $639 | $(27) | $178,732 |
| Non-agency CMOs [3] | 192,956 | — | (47,081) | 145,875 |
| Total RJ Bank available for sale securities | 371,076 | 639 | (47,108) | 324,607 |
| | | | | |
| Auction rate securities: | | | | |
| Municipal obligations | 79,524 | — | — | 79,524 |
| Preferred securities | 116,524 | — | — | 116,524 |
| Total auction rate securities | 196,048 | — | — | 196,048 |
| | | | | |
| Other securities | 3 | 7 | — | 10 |
| Total available for sale securities | $567,127 | $646 | $(47,108) | $520,665 |

[1] As of June 30, 2012, the non-credit portion of other-than-temporary impairment (“OTTI”) recorded in accumulated other comprehensive income (“AOCI”) was $27.6 million (before taxes).

[2] As of June 30, 2012, the non-credit portion of OTTI recorded in AOCI was $7.5 million (before taxes).

[3] As of September 30, 2011, the non-credit portion of OTTI recorded in AOCI was $37.9 million (before taxes).

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

The contractual maturities, amortized cost, carrying values and current yields for our available for sale securities 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 and other securities 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, 2012 | | | | |
|---|---|---|---|---|---|
| | Within one year | After one but within five years | After five but within ten years | After ten years | Total |
| | (in thousands) | | | | |
| Agency MBS & CMOs: | | | | | |
| Amortized cost | $— | $79 | $88,963 | $282,837 | $371,879 |
| Carrying value | — | 79 | 89,105 | 282,721 | 371,905 |
| Weighted-average yield | — | 0.38 % | 0.51 % | 1.01 % | 0.89 % |
| Non-agency CMOs: | | | | | |
| Amortized cost | $— | $— | $— | $172,933 | $172,933 |
| Carrying value | — | — | — | 139,286 | 139,286 |
| Weighted-average yield | — | — | — | 3.09 % | 3.09 % |
| Sub-total agency MBS & CMOs and non-agency CMOs: | | | | | |
| Amortized cost | $— | $79 | $88,963 | $455,770 | $544,812 |
| Carrying value | — | 79 | 89,105 | 422,007 | 511,191 |
| Weighted-average yield | — | 0.38 % | 0.51 % | 1.69 % | 1.40 % |
| Auction rate securities: | | | | | |
| Municipal obligations | | | | | |
| Amortized cost | $— | $— | $8,620 | $122,631 | $131,251 |
| Carrying value | — | — | 7,872 | 115,881 | 123,753 |
| Weighted-average yield | — | — | 0.47 % | 0.73 % | 0.71 % |
| Preferred securities: | | | | | |
| Amortized cost | $— | $— | $— | $111,811 | $111,811 |
| Carrying value | — | — | — | 116,681 | 116,681 |
| Weighted-average yield | — | — | — | 0.35 % | 0.35 % |
| Sub-total auction rate securities: | | | | | |
| Amortized cost | $— | $— | $8,620 | $234,442 | $243,062 |
| Carrying value | — | — | 7,872 | 232,562 | 240,434 |
| Weighted-average yield | — | — | 0.47 % | 0.54 % | 0.54 % |
| Other securities: | | | | | |
| Amortized cost | $— | $— | $— | $3 | $3 |
| Carrying value | — | — | — | 12 | 12 |

| | | | | | |
|---|---|---|---|---|---|
| Total available for sale securities: | | | | | |
| Amortized cost | $— | $79 | $97,583 | $690,215 | $787,877 |
| Carrying value | — | 79 | 96,977 | 654,581 | 751,637 |
| Weighted-average yield | — | 0.38 % | 0.51 % | 1.28 % | 1.12 % |

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, 2012 | | | | | |
|---|---|---|---|---|---|---|
| | Less than 12 months | | 12 months or more | | Total | |
| | Estimated fair value | Unrealized losses | Estimated fair value | Unrealized losses | Estimated fair value | Unrealized losses |
| | (in thousands) | | | | | |
| Agency MBS and CMOs | $165,804 | $(734) | $12,226 | $(26) | $178,030 | $(760) |
| Non-agency CMOs | — | — | 139,286 | (33,647) | 139,286 | (33,647) |
| ARS municipal obligations | 86,304 | (7,725) | — | — | 86,304 | (7,725) |
| ARS preferred securities | 91,391 | (7,999) | — | — | 91,391 | (7,999) |
| Total impaired securities | $343,499 | $(16,458) | $151,512 | $(33,673) | $495,011 | $(50,131) |

| | September 30, 2011 | | | | | |
|---|---|---|---|---|---|---|
| | Less than 12 months | | 12 months or more | | Total | |
| | Estimated fair value | Unrealized losses | Estimated fair value | Unrealized losses | Estimated fair value | Unrealized losses |
| | (in thousands) | | | | | |
| Agency MBS and CMOs | $23,366 | $(6) | $17,702 | $(21) | $41,068 | $(27) |
| Non-agency CMOs | 1,345 | (93) | 144,530 | (46,988) | 145,875 | (47,081) |
| Total impaired securities | $24,711 | $(99) | $162,232 | $(47,009) | $186,943 | $(47,108) |

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, 2012, of the 14 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 seven 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. The historical details, home prices and economic outlook are considered to derive assumptions of default rates, loss severities, delinquencies and prepayment speeds utilized in the discounted cash flow model to project security specific cash flows, which factors in the amount of credit enhancement specific to the security. The difference between the present value of the cash flows expected and the amortized cost basis is the credit loss and is recorded as OTTI.

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

| | June 30, 2012 | |
|---|---|---|
| | Range | Weighted-average [1] |
| Default rate | 0% - 33.8% | 12.82% |
| Loss severity | 13.6% - 71.8% | 44.72% |
| Prepayment rate | 0% - 19.4% | 6.22% |

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

At June 30, 2012, all 25 of the non-agency CMOs were in a continuous unrealized loss position for 12 months or more. As of June 30, 2012 and including subsequent ratings changes, $33.1 million of the non-agency CMOs were rated investment grade by at least one rating agency, and $106.2 million were rated less than investment grade, which ranged from Caa to D. Given the comprehensive analysis process utilized, these ratings are not a significant factor in the overall OTTI evaluation process. The unrealized losses at June 30, 2012 were primarily due to the continued interest rate volatility and uncertainty in the markets.

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.

ARS

As a component of the Morgan Keegan acquisition (see Note 2 for further information), we acquired ARS on the Closing Date which had a fair value of $122.3 million. Our cost basis in the ARS we hold is the fair value of the securities in the period in which we acquired them (refer to the ARS repurchase discussion in Note 18 on pages 130 – 131 of our 2011 Form 10-K for information regarding the ARS we held prior to the Closing Date). 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”) and Jefferson County, Alabama Sewer Revenue Refunding Warrants ARS (“Jeff Co. Sewers ARS”). During the first quarter of our fiscal year 2012, Jefferson County, Alabama filed a 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, this proceeding remains on-going. During the nine months ended June 30, 2012, unrealized losses arose for both the Jeff Co. Schools ARS and the Jeff Co. Sewers ARS based upon a decrease in the fair values of these securities. Based upon the available information as of June 30, 2012, we prepared cash flow forecasts for the purpose of determining the amount of any OTTI related to credit losses. Refer to the discussion below for the amount of OTTI related to credit losses which we determined regarding these two ARS holdings.

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, 2012 and including subsequent ratings changes, all of the ARS preferred securities were rated investment grade by at least one rating agency. Given that these ARS are by their design variable rate securities tied to short-term interest rates, decreases in projected future short-term interest rates have a negative impact on projected cash flows, and potentially a negative impact on the fair value. The unrealized losses at June 30, 2012 were primarily due to a decrease in projected future short-term interest rates, which resulted in a lower fair value. We expect to recover the entire amortized cost basis of the ARS preferred securities we hold. At June 30, 2012, we concluded that none of the OTTI within our portfolio of ARS preferred securities related to credit losses.

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, | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| | (in thousands) | | | |
| Amount related to credit losses on securities we held at the beginning of the period | $25,739 | $17,470 | $22,306 | $18,816 |
| Additions to the amount related to credit loss for which an OTTI was not previously recognized | 866 | — | 1,409 | 240 |
| Decreases to the amount related to credit loss for securities sold during the period | — | — | — | (6,744) |
| Additional increases to the amount related to credit loss for which an OTTI was previously recognized | 569 | 2,255 | 3,459 | 7,413 |
| Amount related to credit losses on securities we held at the end of the period | $27,174 | $19,725 | $27,174 | $19,725 |

With respect to certain non-agency CMO's for the three and nine months ended June 30, 2012 credit losses for which an OTTI was previously recognized were primarily due to high loss severities on individual loan collateral and the expected continuation of high default levels and collateral losses into calendar year 2013.

With respect to the municipal ARS for the three months ended June 30, 2012, credit losses related to securities for which an OTTI was not previously recognized arise from Jeff Co. Schools ARS, and reflect the portion of our amortized cost basis that we do not expect to receive based upon the present value of our most recent projected cash flows for that security. For the three and nine month periods ended June 30, 2012, credit losses related to securities for which an OTTI was previously recognized arise from Jeff Co. Sewers ARS, and reflect the portion of our amortized cost basis that we do not expect to receive.

## NOTE 7 – BANK LOANS, NET

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

For a discussion of our accounting policies regarding bank loans and allowances for losses, including the policies regarding loans held for investment, loans held for sale, off-balance sheet loan commitments, nonperforming assets, troubled debt restructurings ("TDRs"), impaired loans, the allowance for loan losses and reserve for unfunded lending commitments, and loan charge-off policies, see Note 1, pages 88 – 92, in our 2011 Form 10-K.

