RAYMOND JAMES FINANCIAL INC
Form 10-Q
February 06, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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

For the quarterly period ended December 31, 2014
or
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission File Number: 1-9109

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

Florida	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.

142,781,599 shares of common stock as of February 2, 2015

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

Form 10-Q for the quarter ended December 31, 2014

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PART I FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

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

	December 31, 2014	September 30, 2014
	(in thousands)	
Assets:		
Cash and cash equivalents	$2,649,385	$2,199,063
Assets segregated pursuant to regulations and other segregated assets	2,359,954	2,489,264
Securities purchased under agreements to resell and other collateralized financings	384,129	446,016
Financial instruments, at fair value:		
Trading instruments	606,676	679,393
Available for sale securities	544,634	562,289
Private equity investments	208,674	211,666
Other investments	215,779	215,751
Derivative instruments associated with offsetting matched book positions	385,512	323,337
Receivables:		
Brokerage clients, net	2,004,104	2,126,804
Stock borrowed	210,769	158,988
Bank loans, net	11,809,886	10,964,299
Brokers-dealers and clearing organizations	72,720	107,116
Loans to financial advisors, net	447,523	424,928
Other	441,533	544,180
Deposits with clearing organizations	150,238	150,457
Prepaid expenses and other assets	697,632	655,256
Investments in real estate partnerships held by consolidated variable interest entities	232,159	235,858
Property and equipment, net	242,540	245,401
Deferred income taxes, net	236,925	231,325
Goodwill and identifiable intangible assets, net	352,474	354,261
Total assets	$24,253,246	$23,325,652

(continued on next page)

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

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

	December 31, 2014	September 30, 2014
	($ in thousands)	
Liabilities and equity:		
Trading instruments sold but not yet purchased, at fair value	$197,975	$238,400
Securities sold under agreements to repurchase	337,107	244,495
Derivative instruments associated with offsetting matched book positions, at fair value	385,512	323,337
Payables:		
Brokerage clients	4,039,037	3,956,104
Stock loaned	390,159	417,383
Bank deposits	11,089,019	10,028,924
Brokers-dealers and clearing organizations	134,455	216,530
Trade and other	702,749	763,235
Other borrowings	605,166	654,916
Accrued compensation, commissions and benefits	589,580	814,359
Loans payable of consolidated variable interest entities	34,470	43,877
Corporate debt	1,189,883	1,190,836
Total liabilities	19,695,112	18,892,396
Commitments and contingencies (see Note 15)		
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 147,191,453 at December 31, 2014 and 146,103,658 at September 30, 2014	1,469	1,444
Additional paid-in capital	1,285,494	1,239,046
Retained earnings	3,123,498	3,023,845
Treasury stock, at cost; 5,028,057 common shares at December 31, 2014 and 4,900,266 common shares at September 30, 2014	(131,444)	(121,211)
Accumulated other comprehensive loss	(8,352)	(1,888)
Total equity attributable to Raymond James Financial, Inc.	4,270,665	4,141,236
Noncontrolling interests	287,469	292,020
Total equity	4,558,134	4,433,256
Total liabilities and equity	$24,253,246	$23,325,652

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

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

	Three months ended December 31,	
	2014	2013
	(in thousands, except per share amounts)	
Revenues:		
Securities commissions and fees	$834,009	$782,180
Investment banking	77,538	79,797
Investment advisory fees	98,761	93,414
Interest	132,109	117,093
Account and service fees	111,158	93,574
Net trading profit	8,881	18,151
Other	17,388	24,565
Total revenues	1,279,844	1,208,774
Interest expense	(27,384)	(25,372)
Net revenues	1,252,460	1,183,402
Non-interest expenses:		
Compensation, commissions and benefits	841,450	804,945
Communications and information processing	55,916	61,854
Occupancy and equipment costs	39,227	39,685
Clearance and floor brokerage	9,498	9,954
Business development	36,990	32,244
Investment sub-advisory fees	14,255	11,799
Bank loan loss provision	9,365	1,636
Other	47,110	42,473
Total non-interest expenses	1,053,811	1,004,590
Income including noncontrolling interests and before provision for income taxes	198,649	178,812
Provision for income taxes	76,612	62,291
Net income including noncontrolling interests	122,037	116,521
Net loss attributable to noncontrolling interests	(4,259)	(112)
Net income attributable to Raymond James Financial, Inc.	$126,296	$116,633
Net income per common share – basic	$0.89	$0.83
Net income per common share – diluted	$0.87	$0.81
Weighted-average common shares outstanding – basic	141,246	139,089
Weighted-average common and common equivalent shares outstanding – diluted	145,282	142,597
Net income attributable to Raymond James Financial, Inc.	$126,296	$116,633
Other comprehensive income (loss), net of tax:(1)		
Change in unrealized losses on available for sale securities and non-credit portion of other-than-temporary impairment losses	(24)	1,094
Change in currency translations and net investment hedges	(6,440)	(6,275)
Total comprehensive income	$119,832	$111,452