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

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

| | June 30, 2012 | | | September 30, 2011 | | |
|---|---|---|---|---|---|---|
| | Balance | % | | Balance | % | |
| | ($ in thousands) | | | | | |
| Loans held for sale, net[(1)] | $193,063 | 2 | % | $102,236 | 2 | % |
| Loans held for investment: | | | | | | |
| C&I loans | 5,081,307 | 63 | % | 4,100,939 | 61 | % |
| CRE construction loans | 35,417 | — | | 29,087 | — | |
| CRE loans | 945,256 | 12 | % | 742,889 | 11 | % |
| Residential mortgage loans | 1,717,717 | 22 | % | 1,756,486 | 26 | % |
| Consumer loans | 89,653 | 1 | % | 7,438 | — | |
| Total loans held for investment | 7,869,350 | | | 6,636,839 | | |
| Net unearned income and deferred expenses | (74,755 | ) | | (45,417 | ) | |
| Total loans held for investment, net[(1)] | 7,794,595 | | | 6,591,422 | | |
| Total loans held for sale and investment | 7,987,658 | 100 | % | 6,693,658 | 100 | % |
| Allowance for loan losses | (149,084 | ) | | (145,744 | ) | |

| | | |
|---|---|---|
| Bank loans, net | $7,838,574 | $6,547,914 |

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

RJ Bank purchased or originated $325.5 million and $603.4 million of loans held for sale during the three and nine months ended June 30, 2012, respectively and $83.3 million and $165.1 million for the three and nine months ended June 30, 2011, respectively.  There were proceeds from the sale of held for sale loans of $37.2 million and $102.9 million for the three and nine months ended June 30, 2012, respectively, resulting in net gains of $398 thousand and $922 thousand, respectively.  There were proceeds from the sale of held for sale loans of $21.1 million and $72.4 million for the three and nine months ended June 30, 2011, respectively, resulting in net gains of $74 thousand and $648 thousand, respectively.  These gains were recorded in other revenues on our Condensed Consolidated Statements of Income and Comprehensive Income.

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

| | Three months ended June 30, | | | | Nine months ended June 30, | | | |
|---|---|---|---|---|---|---|---|---|
| | 2012 | | 2011 | | 2012 | | 2011 | |
| | Purchases | Sales | Purchases | Sales | Purchases | Sales | Purchases | Sales |
| | (in thousands) | | | | | | | |
| C&I loans | $146,363 | $10,600 | $16,500 | $38,545 | $435,223 [1] | $42,838 | $23,430 | $54,424 |
| CRE construction | — | — | — | — | 31,074 [1] | — | — | — |
| CRE loans | (157) [2] | — | 4,650 | — | 121,245 [1] | — | 4,650 | — |
| Residential mortgage loans | 1,218 | — | 145 | — | 34,322 | — | 40,568 | — |
| Total | $147,424 | $10,600 | $21,295 | $38,545 | $621,864 | $42,838 | $68,648 | $54,424 |

[1] Includes a total of $367 million for a Canadian loan portfolio purchased during the nine months ended June 30, 2012, which was comprised of $219 million C&I, $31 million of CRE construction and $117 million of CRE loans.

[2] Represents discount on unfunded, revolving loan purchase during the three months ended June 30, 2012.

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

| | June 30, 2012 | September 30, 2011 |
|---|---|---|
| | ($ in thousands) | |
| Nonaccrual loans: | | |
| C&I loans | $3,943 | $25,685 |
| CRE loans | 9,404 | 15,842 |
| Residential mortgage loans: | | |
| First mortgage loans | 86,423 | 90,992 |
| Home equity loans/lines | 126 | 67 |
| Total nonaccrual loans | 99,896 | 132,586 |
| | | |
| Accruing loans which are 90 days past due: | | |
| Residential mortgage loans: | | |
| First mortgage loans | — | 690 |
| Home equity loans/lines | — | 47 |
| Total accruing loans which are 90 days past due | — | 737 |
| Total nonperforming loans | 99,896 | 133,323 |
| | | |
| Real estate owned and other repossessed assets, net: | | |
| CRE | 5,133 | 7,707 |
| Residential: | | |
| First mortgage | 3,924 | 6,852 |
| Home equity | — | 13 |
| Total | 9,057 | 14,572 |
| Total nonperforming assets, net | $108,953 | $147,895 |
| Total nonperforming assets, net as a % of RJ Bank total assets | 1.16 % | 1.64 % |

The table of nonperforming assets above excludes $12.6 million and $10.3 million as of June 30, 2012 and September 30, 2011, respectively, of residential TDRs which were returned to accrual status in accordance with our policy.

As of June 30, 2012 and September 30, 2011, 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 $1.3 million and $3.7 million for the three and nine months ended June 30, 2012, respectively and $1.7 million and $4.3 million for the three and nine months ended June 30, 2011.  The interest income recognized on nonperforming loans was $430 thousand and $1.4 million for the three and nine months ended June 30, 2012, respectively and $279 thousand and $691 thousand for the three and nine months ended June 30, 2011.

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 | Total loans held for investment [(1)] |
|---|---|---|---|---|---|---|
| | (in thousands) | | | | | |
| As of June 30, 2012: | | | | | | |
| C&I loans | $226 | $— | $— | $226 | $5,081,081 | $5,081,307 |
| CRE construction loans | — | — | — | — | 35,417 | 35,417 |
| CRE loans | — | — | 4,960 | 4,960 | 940,296 | 945,256 |
| Residential mortgage loans: | | | | | | |
| First mortgage loans | 4,801 | 2,171 | 59,060 | 66,032 | 1,625,289 | 1,691,321 |
| Home equity loans/lines | 88 | — | 25 | 113 | 26,283 | 26,396 |
| Consumer loans | — | — | — | — | 89,653 | 89,653 |
| Total loans held for investment, net | $5,115 | $2,171 | $64,045 | $71,331 | $7,798,019 | $7,869,350 |
| | | | | | | |
| As of September 30, 2011: | | | | | | |
| C&I loans | $— | $— | $— | $— | $4,100,939 | $4,100,939 |
| CRE construction loans | — | — | — | — | 29,087 | 29,087 |
| CRE loans | — | — | 5,053 | 5,053 | 737,836 | 742,889 |
| Residential mortgage loans: | | | | | | |
| First mortgage loans | 6,400 | 6,318 | 61,870 | 74,588 | 1,651,181 | 1,725,769 |
| Home equity loans/lines | 88 | — | 114 | 202 | 30,515 | 30,717 |
| Consumer loans | — | — | — | — | 7,438 | 7,438 |
| Total loans held for investment, net | $6,488 | $6,318 | $67,037 | $79,843 | $6,556,996 | $6,636,839 |

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

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

| | June 30, 2012 | | | September 30, 2011 | | |
|---|---|---|---|---|---|---|
| | Gross recorded investment | Unpaid principal balance | Allowance for losses | Gross recorded investment | Unpaid principal balance | Allowance for losses |
| | (in thousands) | | | | | |
| Impaired loans with allowance for loan losses:[(1)] | | | | | | |
| C&I loans | $3,942 | $12,541 | $996 | $25,685 | $26,535 | $8,478 |
| CRE loans | 18 | 27 | 1 | 6,122 | 6,131 | 1,014 |
| Residential mortgage loans: | | | | | | |
| First mortgage loans | 80,206 | 119,473 | 10,921 | 83,471 | 123,202 | 10,226 |
| Home equity loans/lines | 128 | 128 | 46 | 128 | 128 | 20 |
| Total | 84,294 | 132,169 | 11,964 | 115,406 | 155,996 | 19,738 |
| | | | | | | |
| Impaired loans without allowance for loan losses:[(2)] | | | | | | |
| CRE loans | 9,386 | 18,440 | — | 9,720 | 20,648 | — |
| Residential - first mortgage loans | 7,793 | 13,295 | — | 6,553 | 10,158 | — |
| Total | 17,179 | 31,735 | — | 16,273 | 30,806 | — |
| Total impaired loans | $101,473 | $163,904 | $11,964 | $131,679 | $186,802 | $19,738 |

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

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

The table above includes $3.9 million C&I, $9.4 million CRE, $26.1 million residential first mortgage and $128 thousand residential home equity TDRs at June 30, 2012. In addition, the table above includes $12 million C&I, $4.7 million CRE, $23.3 million residential first mortgage and $128 thousand residential home equity TDRs at September 30, 2011.

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, | | |
|---|---|---|---|---|---|---|
| | 2012 | 2011 | | 2012 | 2011 | |
| | (in thousands) | | | | | |
| Average impaired loan balance: | | | | | | |
| C&I loans | $4,793 | $8,731 | | $10,581 | $2,910 | |
| CRE loans | 9,404 | 37,862 | | 12,846 | 43,954 | |
| Residential mortgage loans: | | | | | | |
| First mortgage loans | 88,545 | 85,008 | (1) | 88,406 | 84,951 | (1) |
| Home equity loans/lines | 154 | 143 | | 141 | 143 | |
| Total | $102,896 | $131,744 | | $111,974 | $131,958 | |
| | | | | | | |
| Interest income recognized: | | | | | | |
| Residential mortgage loans: | | | | | | |
| First mortgage loans | $291 | $210 | (1) | $882 | $535 | (1) |
| Home equity loans/lines | 1 | 1 | | 3 | 3 | |
| Total | $292 | $211 | | $885 | $538 | |

(1) In order to enhance the comparability of amounts presented, the June 30, 2011 amount includes nonaccrual loans, or related interest income, as applicable, for which a charge-off had been recorded. The amount originally reported for this period did not include such loans.

During the three and nine months ended June 30, 2012 and 2011, RJ Bank granted concessions to borrowers having financial difficulties, for which the resulting modification was deemed a TDR. The concessions granted for first mortgage residential loans were generally interest rate reductions and interest capitalization. The table below presents the impact TDRs which occurred during the respective periods presented had on our condensed consolidated financial statements:

| | Number of contracts | Pre-modification outstanding recorded investment | Post-modification outstanding recorded investment |
|---|---|---|---|
| | ($ in thousands) | | |
| Three months ended June 30, 2012: | | | |
| Residential – first mortgage loans | 6 | $1,512 | $1,567 |
| | | | |
| Three months ended June 30, 2011: | | | |
| Residential – first mortgage loans | 1 | $505 | $508 |
| | | | |
| Nine months ended June 30, 2012: | | | |
| Residential – first mortgage loans | 15 | $4,438 | $4,653 |
| | | | |
| Nine months ended June 30, 2011: | | | |
| Residential – first mortgage loans | 16 | $5,155 | $5,369 |

During the three and nine months ended June 30, 2012, there were three and four residential first mortgage TDRs with a recorded investment of $641 thousand and $671 thousand, respectively, 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 and nine months ended June 30, 2011, there were one and two residential first mortgage TDRs with a recorded investment of $255 thousand thousand and $425 thousand, respectively, 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.