Other-than-temporary impairment:

Total other-than-temporary impairment, net	$1,751	$1,584
Portion of pre-tax recoveries recognized in other comprehensive income	(1,751)	(1,611)
Net impairment losses recognized in other revenue	$—	$(27)

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

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

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

	Three months ended December 31,	
	2014	2013
	(in thousands, except per share amounts)	
Common stock, par value $.01 per share:		
Balance, beginning of year	$1,444	$1,429
Other issuances	25	7
Balance, end of period	1,469	1,436
Additional paid-in capital:		
Balance, beginning of year	1,239,046	1,136,298
Employee stock purchases	3,877	3,391
Exercise of stock options and vesting of restricted stock units, net of forfeitures	11,284	7,460
Restricted stock, stock option and restricted stock unit expense	21,885	19,148
Excess tax benefit from share-based payments	9,367	5,923
Other	35	(231)
Balance, end of period	1,285,494	1,171,989
Retained earnings:		
Balance, beginning of year	3,023,845	2,635,026
Net income attributable to Raymond James Financial, Inc.	126,296	116,633
Cash dividends declared	(26,643)	(23,188)
Other	—	(296)
Balance, end of period	3,123,498	2,728,175
Treasury stock:		
Balance, beginning of year	(121,211)	(120,555)
Purchases/surrenders	(5,679)	(1,850)
Exercise of stock options and vesting of restricted stock units, net of forfeitures	(4,554)	(2,664)
Balance, end of period	(131,444)	(125,069)
Accumulated other comprehensive income:[1]		
Balance, beginning of year	$(1,888)	$10,726
Net change in unrealized losses on available for sale securities and non-credit portion of other-than-temporary impairment losses, net of tax	(24)	1,094
Net change in currency translations and net investment hedges, net of tax	(6,440)	(6,275)
Balance, end of period	(8,352)	5,545
Total equity attributable to Raymond James Financial, Inc.	$4,270,665	$3,782,076
Noncontrolling interests:		
Balance, beginning of year	$292,020	$335,413
Net loss attributable to noncontrolling interests	(4,259)	(112)
Capital contributions	9,898	11,682
Distributions	(8,996)	(8,345)
Other	(1,194)	4,874

Balance, end of period	287,469	343,512
Total equity	$4,558,134	$4,125,588

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

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

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

	Three months ended December 31,	
	2014	2013
	(in thousands)	
Cash flows from operating activities:		
Net income attributable to Raymond James Financial, Inc.	$126,296	$116,633
Net loss attributable to noncontrolling interests	(4,259)	(112)
Net income including noncontrolling interests	122,037	116,521
Adjustments to reconcile net income including noncontrolling interests to net cash provided by operating activities:		
Depreciation and amortization	16,327	16,609
Deferred income taxes	(4,090)	(4,343)
Premium and discount amortization on available for sale securities and unrealized/realized gain on other investments	(6,704)	(6,664)
Provisions for loan losses, legal proceedings, bad debts and other accruals	11,267	5,265
Share-based compensation expense	22,665	20,876
Other	1,872	(8,685)
Net change in:		
Assets segregated pursuant to regulations and other segregated assets	129,310	1,472,663
Securities purchased under agreements to resell and other collateralized financings, net of securities sold under agreements to repurchase	154,499	114,995
Stock loaned, net of stock borrowed	(79,005)	(91,582)
Loans provided to financial advisors, net of repayments	(27,537)	(7,058)
Brokerage client receivables and other accounts receivable, net	259,730	228,526
Trading instruments, net	14,616	117,067
Prepaid expenses and other assets	31,112	6,767
Brokerage client payables and other accounts payable	(91,971)	(1,812,395)
Accrued compensation, commissions and benefits	(224,936)	(168,328)
(Purchases and originations of loans held for sale) proceeds from sales of securitizations and loans held for sale, net	(80,176)	22,205
Excess tax benefits from share-based payment arrangements	(9,367)	(5,923)
Net cash provided by operating activities	239,649	16,516
Cash flows from investing activities:		
Additions to property and equipment	(13,058)	(12,691)
Increase in bank loans, net	(766,663)	(585,879)
Purchases of Federal Home Loan Bank/Federal Reserve Bank stock	(450)	—
Proceeds from sales of loans held for investment	14,869	57,973
Purchases of/contributions to private equity and other investments, net	(17,667)	(14,821)
Purchases of available for sale securities	—	(1,306)
Available for sale securities maturations, repayments and redemptions	17,485	51,060
Proceeds from sales of available for sale securities	—	370
Investments in real estate partnerships held by consolidated variable interest entities, net of other investing activity	46	—

Net cash used in investing activities	$(765,438)	$(505,294)

(continued on next page)

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

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

	Three months ended December 31,	
	2014	2013
	(in thousands)	
Cash flows from financing activities:		
Proceeds from borrowed funds, net	$—	$367
Repayments of borrowed funds, net	(50,750)	(6,621)
Repayments of borrowings by consolidated variable interest entities which are real estate partnerships	(9,924)	(10,956)
Proceeds from capital contributed to and borrowings of consolidated variable interest entities which are real estate partnerships	—	11,666
Exercise of stock options and employee stock purchases	17,073	10,598
Increase in bank deposits	1,060,095	710,067
Purchases of treasury stock	(12,708)	(5,028)
Dividends on common stock	(23,626)	(20,280)
Excess tax benefits from share-based payment arrangements	9,367	5,923
Net cash provided by financing activities	989,527	695,736
Currency adjustment:		
Effect of exchange rate changes on cash	(13,416)	(1,622)
Net increase in cash and cash equivalents	450,322	205,336
Cash and cash equivalents at beginning of year	2,199,063	2,596,616
Cash and cash equivalents at end of period	$2,649,385	$2,801,952
Supplemental disclosures of cash flow information:		
Cash paid for interest	$26,867	$24,448
Cash paid for income taxes	$66,578	$78,074
Non-cash transfers of loans to other real estate owned	$1,577	$989

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

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RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
December 31, 2014

NOTE 1 – INTRODUCTION AND BASIS OF PRESENTATION

Description of business

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

Basis of presentation

The accompanying unaudited condensed consolidated financial statements include the accounts of RJF and its consolidated subsidiaries that are generally controlled through a majority voting interest. We consolidate all of our 100% owned subsidiaries. In addition we consolidate any variable interest entity ("VIE") in which we are the primary beneficiary. Additional information on these VIEs is provided in Note 2 on pages 115 - 118 in the section titled, "Evaluation of VIEs to determine whether consolidation is required" as presented in our Annual Report on Form 10-K for the year ended September 30, 2014, as filed with the United States ("U.S.") Securities and Exchange Commission (the "2014 Form 10-K") and in Note 8 herein. When we do not have a controlling interest in an entity, but we exert significant influence over the entity, we apply the equity method of accounting. All material intercompany balances and transactions have been eliminated in consolidation.

Accounting estimates and assumptions

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

The nature of our business is such that the results of any interim period are not necessarily indicative of results for a full year. These unaudited condensed consolidated financial statements should be read in conjunction with Management's Discussion and Analysis and the consolidated financial statements and notes thereto included in our 2014 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.

Significant subsidiaries

As of December 31, 2014, our significant subsidiaries, all wholly owned, include: Raymond James & Associates, Inc. ("RJ&A") a domestic broker-dealer carrying client accounts, Raymond James Financial Services, Inc. ("RJFS") an introducing domestic broker-dealer, Raymond James Financial Services Advisors, Inc. (“RJFSA”) a registered investment advisor, Raymond James Ltd. (“RJ Ltd.”) a broker-dealer headquartered in Canada, Eagle Asset Management, Inc. (“Eagle”) a registered investment advisor, and Raymond James Bank, N.A. (“RJ Bank”) a national bank.

Reclassifications

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

NOTE 2 – UPDATE OF SIGNIFICANT ACCOUNTING POLICIES

A summary of our significant accounting policies is included in Note 2 on pages 100 - 118 of our 2014 Form 10-K. There have been no significant changes in our significant accounting policies since September 30, 2014.