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 and consumer loan portfolios and internal risk ratings, which correspond to the same standard asset classifications for the corporate loan portfolio. These classifications are divided into three groups: Not Classified (Pass), Special Mention, and Classified or Adverse Rating (Substandard, Doubtful and Loss) and are defined as follows:

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

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

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

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

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

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

| | | | | Residential mortgage | | | |
|---|---|---|---|---|---|---|---|
| | C&I | CRE construction | CRE | First mortgage | Home equity | Consumer | Total |
| | (in thousands) | | | | | | |
| As of June 30, 2012: | | | | | | | |
| Pass | $4,820,064 | $35,417 | $812,864 | $1,579,375 | $25,891 | $89,653 | $7,363,264 |
| Special mention [(1)] | 202,850 | — | 60,944 | 23,475 | 378 | — | 287,647 |
| Substandard [(1)] | 54,451 | — | 67,003 | 88,471 | 127 | — | 210,052 |
| Doubtful [(1)] | 3,942 | — | 4,445 | — | — | — | 8,387 |
| Total | $5,081,307 | $35,417 | $945,256 | $1,691,321 | $26,396 | $89,653 | $7,869,350 |
| As of September 30, 2011: | | | | | | | |
| Pass | $3,906,358 | $29,087 | $572,124 | $1,607,327 | $30,319 | $7,438 | $6,152,653 |
| Special mention [(1)] | 88,889 | — | 76,021 | 23,684 | 170 | — | 188,764 |
| Substandard [(1)] | 93,658 | — | 90,058 | 94,758 | 228 | — | 278,702 |
| Doubtful [(1)] | 12,034 | — | 4,686 | — | — | — | 16,720 |
| Total | $4,100,939 | $29,087 | $742,889 | $1,725,769 | $30,717 | $7,438 | $6,636,839 |

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

The credit quality of RJ Bank's residential first mortgage loan portfolio is additionally assessed utilizing updated loan-to-value ("LTV") ratios.  RJ Bank further segregates all of its performing residential first mortgage loan portfolio with higher reserve percentages allocated to the higher LTV loans.  Current LTVs are updated using the most recently available information (generally on a 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 change in the condition of the underlying property, variations in housing price changes within metropolitan statistical areas and other factors.

The table below presents the most recently available update of the performing residential first mortgage loan portfolio summarized by current LTV:

| | Balance[1]<br>(in thousands) |
|---|---|
| LTV range: | |
| LTV less than 50% | $276,031 |
| LTV greater than 50% but less than 80% | 424,587 |
| LTV greater than 80% but less than 100% | 245,257 |
| LTV greater than 100%, but less than 120% | 258,578 |
| LTV greater than 120% but less than 140% | 131,098 |
| LTV greater than 140% | 52,991 |
| Total | $1,388,542 |

[1] Excludes loans that have full repurchase recourse for any delinquent loans.

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

| | | Loans held for investment | | | | | |
|---|---|---|---|---|---|---|---|
| | Loans held for sale | C&I | CRE construction | CRE | Residential mortgage | Consumer | Total |
| | (in thousands) | | | | | | |
| Three months ended June 30, 2012: | | | | | | | |
| Balance at beginning of period: | $— | $84,300 | $749 | $26,835 | $32,742 | $52 | $144,678 |
| Provision for loan losses | — | 8,509 | (244) | 1,072 | (207) | 185 | 9,315 |
| Net charge-offs: | | | | | | | |
| Charge-offs | — | (2,784) | — | — | (3,742) | (58) | (6,584) |
| Recoveries | — | — | — | 252 | 1,529 | 5 | 1,786 |
| Net charge-offs | — | (2,784) | — | 252 | (2,213) | (53) | (4,798) |
| Foreign exchange translation adjustment | — | (70) | (10) | (31) | — | — | (111) |
| Balance at June 30, 2012 | $— | $89,955 | $495 | $28,128 | $30,322 | $184 | $149,084 |
| | | | | | | | |
| Nine months ended June 30, 2012: | | | | | | | |
| Balance at beginning of period: | $5 | $81,267 | $490 | $30,752 | $33,210 | $20 | $145,744 |
| Provision for loan losses | (5) | 16,713 [1] | 6 [1] | (2,411) [1] | 7,377 | 245 | 21,925 |
| Net charge-offs: | | | | | | | |
| Charge-offs | — | (8,001) | — | (1,000) | (12,328) | (96) | (21,425) |
| Recoveries | — | — | — | 800 | 2,063 | 15 | 2,878 |
| Net charge-offs | — | (8,001) | — | (200) | (10,265) | (81) | (18,547) |
| Foreign exchange translation adjustment | — | (24) | (1) | (13) | — | — | (38) |
| | $— | $89,955 | $495 | $28,128 | $30,322 | $184 | $149,084 |

Balance at June 30, 2012

(1) There were provisions for loan losses recorded during the nine months ended June 30, 2012 of $3.3 million, $558 thousand, and $1.3 million for C&I, CRE construction, and CRE loans, respectively, related to a Canadian loan portfolio RJ Bank purchased during the March, 2012 quarter. These provisions for loan losses resulted from RJ Bank's quarterly assessment of inherent risk in this portfolio.

| | Loans held for sale | Loans held for investment | | | | | |
|---|---|---|---|---|---|---|---|
| | | C&I | CRE construction | CRE | Residential mortgage | Consumer | Total |
| | (in thousands) | | | | | | |
| Three months ended June 30, 2011: | | | | | | | |
| Balance at beginning of period: | $4 | $64,696 | $2,745 | $44,182 | $34,469 | $19 | $146,115 |
| Provision for loan losses | 1 | 9,283 | (2,318) | (5,137) | 6,321 | 213 | 8,363 |
| Net charge-offs: | | | | | | | |
| Charge-offs | — | (370) | — | (4,082) | (5,243) | (215) | (9,910) |
| Recoveries | — | — | — | 780 | 449 | 3 | 1,232 |
| Net charge-offs | — | (370) | — | (3,302) | (4,794) | (212) | (8,678) |
| Balance at June 30, 2011 | $5 | $73,609 | $427 | $35,743 | $35,996 | $20 | $145,800 |
| | | | | | | | |
| Nine months ended June 30, 2011: | | | | | | | |
| Balance at beginning of period: | $23 | $60,464 | $4,473 | $47,771 | $34,297 | $56 | $147,084 |
| Provision for loan losses | (18) | 13,597 | (4,046) | 925 | 17,559 | 215 | 28,232 |
| Net charge-offs: | | | | | | | |
| Charge-offs | — | (452) | — | (14,012) | (17,348) | (255) | (32,067) |
| Recoveries | — | — | — | 1,059 | 1,488 | 4 | 2,551 |
| Net charge-offs | — | (452) | — | (12,953) | (15,860) | (251) | (29,516) |
| Balance at June 30, 2011 | $5 | $73,609 | $427 | $35,743 | $35,996 | $20 | $145,800 |

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

| | | Loans held for investment | | | | | |
|---|---|---|---|---|---|---|---|
| | Loans held for sale | C&I | CRE construction | CRE | Residential mortgage | Consumer | Total |
| | (in thousands) | | | | | | |
| June 30, 2012: | | | | | | | |
| Allowance for loan losses: | | | | | | | |
| Individually evaluated for impairment | $— | $996 | $— | $1 | $3,909 | $— | $4,906 |
| Collectively evaluated for impairment | — | 88,959 | 495 | 28,127 | 26,413 | 184 | 144,178 |
| Total allowance for loan losses | $— | $89,955 | $495 | $28,128 | $30,322 | $184 | $149,084 |
| Loan category as a % of total recorded investment | 2 % | 63 % | — % | 12 % | 22 % | 1 % | 100 % |
| Recorded investment:[1] | | | | | | | |
| Individually evaluated for impairment | $— | $3,942 | $— | $9,404 | $26,220 | $— | $39,566 |
| Collectively evaluated for impairment | 175,548 | 5,077,365 | 35,417 | 935,852 | 1,691,497 | 89,653 | 8,005,332 |
| Total recorded investment | $175,548 | $5,081,307 | $35,417 | $945,256 | $1,717,717 | $89,653 | $8,044,898 |
| September 30, 2011: | | | | | | | |
| Allowance for loan losses: | | | | | | | |
| Individually evaluated for impairment | $— | $8,478 | $— | $1,014 | $2,642 | $— | $12,134 |
| Collectively evaluated for impairment | 5 | 72,789 | 490 | 29,738 | 30,568 | 20 | 133,610 |
| Total allowance for loan losses | $5 | $81,267 | $490 | $30,752 | $33,210 | $20 | $145,744 |
| Loan category as a % of total recorded investment | 2 % | 61 % | — | 11 % | 26 % | — | 100 % |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Recorded investment:[1] | | | | | | | |
| Individually evaluated for impairment | $— | $25,685 | $— | $15,842 | $23,453 | $— | $64,980 |
| Collectively evaluated for impairment | 92,748 | 4,075,254 | 29,087 | 727,047 | 1,733,033 | 7,438 | 6,664,607 |
| Total recorded investment | $92,748 | $4,100,939 | $29,087 | $742,889 | $1,756,486 | $7,438 | $6,729,587 |

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

RJ Bank had no recorded investment in loans acquired with deteriorated credit quality as of either June 30, 2012 or September 30, 2011.

The reserve for unfunded lending commitments, included in trade and other payables on our Condensed Consolidated Statements of Financial Condition, was $10.6 million and $10.4 million at June 30, 2012 and September 30, 2011, respectively.

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## NOTE 8 – VARIABLE INTEREST ENTITIES

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

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

Refer to Note 1, pages 94 – 97 in our 2011 Form 10-K for a description of our principal involvement with VIEs and the accounting policies regarding the determinations of whether we are deemed to be the primary beneficiary of any VIEs which we hold a variable interest. As of June 30, 2012, other than the addition of the NMTC VIE's resulting from our acquisition of Morgan Keegan which are discussed below (see note 2 for further information regarding the Morgan Keegan acquisition), there have been no other significant changes in either the nature of our involvement with, or the accounting policies associated with the analysis of, VIEs as described in the 2011 Form 10-K referenced above.