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Brokerage client receivables, loans to financial advisors and allowance for doubtful accounts
As more fully described in Note 2 on page 107 - 108 of our 2014 Form 10-K, we have certain financing receivables that arise from businesses other than our banking business. Specifically, we offer loans to financial advisors and certain key revenue producers, primarily for recruiting and retention purposes. We present the outstanding balance of loans to financial advisors on our Condensed Consolidated Statements of Financial Condition, net of their applicable allowances for doubtful accounts. The allowance for doubtful accounts balance associated with all of our loans to financial advisors is $2.7 million and $2.5 million at December 31, 2014 and September 30, 2014, respectively. Of the December 31, 2014 loans to financial advisors, the portion of the balance associated with financial advisors who are no longer affiliated with us, after consideration of the allowance for doubtful accounts, is approximately $5 million.

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 discussion of our accounting policies regarding assets segregated pursuant to regulations and other segregated assets, see Note 2 on page 102 of our 2014 Form 10-K.

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

	December 31, 2014	September 30, 2014
	(in thousands)	
Cash and cash equivalents:		
Cash in banks	$2,643,330	$2,195,683
Money market fund investments	6,055	3,380
Total cash and cash equivalents (1)	2,649,385	2,199,063
Cash segregated pursuant to federal regulations and other segregated assets (2)	2,359,954	2,489,264
Deposits with clearing organizations (3)	150,238	150,457
	$5,159,577	$4,838,784

(1) The total amounts presented include cash and cash equivalents of $1.17 billion and $1.21 billion as of December 31, 2014 and September 30, 2014, respectively, which are either held directly by RJF in depository accounts at third party financial institutions, held in a depository account at RJ Bank, or are otherwise invested by one of our subsidiaries on behalf of RJF, all of which are available without restrictions.

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

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

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NOTE 4 – FAIR VALUE

For a discussion of our valuation methodologies for assets, liabilities measured at fair value, and the fair value hierarchy, see Note 2 on pages 102 - 107 of our 2014 Form 10-K. There have been no material changes to our valuation methodologies since our year ended September 30, 2014.

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

December 31, 2014	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 December 31, 2014
	(in thousands)				
Assets at fair value on a recurring basis:					
Trading instruments:					
Municipal and provincial obligations	$8,677	$136,491	$—	$—	$145,168
Corporate obligations	528	45,938	—	—	46,466
Government and agency obligations	19,530	90,666	—	—	110,196
Agency mortgage-backed securities ("MBS") and collateralized mortgage obligations ("CMOs")	102	162,057	—	—	162,159
Non-agency CMOs and asset-backed securities ("ABS")	—	28,055	11	—	28,066
Total debt securities	28,837	463,207	11	—	492,055
Derivative contracts	—	104,873	—	(71,306)	33,567
Equity securities	18,399	4,549	14	—	22,962
Corporate loans	—	8,888	—	—	8,888
Other	583	43,357	5,264	—	49,204
Total trading instruments	47,819	624,874	5,289	(71,306)	606,676
Available for sale securities:					
Agency MBS and CMOs	—	253,651	—	—	253,651
Non-agency CMOs	—	90,282	—	—	90,282
Other securities	1,932	—	—	—	1,932
Auction rate securities ("ARS"):					
Municipals	—	—	85,814 [3]	—	85,814
Preferred securities	—	—	112,955	—	112,955
Total available for sale securities	1,932	343,933	198,769	—	544,634
Private equity investments	—	—	208,674 [4]	—	208,674
Other investments [5]	212,898	1,317	1,564	—	215,779
Derivative instruments associated with offsetting matched book positions	—	385,512	—	—	385,512
Other assets	—	—	2,407 [6]	—	2,407
	$262,649	$1,355,636	$416,703	$(71,306)	$1,963,682

Total assets at fair value on a recurring basis					
Assets at fair value on a nonrecurring basis:					
Bank loans, net:					
Impaired loans	$—	$32,990	$52,201	$—	$85,191
Loans held for sale[7]	—	20,100	—	—	20,100
Total bank loans, net	—	53,090	52,201	—	105,291
Other real estate owned (“OREO”)[8]	—	675	—	—	675
Total assets at fair value on a nonrecurring basis	$—	$53,765	$52,201	$—	$105,966

(continued on next page)