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

### VIEs where we are the primary beneficiary

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

| | Aggregate assets [1] | Aggregate liabilities [1] |
|---|---|---|
| | (in thousands) | |
| June 30, 2012: | | |
| LIHTC Funds | $237,835 | $95,600 |
| Guaranteed LIHTC Fund[2] | 85,162 | 1,189 |
| Restricted Stock Trust Fund | 15,525 | 8,553 |
| EIF Funds | 14,640 | — |
| Total | $353,162 | $105,342 |
| | | |
| September 30, 2011: | | |
| LIHTC Funds | $257,631 | $121,908 |
| Guaranteed LIHTC Fund[2] | 87,811 | 10,424 |
| Restricted Stock Trust Fund | 8,099 | 4,630 |
| EIF Funds | 16,223 | — |
| Total | $369,764 | $136,962 |

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

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

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

| | June 30,<br>2012 | September 30,<br>2011 |
|---|---|---|
| | (in thousands) | |
| Assets: | | |
| Assets segregated pursuant to regulations and other segregated assets | $13,781 | $18,317 |
| Receivables, other | 8,056 | 11,288 |
| Investments in real estate partnerships held by consolidated variable interest entities | 302,544 | 320,384 |
| Trust fund investment in RJF common stock [(1)] | 15,525 | 8,099 |
| Prepaid expenses and other assets | 15,774 | 17,197 |
| Total assets | $355,680 | $375,285 |
| | | |
| Liabilities and equity: | | |
| Loans payable of consolidated variable interest entities [(2)] | $80,549 | $99,982 |
| Trade and other payables | 2,739 | 5,353 |
| Intercompany payables | 12,500 | 6,904 |
| Total liabilities | 95,788 | 112,239 |
| RJF Equity | 6,095 | 5,537 |
| Noncontrolling interests | 253,797 | 257,509 |
| Total equity | 259,892 | 263,046 |
| Total liabilities and equity | $355,680 | $375,285 |

(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 loss of the VIEs which we consolidate and are 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 are not ours.

| | Three months ended June 30, | | Nine months ended June 30, | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| | (in thousands) | | | |
| Revenues: | | | | |
| Interest | $1 | $— | $3 | $1 |
| Other | 2,356 | 3,164 | 2,909 | 5,755 |
| Total revenues | 2,357 | 3,164 | 2,912 | 5,756 |
| Interest expense | 1,177 | 1,430 | 3,838 | 4,563 |
| Net revenues (expense) | 1,180 | 1,734 | (926) | 1,193 |
| | | | | |
| Non-interest expenses | 4,490 | 3,318 | 20,678 | 12,979 |
| Net loss including noncontrolling interests | (3,310) | (1,584) | (21,604) | (11,786) |
| Net loss attributable to noncontrolling interests | (3,377) | (1,238) | (22,162) | (10,866) |
| Net income (loss) attributable to RJF | $67 | $(346) | $558 | $(920) |

Low-income housing tax credit funds

RJTCF is the managing member or general partner in approximately 76 separate low-income housing tax credit funds having one or more investor members or limited partners.   RJTCF has concluded that it is the primary beneficiary of nine of the 75 non-guaranteed LIHTC Funds it has sponsored and, accordingly, consolidates these funds.  Two of the non-guaranteed LIHTC Funds previously consolidated were liquidated during the three month period ended June 30, 2012. In addition, RJTCF consolidates the one Guaranteed LIHTC Fund it sponsors.  See Note 14 for further discussion of the guarantee obligation as well as other RJTCF commitments.

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

New market tax credit funds

An affiliate of Morgan Keegan is the managing member of seven NMTC Funds. NMTC Funds are organized as LLC's for the purpose of investing in eligible projects in qualified low-income areas or that serve qualified targeted populations. In return for making a qualified equity investment into the NMTC Fund, the Fund's investor member receives tax credits eligible to apply against their federal tax liability. These new market tax credits are taken by the investor member over a seven year period.

Each of these NMTC Funds have one investor member. We have concluded that in each of these NMTC Funds, the investor member of such funds has significant participating rights over the activities that most significantly impact the economics of the NMTC Fund and, therefore, the affiliate of Morgan Keegan as the managing member of the NMTC Fund does not have the power over such activities. Accordingly, the affiliate of Morgan Keegan is not deemed to be the primary beneficiary of these NMTC Funds and, therefore, they are not consolidated.

Aggregate assets, liabilities and risk of loss

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

| | June 30, 2012 | | | September 30, 2011 | | |
|---|---|---|---|---|---|---|
| | Aggregate assets | Aggregate liabilities | Our risk of loss | Aggregate assets | Aggregate liabilities | Our risk of loss |
| | (in thousands) | | | | | |
| LIHTC Funds | $1,974,025 | $720,112 | $39,631 | $1,582,764 | $533,311 | $37,733 |
| NMTC Funds | 140,670 | 182 | 13 | — | — | — |
| Other Real Estate Limited Partnerships and LLCs | 31,339 | 35,512 | 1,099 | 39,344 | 35,467 | 8,068 |
| Total | $2,146,034 | $755,806 | $40,743 | $1,622,108 | $568,778 | $45,801 |

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

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

| | June 30, 2012 | | | September 30, 2011 | | |
|---|---|---|---|---|---|---|
| | Aggregate assets | Aggregate liabilities | Our risk of loss | Aggregate assets | Aggregate liabilities | Our risk of loss |
| | (in thousands) | | | | | |
| Managed Funds | $9,585 | $— | $403 | $12,813 | $— | $834 |

## NOTE 9 – BANK DEPOSITS

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

| | June 30, 2012 | | | September 30, 2011 | | |
|---|---|---|---|---|---|---|
| | Balance | Weighted-average rate [1] | | Balance | Weighted-average rate [1] | |
| | ($ in thousands) | | | | | |
| Bank deposits: | | | | | | |
| NOW accounts | $5,360 | 0.01 | % | $4,183 | 0.01 | % |
| Demand deposits (non-interest-bearing) | 24,520 | — | | 21,663 | — | |
| Savings and money market accounts | 7,933,362 | 0.04 | % | 7,468,136 | 0.08 | % |
| Certificates of deposit | 314,062 | 2.18 | % | 245,340 | 2.37 | % |
| Total bank deposits[2] | $8,277,304 | 0.12 | % | $7,739,322 | 0.15 | % |

[1] Weighted-average rate calculation is based on the actual deposit balances at June 30, 2012 and September 30, 2011, respectively.

[2] Bank deposits exclude affiliate deposits of approximately $354 thousand and $250 million at June 30, 2012 and September 30, 2011.

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 our wholly owned broker-dealer subsidiary Raymond James & Associates ("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, 2012 | | September 30, 2011 | |
|---|---|---|---|---|
| | Denominations greater than or equal to $100,000 | Denominations less than $100,000 | Denominations greater than or equal to $100,000 | Denominations less than $100,000 |
| | (in thousands) | | | |
| Three months or less | $4,694 | $10,709 | $7,403 | $7,977 |
| Over three through six months | 7,632 | 6,413 | 6,408 | 6,153 |
| Over six through twelve months | 7,373 | 13,103 | 6,711 | 15,103 |
| Over one through two years | 21,085 | 23,930 | 19,567 | 19,862 |
| Over two through three years | 27,210 | 32,731 | 10,045 | 17,286 |
| Over three through four years | 33,095 | 33,731 | 29,136 | 36,271 |
| Over four through five years | 52,492 | 39,864 | 34,349 | 29,069 |
| Total | $153,581 | $160,481 | $113,619 | $131,721 |

Interest expense on deposits is summarized as follows:

| | Three months ended June 30, | | Nine months ended June 30, | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| | (in thousands) | | | |
| Certificates of deposit | $1,669 | $1,589 | $4,790 | $4,718 |

| | | | | |
|---|---|---|---|---|
| Money market, savings and NOW accounts[1] | 736 | 1,215 | 2,195 | 4,843 |
| Total interest expense on deposits | $2,405 | $2,804 | $6,985 | $9,561 |

[1] Interest expense on affiliate deposits for the three month period ended June 30, 2012 was insignificant. For the nine month period ended June 30, 2012, excludes interest expense on affiliate deposits of $76 thousand.

## NOTE 10 – OTHER BORROWINGS

As of June 30, 2012 and September 30, 2011, we had no borrowings outstanding on either secured or unsecured lines of credit, and RJ Bank had no advances outstanding from the Federal Home Loan Bank.

As of June 30, 2012, there were other collateralized financings outstanding in the amount of $507 million.  As of September 30, 2011, there were other collateralized financings outstanding in the amount of $189 million. These other collateralized financings are included in securities sold under agreements to repurchase on the Condensed Consolidated Statements of Financial Condition. These financings are collateralized by non-customer, RJ&A-owned securities.

NOTE 11 – CORPORATE DEBT

The following summarizes our corporate debt:

| | June 30, 2012 | September 30, 2011 |
|---|---|---|
| | (in thousands) | |
| Mortgage notes payable [(1)] | $50,189 | $52,754 |
| 4.25% senior notes, due 2016, net of unamortized discount of $380 thousand and $455 thousand at June 30, 2012 and September 30, 2011, respectively [(2)] | 249,620 | 249,545 |
| 8.60% senior notes, due 2019, net of unamortized discount of $36 thousand and $40 thousand at June 30, 2012 and September 30, 2011 , respectively [(3)] | 299,964 | 299,960 |
| 5.625% senior notes, due 2024, net of unamortized discount of $973 thousand at June 30, 2012 [(4)] | 249,027 | — |
| 6.90% senior notes, due 2042[(5)] | 350,000 | — |
| Other borrowings from banks [(6)] | 129,573 | — |
| Other financings [(7)] | 5,598 | 9,709 |
| Total corporate debt | $1,333,971 | $611,968 |

(1) Mortgage notes payable pertain to mortgage loans on our headquarters office complex. These mortgage loans are secured by land, buildings, and improvements with a net book value of $57.2 million at June 30, 2012. These mortgage loans bear interest at 5.7% with repayment terms of monthly interest and principal debt service and have a January 2023 maturity.

(2) In April 2011, we sold in a registered underwritten public offering, $250 million in aggregate principal amount of 4.25% senior notes due April 2016. Interest on these senior notes is payable semi-annually. We may redeem some or all of these senior notes at any time prior to their maturity at a redemption price equal to the greater of (i)100% of the principal amount of the notes to be redeemed, or (ii) the sum of the present values of the remaining scheduled payments of principal and interest thereon, discounted to the redemption date at a discount rate equal to a designated U.S. Treasury rate, plus 30 basis points, plus accrued and unpaid interest thereon to the redemption date.

(3) In August 2009, we sold in a registered underwritten public offering, $300 million in aggregate principal amount of 8.60% senior notes due August 2019. Interest on these senior notes is payable semi-annually. We may redeem some or all of these senior notes at any time prior to their maturity, at a redemption price equal to the greater of (i) 100% of the principal amount of the notes redeemed, or (ii) the sum of the present values of the remaining scheduled payments of principal and interest thereon, discounted to the redemption date at a discount rate equal to a designated U.S. Treasury rate, plus 50 basis points, plus accrued and unpaid interest thereon to the redemption date.

(4) In March 2012, we sold in a registered underwritten public offering, $250 million in aggregate principal amount of 5.625% senior notes due April 2024. Interest on these senior notes is payable semi-annually. We may redeem some or all of these senior notes at any time prior to their maturity, at a redemption price equal to the greater of (i) 100% of the principal amount of the notes redeemed, or (ii) the sum of the present values of the remaining scheduled payments of principal and interest thereon, discounted to the redemption date at a discount rate equal to a designated U.S. Treasury rate, plus 50 basis points, plus accrued and unpaid interest thereon to the redemption date.

(5) In March 2012, we sold in a registered underwritten public offering, $350 million in aggregate principal amount of 6.90% senior notes due March 2042. Interest on these senior notes is payable quarterly in arrears. On or after

March 15, 2017, we may redeem some or all of the senior notes at any time at the redemption price equal to 100% of the principal amount of the notes being redeemed plus accrued interest thereon to the redemption date.

(6) As of June 30, 2012, is comprised of the Regions Credit Agreement borrowing. On the Closing Date of the Morgan Keegan acquisition (see Note 2 for further information regarding this acquisition), the Borrowers executed the Regions Credit Agreement which provided for a $200 million loan made by the Lender to the Borrowers and is subject to a guarantee in favor of the Lender provided by RJF. The proceeds from the loan were disbursed to us on the Closing Date for working capital and general corporate purposes. The borrowings are secured by, subject to certain exceptions, all of the Borrowers' personal property, including (i) all present and future ARS owned by any Borrower (the "Pledged ARS"), (ii) all equity interests issued by certain subsidiaries, and (iii) all present and future equity interests and debt securities owned by any Borrower. The loan matures on April 2, 2015 and bears interest at a monthly variable rate equal to LIBOR plus 2.75%. Primarily as a result of redemptions by certain issuers of Pledged ARS during the three months ended June 30, 2012 and the resultant repayments to the Lender, the outstanding principal balance on the Regions Credit Agreement as of June 30, 2012 is $129.6 million.

(7) This financing balance pertains to term loan financing of Raymond James European Securities, S.A.S. ("RJES"). The term loan bears interest at a variable rate indexed to the Euro Interbank Offered Rate and is secured by certain assets of RJES. The repayment terms include annual principal repayments and a September 2013 maturity.

Our corporate debt as of June 30, 2012, based upon its contractual terms, matures as follows:

| | June 30, 2012<br>(in thousands) |
|---|---|
| During the three months ending September 30, 2012 | $3,634 |
| Fiscal 2013 | 6,491 |
| Fiscal 2014 | 3,860 |
| Fiscal 2015 | 133,659 |
| Fiscal 2016 | 253,945 |
| Fiscal 2017 and thereafter | 932,382 |
| Total | $1,333,971 |

## NOTE 12 – DERIVATIVE FINANCIAL INSTRUMENTS

### Derivatives arising from our fixed income business operations

In our pre-Morgan Keegan acquisition fixed income business, 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 for our own account. We have continued to conduct this business in a substantially similar fashion during the period ending June 30, 2012 (since the Closing Date of the Morgan Keegan acquisition).

The majority of these derivative positions are executed in the over-the-counter market with financial institutions. These positions are recorded at fair value with the related gain or loss and interest recorded in earnings within the Condensed Consolidated Statements of Income and Comprehensive Income. The revenue related to the interest rate contracts includes realized and unrealized gains and losses on derivative instruments. Cash flows related to these fixed income interest rate contracts are included as operating activities (the "trading instruments, net" line) on the Condensed Consolidated Statements of Cash Flows for the period.

None of the derivatives described above are designated as fair value or cash flow hedges.

### Derivatives arising from Morgan Keegan's legacy business operations

Morgan Keegan facilitates derivative transactions through non-broker-dealer subsidiaries, either Morgan Keegan Financial Products, LLC or Morgan Keegan Capital Services, LLC (collectively referred to as the Morgan Keegan swaps subsidiaries or "MKSS").

Morgan Keegan does not use derivative instruments for trading or hedging purposes. MKSS enters into derivative transactions (primarily interest rate swaps) with customers of MK & Co. For every derivative transaction MKSS enters into with a customer, the respective entity enters into an offsetting transaction with terms that mirror the customer transaction, with a credit support provider who is a third party financial institution. The only difference between the MKSS entities is that they utilize different third party financial institutions to facilitate the mirror transaction. Due to this "pass-through" transaction structure, the transacting Morgan Keegan entity has completely mitigated the market and credit risk related to the derivative contracts. Therefore, the ultimate credit and market risk resides with the third party financial institution. MKSS only has credit risk related to its uncollected fee revenues. Any collateral required to be exchanged under these derivative contracts are administered directly by the customer and the third party financial institution. MKSS does not hold any collateral, or administers any collateral transactions, related to these instruments.

We have recorded the value of each derivative position held at fair value, as either an asset or an offsetting liability, or vice versa in our Condensed Consolidated Statements of Financial Condition, as a component of other assets with the offsetting liability reflected in other liabilities. Fair value is determined using an internal model which includes inputs from independent pricing sources to project future cash flows under each underlying derivative contract. The cash flows are discounted to determine the present value. The derivatives valued using these techniques are classified within Level 2 of the fair value hierarchy (see note 4 for further fair value information). Since any changes in fair value are completely offset by an opposite change in the mirrored transaction position, there is no net impact on our Condensed Consolidated Statements of Income and Comprehensive Income from changes in the fair value of these derivative instruments.

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MKSS recognizes revenue on derivative transactions on the transaction date, computed as the present value of the expected cash flows MKSS expects to receive from the third party financial institution over the life of the derivative contract. The derivative revenues from these transactions are included within other revenues on our Condensed Consolidated Statements of Income and Comprehensive Income. Our receivable for uncollected derivative transaction revenues is $10.4 million at June 30, 2012 and is included in other receivables on our Condensed Consolidated Statements of Financial Condition.

Derivatives arising from RJ Bank’s business operations

On February 29, 2012, a Canadian subsidiary of RJ Bank commenced operations as a result of a purchase of substantially all of a foreign 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. RJ Bank has entered into three-month forward contracts which are recorded at fair value on the Condensed Consolidated Statements of Financial Condition. The effective portion of the related gain or loss is recorded, net of tax, in shareholders’ equity as part of the cumulative translation adjustment component of AOCI with such balance impacting earnings in the event the net investment is sold or substantially liquidated. Gains and losses on the undesignated portions of these derivative instruments as well as amounts representing hedge ineffectiveness are recorded in earnings in the Condensed Consolidated Statements of Income and Comprehensive Income. Hedge effectiveness is assessed using a method that is based on changes in forward rates at each reporting period. The measurement of hedge ineffectiveness is based on the beginning balance of the foreign net investment at the inception of the hedging relationship and performed using the hypothetical derivative method. However, as the terms of the hedging instrument and hypothetical derivative match at inception, there is no expected ineffectiveness to be recorded in earnings. 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 arising from our pre-Morgan Keegan acquisition operations

We elect to net-by-counterparty derivative contracts entered into by our fixed income trading group and RJ Bank’s U.S. subsidiaries. Certain of these contracts contain a legally enforceable master netting arrangement that allows for netting of all derivative transactions with each counterparty and, therefore, the fair value of those derivative contracts are netted by counterparty in the Condensed Consolidated Statements of Financial Condition. The credit support annex related to the interest rate swaps and certain forward foreign exchange contracts allow parties to the master agreement to mitigate their credit risk by requiring the party which is out of the money to post collateral. We accept collateral in the form of cash, U.S. Treasury securities, or other marketable securities. As we elect to net-by-counterparty the fair value of derivative contracts, we also net-by-counterparty any cash collateral exchanged as part of the derivative agreement.

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 aggregates to a net liability of $7.8 million at June 30, 2012 and $19 million at September 30, 2011. The cash collateral included in the net fair value of all open derivative liability positions aggregates to a net asset of $38.8 million and $37 million at June 30, 2012 and September 30, 2011, respectively. Our maximum loss exposure under these interest rate swap contracts at June 30, 2012 is $47.5 million.

RJ Bank provides to its U.S. subsidiaries a guarantee of payment in the event of the subsidiaries’ default for exposure under the 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 these forward foreign exchange contracts at June 30, 2012 is $8.8 million.

Derivative balances included in our financial statements

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

| | Asset derivatives | | | | | |
|---|---|---|---|---|---|---|
| | June 30, 2012 | | | September 30, 2011 | | |
| | Balance sheet location | Notional amount | Fair value[1] | Balance sheet location | Notional amount | Fair value[1] |
| | (in thousands) | | | | | |
| Derivatives not designated as hedging instruments: | | | | | | |
| Interest rate contracts[2] | Trading instruments | $2,458,465 | $141,388 | Trading instruments | $2,248,150 | $126,867 |
| Interest rate contracts[3] | Other assets | $2,160,255 | $472,382 | Other assets | $— | $— |

[1] The fair value in this table is presented on a gross basis before netting of cash collateral and before any netting by counterparty according to our legally enforceable master netting arrangements. The fair value in the Condensed Consolidated Statements of Financial Condition is presented net.

[2] These contracts arise from our pre-Morgan Keegan acquisition fixed income operations.

[3] These contracts arise from the legacy Morgan Keegan fixed income business operations.

| | Liability derivatives | | | | | |
|---|---|---|---|---|---|---|
| | June 30, 2012 | | | September 30, 2011 | | |
| | Balance sheet location | Notional amount | Fair value[1] | Balance sheet location | Notional amount | Fair value[1] |
| | (in thousands) | | | | | |
| Derivatives designated as hedging instruments: | | | | | | |
| Forward foreign exchange contracts | Trade and other payables | $538,061 | $8,141 | Trade and other payables | $— | $— |
| Derivatives not designated as hedging instruments: | | | | | | |
| Interest rate contracts[2] | Trading instruments sold | $2,264,182 | $127,375 | Trading instruments sold | $1,722,820 | $112,457 |
| Interest rate contracts[3] | Trade and other payables | $2,160,255 | $472,382 | Other liabilities | $— | $— |
| Forward foreign exchange contracts | Trade and other payables | $41,253 | $628 | Trade and other payables | $— | $— |

[1] The fair value in this table is presented on a gross basis before netting of cash collateral and before any netting by counterparty according to our legally enforceable master netting arrangements. The fair value in the Condensed Consolidated Statements of Financial Condition is presented net.

(2) These contracts arise from our pre-Morgan Keegan acquisition fixed income operations.

(3) These contracts arise from the legacy Morgan Keegan fixed income business operations.

Gains recognized on forward foreign exchange derivatives in AOCI totaled $2.3 million and $2.5 million, net of income taxes, for the three and nine month periods ended June 30, 2012.  There was no hedge ineffectiveness and no components of derivative gains or losses were excluded from the assessment of hedge effectiveness for the three and nine month periods ended June 30, 2012.  We did not enter into any forward foreign exchange derivative contracts during the year ended September 30, 2011.