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December 31, 2014	Quoted prices in active markets for identical assets (Level 1) [(1)] (in thousands) (continued from previous page)	Significant other observable inputs (Level 2) [(1)]	Significant unobservable inputs (Level 3)	Netting adjustments [(2)]	Balance as of December 31, 2014
Liabilities at fair value on a recurring basis:					
Trading instruments sold but not yet purchased:					
Municipal and provincial obligations	$7,674	$77	$—	$—	$7,751
Corporate obligations	—	16,319	—	—	16,319
Government obligations	141,525	—	—	—	141,525
Agency MBS and CMOs	2,268	21	—	—	2,289
Total debt securities	151,467	16,417	—	—	167,884
Derivative contracts	—	91,984	—	(75,210)	16,774
Equity securities	13,317	—	—	—	13,317
Total trading instruments sold but not yet purchased	164,784	108,401	—	(75,210)	197,975
Derivative instruments associated with offsetting matched book positions	—	385,512	—	—	385,512
Trade and other payables:					
Derivative contracts	—	1,102	—	—	1,102
Other liabilities	—	—	58	—	58
Total trade and other payables	—	1,102	58	—	1,160
Total liabilities at fair value on a recurring basis	$164,784	$495,015	$58	$(75,210)	$584,647

(1) We had $500 thousand in transfers of financial instruments from Level 1 to Level 2 during the three months ended December 31, 2014. These transfers were a result of a decrease in availability and reliability of the observable inputs utilized in the respective instruments' fair value measurement. We had $1.1 million in transfers of financial instruments from Level 2 to Level 1 during the three months ended December 31, 2014. These transfers were a result of an increase in availability and reliability of the observable inputs utilized in the respective instruments' fair value measurement. Our policy is that the end of each respective quarterly reporting period determines when transfers of financial instruments between levels are recognized.

(2) Where permitted, we have elected to net derivative receivables and derivative payables and the related cash collateral received and paid when a legally enforceable master netting agreement exists (see Note 13 for additional information regarding offsetting financial instruments).

(3) Includes $57 million of Jefferson County, Alabama Limited Obligation School Warrants ARS.

(4) The portion of these investments we do not own is approximately $52 million as of December 31, 2014 and are included as a component of noncontrolling interest in our Condensed Consolidated Statements of Financial Condition. The weighted average portion we own is approximately $157 million or 75% of the total private equity

investments of $209 million included in our Condensed Consolidated Statements of Financial Condition.

(5) Other investments include $146 million of financial instruments that are related to obligations to perform under certain deferred compensation plans (see Note 2 on page 114, and Note 24 on page 173, of our 2014 Form 10-K for further information regarding these plans).

(6) Includes forward commitments to purchase GNMA or FNMA (as hereinafter defined) MBS arising from our fixed income public finance operations, and to a much lesser extent, other certain commitments. See Note 2 on page 104, and Note 21 on page 167 of our 2014 Form 10-K, as well as Note 15 in this report, for additional information regarding the GNMA or FNMA MBS commitments.

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

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

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September 30, 2014	Quoted prices in active markets for identical assets (Level 1) (1) (in thousands)	Significant other observable inputs (Level 2) (1)	Significant unobservable inputs (Level 3)	Netting adjustments (2)	Balance as of September 30, 2014
Assets at fair value on a recurring basis:					
Trading instruments:					
Municipal and provincial obligations	$11,407	$192,482	$—	$—	$203,889
Corporate obligations	1,989	109,939	—	—	111,928
Government and agency obligations	7,376	93,986	—	—	101,362
Agency MBS and CMOs	247	127,172	—	—	127,419
Non-agency CMOs and ABS	—	58,364	11	—	58,375
Total debt securities	21,019	581,943	11	—	602,973
Derivative contracts	—	89,923	—	(61,718)	28,205
Equity securities	28,834	5,264	44	—	34,142
Corporate loans	—	990	—	—	990
Other	566	10,208	2,309	—	13,083
Total trading instruments	50,419	688,328	2,364	(61,718)	679,393
Available for sale securities:					
Agency MBS and CMOs	—	267,720	—	—	267,720
Non-agency CMOs	—	91,918	—	—	91,918
Other securities	1,916	—	—	—	1,916
ARS:					
Municipals	—	—	86,696 (3)	—	86,696
Preferred securities	—	—	114,039	—	114,039
Total available for sale securities	1,916	359,638	200,735	—	562,289
Private equity investments	—	—	211,666 (4)	—	211,666
Other investments (5)	212,753	1,267	1,731	—	215,751
Derivative instruments associated with offsetting matched book positions	—	323,337	—	—	323,337
Other assets:					
Derivative contracts	—	2,462	—	—	2,462
Other assets	—	—	787 (6)	—	787
Total other assets	—	2,462	787	—	3,249
Total assets at fair value on a recurring basis	$265,088	$1,375,032	$417,283	$(61,718)	$1,995,685
Assets at fair value on a nonrecurring basis:					
Bank loans, net:					
Impaired loans	$—	$34,799	$55,528	$—	$90,327
Loans held for sale(7)	—	22,611	—	—	22,611