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

| | | Amount of gain (loss) on derivatives recognized in income | | | |
|---|---|---|---|---|---|
| | | Three months ended June 30, | | Nine months ended June 30, | |
| | Location of gain (loss) recognized on derivatives in the Condensed Consolidated Statements of Income and Comprehensive Income | 2012 | 2011 | 2012 | 2011 |
| | | (in thousands) | | | |
| Derivatives not designated as hedging instruments: | | | | | |
| Interest rate contracts[1] | Net trading profits | $(1,671) | $(339) | $476 | $3,836 |
| Interest rate contracts[2] | Other revenues | $425 | $— | $425 | $— |
| Forward foreign exchange contracts | Other revenues | $879 | $— | $966 | $— |

(1) These contracts arise from our pre-Morgan Keegan acquisition fixed income operations.

(2) These contracts arise from the legacy Morgan Keegan fixed income business 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 legacy, pre-Morgan Keegan fixed income 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 legacy, pre-Morgan Keegan fixed income operations, we may require collateral in the form of cash deposits from counterparties 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 legacy, pre-Morgan Keegan fixed income 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.

As described above, we are not exposed to credit loss or interest rate risk in the interest rate derivative agreements associated with our recently acquired Morgan Keegan fixed income operations.

NOTE 13 – INCOME TAXES

For further discussion of income tax matters, see Note 1, page 94, and Note 17, pages 126 – 128, in our 2011 Form 10-K.

As of June 30, 2012 and September 30, 2011, our liability for unrecognized tax benefits was $7 million and $4.7 million, respectively. The total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate was $3.3 million and $3.8 million at June 30, 2012 and September 30, 2011, respectively. We anticipate that the unrecognized tax benefits will not change significantly over the next twelve months.

We recognize the accrual of interest and penalties related to income tax matters in interest expense and other expense, respectively. As of June 30, 2012 and September 30, 2011, accrued interest and penalties included in the unrecognized tax benefits liability were approximately $2.3 million and $1.3 million, respectively.

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Our effective tax rate of approximately 38.9% for the three month period ended June 30, 2012 is less than the approximately 40.5% effective tax rate applicable in the prior year quarter. Our effective tax rate in each quarter of the current fiscal year has been relatively constant from quarter to quarter. The primary factor for the decrease in our effective tax rate of 1.6% for the quarter ended June 30, 2012 as compared to the prior year quarter's effective tax rate was the effect in the prior year quarter of our relatively consistent level of non-deductible expenses coupled with the lower pre-tax earnings in the the prior year quarter, a quarter which included the $45 million pre-tax loss provision for auction rate securities. For the fiscal year-to-date period ended June 30, 2012, our effective tax rate of 38.8% approximates the prior year-to-date effective tax rate of 37.6%.

We file U. S. federal income tax returns as well as returns with various state, local and foreign jurisdictions. With few exceptions, we are generally no longer subject to U.S. federal, state and local, or foreign income tax examination by tax authorities for years prior to fiscal year 2012 for federal tax returns, fiscal year 2007 for state and local tax returns and fiscal year 2006 for foreign tax returns. Certain transactions from our fiscal year 2012 are currently being examined under the Internal Revenue Service (“IRS”) Compliance Assurance Program. This program accelerates the examination of key issues in an attempt to resolve them before the tax return is filed. Certain state and local returns are also currently under various stages of audit. Various state audits in process are expected to be completed either in our fiscal year 2012 or our fiscal year 2013.

## NOTE 14 – COMMITMENTS, CONTINGENCIES AND GUARANTEES

### Commitments and contingencies

Effective June 29, 2012, RJ Bank executed an agreement to purchase approximately $517 million in securities based loan commitments from Regions Bank, of which approximately $185 million is outstanding. This purchase, which arose due to the Morgan Keegan acquisition (see Note 2 for further discussion), settled in July 2012.

As of June 30, 2012, RJ Bank had not settled purchases of $53.1 million in syndicated loans. These loan purchases are expected to be settled within 90 days.

RJ Bank has committed $2 million to a small business investment company which provides capital and long-term loans to small businesses. As of June 30, 2012, we have invested $1.3 million of the committed amount and the distributions received have been insignificant.

See Note 18 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.

In the normal course of business we enter into underwriting commitments. As of June 30, 2012, neither RJ&A nor MK & Co. had open transactions involving such commitments. Transactions involving such commitments of RJ Ltd. that were recorded and open at June 30, 2012, were approximately $32 million in Canadian dollars (“CDN”).

We utilize client marginable securities to satisfy deposits with clearing organizations. At June 30, 2012, we had client margin securities valued at $173.2 million pledged with a clearing organization to meet our requirement of $111.1 million.

As part of our recruiting efforts, we offer loans to prospective financial advisors and certain key revenue producers primarily for recruiting and/or retention purposes. 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, 2012 we had made commitments, to either prospects that have accepted our offer, or recently recruited producers, of approximately $27 million that have not yet been funded.

We have committed a total of $91.9 million , in amounts ranging from $200 thousand  to $13 million, to 53 different independent venture capital or private equity partnerships.  In addition, we have a commitment totaling $38 million to two additional private equity limited partnerships.  As of June 30, 2012, we have invested $95 million of the committed amounts and have received $63.9 million in distributions.  We also control the general partner in eight internally sponsored private equity limited partnerships to which we have committed $69.7 million.  As of June 30, 2012, we have invested $47.5 million, and have received $17.9 million in distributions.

RJF has committed to lend to RJTCF, or guarantee obligations in connection with RJTCF's low-income housing development/rehabilitation and syndication activities, aggregating up to $150 million upon request, subject to certain limitations as well as annual review and renewal. RJTCF borrows in order to invest in partnerships which purchase and develop properties qualifying for tax credits ("Project Partnerships"). These investments in Project Partnerships are then sold to various tax credit funds, which have third-party investors and for which RJTCF serves as the managing member or general partner. RJTCF typically sells these investments within 90 days of their acquisition, and the proceeds from the sales are used to repay RJTCF's borrowings.

RJTCF may make short-term loans or advances to Project Partnerships on behalf of the tax credit funds in which it serves as managing member or general partner. At June 30, 2012, cash funded to invest in either loans or investments in project partnerships was $45.1 million.

At June 30, 2012, the approximate market values of collateral received that we can repledge were:

| | Sources of collateral<br>(in thousands) |
|---|---|
| Securities purchased under agreements to resell and other collateralized financings | $517,955 |
| Securities received in securities borrowed vs. cash transactions | 205,671 |
| Collateral received for margin loans | 1,628,157 |
| Securities received as collateral related to derivative contracts | 10,653 |
| Total | $2,362,436 |

Certain collateral was repledged. At June 30, 2012, the approximate market values of this portion of collateral and financial instruments that we own and pledged were:

| | Uses of collateral and trading securities<br>(in thousands) |
|---|---|
| Securities sold under agreements to repurchase | $332,979 |
| Securities delivered in securities loaned vs. cash transactions | 454,924 |
| Collateral used for secured loans | 176,515 |
| Collateral used for cash loans | 16,311 |
| Collateral used for deposits at clearing organizations | 169,728 |
| Total | $1,150,457 |

As a result of the extensive regulation of the financial services industry, our broker-dealer and investment advisory subsidiaries are subject to regular reviews and inspections by regulatory authorities and self-regulatory organizations, which can result in the imposition of sanctions for regulatory violations, ranging from non-monetary censure to fines and, in serious cases, temporary or permanent suspension from conducting business. In addition, from time to time regulatory agencies and self-regulatory organizations institute investigations into industry practices, which can also result in the imposition of such sanctions.

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, 2012, the current exposure under these guarantees was $18 million, which were underwritten as part of the larger corporate credit relationships. The outstanding interest rate swaps at June 30, 2012 have maturities ranging from March 2013 through April 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, 2012.  The estimated total potential exposure under these guarantees is $20.2 million at June 30, 2012.

RJ Bank guarantees the forward foreign exchange contract obligations of its U.S. subsidiaries.  See Note 12 for additional information regarding these derivatives.

RJF guarantees interest rate swap obligations of RJ Cap Services. See Note 12 for additional information regarding our interest rate swaps.

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We have from time to time authorized performance guarantees for the completion of trades with counterparties in Argentina. At June 30, 2012, there were no outstanding performance guarantees in Argentina.

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 our Turkish joint venture. 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 Borrowers performance under the Regions Credit Agreement. See further discussion in Note 2.

RJF guarantees the existing mortgage debt of RJ&A of approximately $50.2 million.

RJTCF issues certain guarantees to various third parties related to project partnerships whose interests have been sold to one or more of the funds in which RJTCF is the managing member or general partner. In some instances, RJTCF is not the primary guarantor of these obligations which aggregate to a cumulative maximum obligation of approximately $1.8 million as of June 30, 2012.

RJF has guaranteed RJTCF's performance to various third parties on certain obligations arising from RJTCF's sale and/or transfer of units in one of its fund offerings ("Fund 34"). Under such arrangements, RJTCF has provided either: (1) certain specific performance guarantees including a provision whereby in certain circumstances, RJTCF will refund a portion of the investors' capital contribution, or (2) a guaranteed return on their investment. Under the performance guarantees, the conditions which would result in a payment by RJTCF under the guarantees have been satisfied, neither RJF nor RJTCF funded any obligations under such guarantees nor do either have any further obligations under such guarantees. Further, based upon its most recent projections and performance of Fund 34, RJTCF does not anticipate that any payments will be made to any of these third parties under the guarantee of the return on investment. The maximum exposure to loss represents the undiscounted future payments due to investors for the return on and of their investment, and approximates $44 million as of June 30, 2012. 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 ten years, RJTCF is obligated to provide the investor with a specified return. A $41.6 million financing asset is included in prepaid expenses and other assets, and a related $41.7 million liability is included in trade and other payables on our Condensed Consolidated Statements of Financial Condition as of June 30, 2012. The maximum exposure to loss under this guarantee represents the undiscounted future payments due to investors for the return on and of their investment, and approximates $49.9 million at June 30, 2012.

Legal matter contingencies

Pre- Closing Date Morgan Keegan matters (all of which are subject to indemnification by Regions)

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 allege that defendants engaged in a multi-year conspiracy to publish and disseminate false and defamatory information about plaintiffs to improperly drive down plaintiff stock price, so that others could profit from short positions. Plaintiffs allege that defendants' actions damaged their reputations and harmed their business relationships. Plaintiffs allege 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. These claims were never considered to be meritorious, but some of the claims survived an extended motion practice and discovery process. On May 11, 2012, the trial court ruled that New York law applied to plaintiff's RICO claims, therefore the claims are 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. Both the May 11 and June 27 orders are currently being re-heard. A jury trial is currently set to begin on September 10, 2012.

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 investors who purchased shares of certain mutual funds in the Regions Morgan Keegan Fund complex (the “Regions Funds”) and shareholders of Regions. The Regions Funds were formerly managed by Morgan Asset Management, 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 (“MAM”) (see further information regarding the Morgan Keegan acquisition in Note 2). 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. 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.

In March 2009, Morgan Keegan received a Wells Notice from the SEC's Atlanta Regional Office related to ARS indicating that the SEC staff intended to recommend that the SEC take civil action against the firm. On July 21, 2009, the SEC filed a complaint in the United States District Court for the Northern District of Georgia (the “Court”) against Morgan Keegan alleging violations of the federal securities laws in connection with ARS that Morgan Keegan underwrote, marketed and sold. On June 28, 2011, the Court granted Morgan Keegan's Motion for Summary Judgment, dismissing the case brought by the SEC. On May 2, 2012, the United States Court of Appeals for the Eleventh Circuit reversed the Court's decision and remanded the case, which is pending. Beginning in February 2009, Morgan Keegan commenced a voluntary program to repurchase ARS that it underwrote and sold to Morgan Keegan customers, and extended that repurchase program on October 1, 2009, to include certain ARS that were sold by Morgan Keegan to its customers but were underwritten by other firms. On July 21, 2009, the Alabama Securities Commission issued a “Show Cause” order to Morgan Keegan arising out of the ARS matter that is the subject of the SEC complaint described above. The order requires Morgan Keegan to show cause why its registration as a broker-dealer should not be suspended or revoked in the State of Alabama and also why it should not be subject to disgorgement, repurchasing all ARS sold to Alabama residents and payment of costs and penalties.

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 SPA and summarized below.

Indemnification from Regions

As more fully described in Note 2, the SPA provides 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. All of the pre-Closing Date Morgan Keegan matters described above are subject to such indemnification provisions. The range of potential liability of all such matters is not estimable at this time, but any loss arising from such matters, after consideration of the applicable annual deductible, if any, will be borne by Regions. As of June 30, 2012, an indemnification asset of approximately $198 million is included in other assets, and a liability for potential losses of approximately $236 million is included within trade and other payables on our Condensed Consolidated Statements of Financial Condition pertaining to the above matters and the related indemnification.

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 1, page 93, of our 2011 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, 2012, management currently estimates the aggregate range of possible loss is from $0 to an amount of up to $10 million in excess of the accrued liability (if any) related to these matters. In the opinion of management, based on current available information, review with outside legal counsel, and consideration of the accrued liability amounts provided for in the accompanying condensed consolidated financial statements with respect to these matters, ultimate resolution of these matters will not have a material adverse impact on our financial position or cumulative results of operations. However, resolution of one or more of these matters may have a material effect on the results of operations in any future period, depending upon the ultimate resolution of those matters and upon the level of income for such period.

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NOTE 15 – 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, | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| | (in thousands) | | | |
| Interest income: | | | | |
| Margin balances | $16,592 | $13,341 | $43,545 | $38,748 |
| Assets segregated pursuant to regulations and other segregated assets | 1,734 | 2,043 | 6,118 | 6,118 |
| Bank loans, net of unearned income | 83,846 | 64,824 | 233,455 | 205,410 |
| Available for sale securities | 2,488 | 2,382 | 6,664 | 8,827 |
| Trading instruments | 7,181 | 5,067 | 15,322 | 16,379 |
| Stock loan | 2,238 | 1,420 | 7,260 | 4,384 |
| Other | 7,107 | 6,755 | 19,770 | 17,163 |
| Total interest income | 121,186 | 95,832 | 332,134 | 297,029 |
| Interest expense: | | | | |
| Brokerage client liabilities | 514 | 829 | 1,697 | 2,564 |
| Retail bank deposits | 2,405 | 2,804 | 6,985 | 9,561 |
| Trading instrument sold but not yet purchased | 839 | 1,083 | 1,838 | 2,984 |
| Stock borrow | 504 | 489 | 1,456 | 1,398 |
| Borrowed funds | 2,365 | 804 | 4,158 | 3,098 |
| Senior notes | 19,125 | 8,968 | 39,479 | 22,014 |
| Interest expense of consolidated VIEs | 1,177 | 1,430 | 3,838 | 4,563 |
| Other | 2,625 | 1,418 | 4,059 | 2,834 |
| Total interest expense | 29,554 | 17,825 | 63,510 | 49,016 |
| Net interest income | 91,632 | 78,007 | 268,624 | 248,013 |
| Less: provision for loan losses | (9,315 ) | (8,363 ) | (21,925 ) | (28,232 ) |
| Net interest income after provision for loan losses | $82,317 | $69,644 | $246,699 | $219,781 |

NOTE 16 – SHARE-BASED COMPENSATION

On February 23, 2012, the 2012 Stock Incentive Plan (the "2012 Plan") was approved by our shareholders. The 2012 Plan serves as the successor to our 1996 Stock Option Plan for Key Management Personnel, 2007 Stock Option Plan for Independent Contractors, 2002 Incentive Stock Option Plan, Stock Option Plan for Outside Directors, 2005 Restricted Stock Plan and 2007 Stock Bonus Plan (the "Predecessor Plans"). Upon approval of the 2012 Plan by our shareholders, the Predecessor Plans terminated (except with respect to awards previously granted under the Predecessor Plans that remain outstanding). Under the 2012 Plan, we may grant 15.4 million new shares in addition to the shares available for grant under the Predecessor Plans as of February 23, 2012. The 1992 Incentive Stock Option Plan is not a Predecessor Plan and terminated on the date our shareholders approved the 2012 Plan (except with respect to awards previously granted under the 1992 Incentive Stock Option Plan that remain outstanding). 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 2011 Form 10-K, our share-based compensation accounting policies are described in Note 1, page 94. Other information relating to our employee and Board of Director share-based awards are outlined in our 2011 Form 10-K in Note 20, pages 132 – 136, while Note 21, pages 136 – 139, discusses our non-employee share-based awards. For purposes of this report, we have combined our presentation of both our employee and Board of Director share-based awards with our non-employee share-based awards, both of which are described below.

Stock option awards

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

| | Three months ended June 30, | | Nine months ended June 30, | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| | (in thousands) | | | |
| Total share-based expense | $1,247 | $(769) | $9,046 | $8,217 |
| Income tax benefits related to share-based expense | (35) | (781) | 1,438 | 1,215 |

For the nine months ended June 30, 2012, we realized $5 thousand of excess tax benefits related to our stock option awards. During the three months ended June 30, 2012, we granted 4,000 stock options to employees and no stock options were granted to our independent contractor financial advisors. During the nine months ended June 30, 2012, we granted 1,680,417 stock options to employees and 46,900 stock options to our independent contractor financial advisors. During the three and nine months ended June 30, 2012, 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, 2012 are presented below:

| | Unrecognized pre-tax expense | Remaining weighted-average period |
|---|---|---|
| | (in thousands) | (in years) |
| Employees and directors | $18,234 | 3.2 |
| Independent contractor financial advisors | 799 | 3.1 |

The weighted-average grant-date fair value of stock option awards granted to employees for the three and nine months ended June 30, 2012 is $13.84 and $9.66, respectively.

The fair value of each option grant awarded to our independent contractor financial advisors is estimated on the date of grant and periodically revalued using the Black-Scholes option pricing model. The weighted-average fair value for unvested options granted to independent contractor financial advisors as of June 30, 2012 is $12.73.

Restricted stock awards

During the three months ended June 30, 2012, we granted 1,522,293 restricted stock units to employees. Included in this total are 1,465,330 restricted stock units granted for retention purposes to Morgan Keegan employees (see Note 2 for information regarding the Morgan Keegan acquisition). No restricted stock units were granted to outside directors. During the nine months ended June 30, 2012, we granted 2,703,964 restricted stock units to employees (inclusive of those related to the Morgan Keegan acquisition described above) and 12,000 restricted stock units to outside directors. No restricted stock units were granted to independent contractor financial advisors during the three months ended June 30, 2012. There were 2,586 restricted stock units granted to independent contractor financial advisors during the nine months ended June 30, 2012.

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

| | Three months ended June 30, | Nine months ended June 30, |
|---|---|---|

| | 2012 | 2011 | 2012 | 2011 |
|---|---|---|---|---|
| | (in thousands) | | | |
| Total share-based expense | $6,561 | $4,563 | $19,129 | $14,757 |
| Income tax benefits related to share-based expense | 2,493 | 1,734 | 7,269 | 5,608 |

For the nine months ended June 30, 2012, we realized $1.1 million of excess tax benefits related to our restricted stock awards.

Unrecognized pre-tax expense for restricted stock shares and restricted stock units 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, 2012 are presented below:

| | Unrecognized pre-tax expense | Remaining weighted-average period |
|---|---|---|
| | (in thousands) | (in years) |
| Employees and directors | $101,601 | 3.7 |
| Independent contractor financial advisors | 831 | 1.8 |

The weighted-average grant-date fair value of restricted stock share and unit awards granted to employees and outside directors for the three and nine months ended June 30, 2012 is $35.07 and $32.19, respectively.

The fair value of each restricted stock share awarded to our independent contractor financial advisors is valued on the date of grant and periodically revalued at the current stock price. The weighted-average fair value for unvested restricted stock awards granted to independent contractor financial advisors as of June 30, 2012 is $34.24.

Stock bonus awards

During the three months ended June 30, 2012, we granted 1,361 restricted stock units to employees. During the nine months ended June 30, 2012, we granted 595,717 restricted stock units to employees.

Expense and income tax benefits related to our stock bonus awards granted to employees are presented below:

| | Three months ended June 30, | | Nine months ended June 30, | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| | (in thousands) | | | |
| Total share-based expense | $2,274 | $1,694 | $11,413 | $8,927 |
| Income tax benefits related to share-based expense | 864 | 644 | 4,337 | 3,392 |

For the nine months ended June 30, 2012, we realized $1.3 million of excess tax benefits related to our stock bonus awards.

Unrecognized pre-tax expense for share-based awards granted to employees, net of estimated forfeitures, and the remaining period over which the expense will be recognized as of June 30, 2012 is $14.5 million and 2.0 years, respectively. The weighted-average grant-date fair value of restricted stock share and unit awards granted to employees for the three and nine months ended June 30, 2012 is $35.91 and $29.60, respectively.

## NOTE 17 – REGULATIONS AND CAPITAL REQUIREMENTS

For a discussion of the various regulations and capital requirements applicable to certain of our businesses and subsidiaries, see Note 22, pages 139 – 141, of our 2011 Form 10-K.

RJF, as a bank 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.

Quantitative measures established by regulation to ensure capital adequacy require RJF, as a bank holding company, and RJ Bank 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). To be categorized as “well capitalized,” RJF must maintain total risk-based, Tier 1 risk-based, and Tier 1 leverage ratios as set forth in the table below.

| | Actual | | | Requirement for capital adequacy purposes | | | To be well capitalized under prompt corrective action provisions | | |
|---|---|---|---|---|---|---|---|---|---|
| | Amount | Ratio | | Amount | Ratio | | Amount | Ratio | |
| | ($ in thousands) | | | | | | | | |
| RJF as of June 30, 2012: | | | | | | | | | |
| Total capital (to risk-weighted assets) | $2,952,167 | 17.9 | % | $1,319,404 | 8.0 | % | $1,649,255 | 10.0 | % |
| Tier I capital (to risk-weighted assets) | 2,788,277 | 16.9 | % | 659,947 | 4.0 | % | 989,921 | 6.0 | % |
| Tier I capital (to adjusted assets) | 2,788,277 | 13.7 | % | 814,095 | 4.0 | % | 1,017,619 | 5.0 | % |

At current capital levels, RJ Bank was categorized as “well capitalized” under the regulatory framework for prompt corrective action. 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. There are no conditions or events since that notification that management believes have changed RJ Bank's category.

| | Actual | | | Requirement for capital adequacy purposes | | | To be well capitalized under prompt corrective action provisions | | |
|---|---|---|---|---|---|---|---|---|---|
| | Amount | Ratio | | Amount | Ratio | | Amount | Ratio | |
| | ($ in thousands) | | | | | | | | |
| RJ Bank as of June 30, 2012: | | | | | | | | | |
| Total capital (to risk-weighted assets) | $1,112,802 | 12.8 | % | $698,482 | 8.0 | % | $873,103 | 10.0 | % |
| Tier I capital (to risk-weighted assets) | 1,003,038 | 11.5 | % | 349,241 | 4.0 | % | 523,862 | 6.0 | % |
| Tier I capital (to adjusted assets) | 1,003,038 | 10.9 | % | 367,068 | 4.0 | % | 458,835 | 5.0 | % |
| | | | | | | | | | |
| RJ Bank as of September 30, 2011: | | | | | | | | | |
| Total capital (to risk-weighted assets) | $1,018,858 | 13.7 | % | $595,165 | 8.0 | % | $743,956 | 10.0 | % |
| Tier I capital (to risk-weighted assets) | 925,212 | 12.4 | % | 297,582 | 4.0 | % | 446,374 | 6.0 | % |
| Tier I capital (to adjusted assets) | 925,212 | 10.3 | % | 360,961 | 4.0 | % | 451,202 | 5.0 | % |

RJ Bank calculates the Total Capital and Tier I Capital ratios in order to assess its compliance with both regulatory requirements and its internal capital policy in addition to providing a measure of underutilized capital should these ratios become excessive. Capital levels are continually monitored to assess RJ Bank’s capital position.

The decrease in RJ Bank's Total and Tier 1 Capital (to risk-weighted assets) ratios at June 30, 2012 compared to September 30, 2011 were primarily due to an increase in risk-weighted assets during the nine month period ended June 30, 2012, resulting from our utilization of low risk-weighted excess cash balances available at September 30, 2011 to fund significant corporate loan growth. The increase in RJ Bank's Tier I Capital (to adjusted assets) ratio at June 30, 2012 compared to September 30, 2011 was primarily due to earnings and a change from using period-end total assets to average total assets in the calculation as a result of RJ Bank's conversion to reporting under the Consolidated Reports of Condition and Income ("Call Report") during the nine month period ended June 30, 2012.

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:

| | June 30,<br>2012 | September 30,<br>2011 |
|---|---|---|
| | ($ in thousands) | |
| Raymond James & Associates, Inc.: | | |
| (Alternative Method elected) | | |
| Net capital as a percent of aggregate debit items | 18.92 % | 27.02 % |
| Net capital | $299,648 | $409,869 |
| Less: required net capital | (31,681 ) | (30,340 ) |
| Excess net capital | $267,967 | $379,529 |

The net capital position of our wholly owned broker-dealer subsidiary Raymond James Financial Services, Inc. is as follows:

| | June 30,<br>2012 | September 30,<br>2011 |
|---|---|---|
| | (in thousands) | |
| Raymond James Financial Services, Inc.: | | |
| (Alternative Method elected) | | |
| Net capital | $16,006 | $17,829 |
| Less: required net capital | (250 ) | (250 ) |
| Excess net capital | $15,756 | $17,579 |

The net capital position of our wholly owned broker-dealer subsidiary MK & Co. is as follows:

| | June 30, 2012 |
|---|---|
| | ($ in thousands) |
| Morgan Keegan & Company, Inc.: | |
| (Alternative Method elected) | |
| Net capital as a percent of aggregate debit items | 56.01 % |
| Net capital | $223,404 |
| Less: required net capital | (8,292 ) |
| Excess net capital | $215,112 |

The risk adjusted capital of our wholly owned broker-dealer subsidiary RJ Ltd., which is headquartered in Canada, is as follows (in Canadian dollars):

| | June 30,<br>2012 | September 30,<br>2011 |
|---|---|---|
| | (in thousands) | |
| Raymond James Ltd.: | | |
| Risk adjusted capital before minimum | $72,540 | $70,855 |
| Less: required minimum capital | (250 ) | (250 ) |
| Risk adjusted capital | $72,290 | $70,605 |

At June 30, 2012, our other active regulated domestic and international subsidiaries are in compliance with and met all net capital and regulatory requirements.

## NOTE 18 – FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

For a discussion of our financial instruments with off-balance sheet risk, see Note 23, pages 141 – 143, of our 2011 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 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, 2012 |
|---|---|
| | (in thousands) |
| Standby letters of credit | $ 152,729 |
| Open end consumer lines of credit | 123,924 |
| Commercial lines of credit | 1,873,140 |
| Unfunded loan commitments | 136,273 |

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 7 for further discussion of this reserve for unfunded lending commitments.

RJ Ltd. is subject to foreign exchange risk primarily due to financial instruments held 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, 2012, forward contracts outstanding to buy and sell U.S. dollars totaled CDN $5 million and CDN $3.3 million respectively. RJ Bank is also subject to foreign exchange risk related to their net investment in a Canadian subsidiary. See Note 12 for information regarding how RJ Bank utilizes net investment hedges to mitigate a significant portion of this risk.

NOTE 19 – 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, | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| | (in thousands, except per share amounts) | | | |
| Income for basic earnings per common share: | | | | |
| Net income attributable to RJF | $76,350 | $46,786 | $212,544 | $209,426 |
| Less allocation of earnings and dividends to participating securities [(1)] | (1,355) | (1,392) | (4,545) | (6,811) |
| Net income attributable to RJF common shareholders | $74,995 | $45,394 | $207,999 | $202,615 |
| | | | | |
| Income for diluted earnings per common share: | | | | |
| Net income attributable to RJF | $76,350 | $46,786 | $212,544 | $209,426 |
| Less allocation of earnings and dividends to participating securities [(1)] | (1,345) | (1,387) | (4,521) | (6,791) |
| Net income attributable to RJF common shareholders | $75,005 | $45,399 | $208,023 | $202,635 |
| | | | | |
| Common shares: | | | | |
| Average common shares in basic computation | 135,256 | 123,238 | 129,206 | 122,200 |
| Dilutive effect of outstanding stock options and certain restricted stock units | 1,401 | 720 | 981 | 489 |
| Average common shares used in diluted computation | 136,657 | 123,958 | 130,187 | 122,689 |
| | | | | |
| Earnings per common share: | | | | |
| Basic | $0.55 | $0.37 | $1.61 | $1.66 |
| Diluted | $0.55 | $0.37 | $1.60 | $1.65 |
| Stock options and certain restricted stock units excluded from weighted-average diluted common shares because their effect would be antidilutive | 1,573 | 534 | 2,001 | 1,035 |

[(1)] 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 2.4 million and 3.8 million for the three months ended June 30, 2012 and 2011, respectively. Participating securities represent unvested restricted stock and certain restricted stock units and amounted to weighted-average shares of 2.8 million and 4.1 million for the nine months ended June 30, 2012 and 2011, respectively. Dividends paid to participating securities amounted to $316 thousand and $486 thousand for the three months ended June 30, 2012 and 2011, respectively. Dividends paid to participating securities amounted to $1.1 million and $1.5 million for the nine months ended June 30, 2012 and 2011, 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:

| | Three months ended June 30, | | Nine months ended June 30, | |
|---|---|---|---|---|

| | 2012 | 2011 | 2012 | 2011 |
|---|---|---|---|---|
| Dividends per common share - declared | $0.13 | $0.13 | $0.39 | $0.39 |
| Dividends per common share - paid | $0.13 | $0.13 | $0.39 | $0.37 |

## NOTE 20 – SEGMENT ANALYSIS

We currently operate through the following eight business segments: “Private Client Group;” “Capital Markets;” “Asset Management;” RJ Bank; “Emerging Markets;” “Securities Lending;” “Proprietary Capital” and various corporate activities combined in the “Other” segment.  The business segments are based upon factors such as the 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 25, pages 144 – 146, of our 2011 Form 10-K.

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

| | Three months ended June 30, | | Nine months ended June 30, | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| | (in thousands) | | | |
| Revenues: | | | | |
| Private Client Group | $684,684 | $557,017 | $1,781,068 | $1,633,080 |
| Capital Markets | 257,291 | 162,695 | 558,582 | 513,130 |
| Asset Management | 60,611 | 58,458 | 175,623 | 169,386 |
| RJ Bank | 90,289 | 67,836 | 250,841 | 214,376 |
| Emerging Markets | 5,074 | 14,449 | 18,253 | 35,000 |
| Securities Lending | 2,324 | 1,502 | 7,499 | 4,731 |
| Proprietary Capital | 27,736 | 13,716 | 41,599 | 14,111 |
| Other | 2,151 | 1,286 | 8,082 | 8,263 |
| Intersegment eliminations | (14,398) | (8,747) | (37,115) | (26,788) |
| Total revenues[1] | $1,115,762 | $868,212 | $2,804,432 | $2,565,289 |