Total bank loans, net	—	57,410	55,528	—	112,938
OREO[8]	—	768	—	—	768
Total assets at fair value on a nonrecurring basis	$—	$58,178	$55,528	$—	$113,706

(continued on next page)

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September 30, 2014	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, 2014
	(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	$11,093	$554	$—	$—	$11,647
Corporate obligations	29	15,304	—	—	15,333
Government obligations	187,424	—	—	—	187,424
Agency MBS and CMOs	738	—	—	—	738
Total debt securities	199,284	15,858	—	—	215,142
Derivative contracts	—	75,668	—	(63,296)	12,372
Equity securities	10,884	2	—	—	10,886
Total trading instruments sold but not yet purchased	210,168	91,528	—	(63,296)	238,400
Derivative instruments associated with offsetting matched book positions	—	323,337	—	—	323,337
Other liabilities	—	—	58	—	58
Total liabilities at fair value on a recurring basis	$210,168	$414,865	$58	$(63,296)	$561,795

(1) We had $800 thousand in transfers of financial instruments from Level 1 to Level 2 during the year ended September 30, 2014. These transfers were a result of a decrease in availability and reliability of the observable inputs utilized in the respective instruments' fair value measurement. We had $1.3 million in transfers of financial instruments from Level 2 to Level 1 during the year ended September 30, 2014. These transfers were a result of an increase in availability and reliability of the observable inputs utilized in the respective instruments' fair value measurement. Our policy is that the end of each respective quarterly reporting period determines when transfers of financial instruments between levels are recognized.

(2) Where permitted, we have elected to net derivative receivables and derivative payables and the related cash collateral received and paid when a legally enforceable master netting agreement exists. See Note 13 for additional information regarding offsetting financial instruments.

(3) Includes $58 million of Jefferson County, Alabama Limited Obligation School Warrants ARS.

(4) The portion of these investments we do not own is approximately $55 million as of September 30, 2014 and are included as a component of noncontrolling interest in our Condensed Consolidated Statements of Financial Condition. The weighted average portion we own is approximately $157 million or 74% of the total private equity investments of $212 million included in our Condensed Consolidated Statements of Financial Condition.

(5) Other investments include $144 million of financial instruments that are related to obligations to perform under certain deferred compensation plans (see Note 2 on page 114, and Note 24 on page 173, of our 2014 Form 10-K for

further information regarding these plans).

(6) Primarily comprised of forward commitments to purchase GNMA or FNMA (as hereinafter defined) MBS arising from our fixed income public finance operations (see Note 2 on page 104, and Note 21 on page 167 of our 2014 Form 10-K for additional information).

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

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

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The adjustment to fair value of the nonrecurring fair value measures for the three months ended December 31, 2014 resulted in a $120 thousand additional provision for loan losses and $129 thousand in other losses. The adjustment to fair value of the nonrecurring fair value measures for the three months ended December 31, 2013 resulted in a $104 thousand reversal of provision for loan losses and $214 thousand in other losses.

Changes in Level 3 recurring fair value measurements

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

Additional information about Level 3 assets and liabilities measured at fair value on a recurring basis is presented below:
Three months ended December 31, 2014 Level 3 assets at fair value
(in thousands)

	Financial assets								Financial liabilities
	Trading instruments			Available for sale securities		Private equity, other investments and other assets			Payables-trade and other
	Non-agency CMOs & ABS	Equity securities	Other	ARS – municipals	ARS - preferred securities	Private equity investments	Other investments	Other assets	Other liabilities
Fair value September 30, 2014	$11	$44	$2,309	$86,696	$114,039	$211,666	$1,731	$787	$(58)
Total gains (losses) for the period:									
Included in earnings	—	5	(20)	—	—	2,646 (1)	40	1,620	—
Included in other comprehensive income	—	—	—	(882)	(1,084)	—	—	—	—
Purchases and contributions	—	20	11,975	—	—	4,102	—	—	—
Sales	—	—	(9,000)	—	—	—	—	—	—
Redemptions by issuer	—	—	—	—	—	—	(10)	—	—
Distributions	—	—	—	—	—	(9,740)	(197)	—	—
Transfers: (2)									
Into Level 3	—	—	—	—	—	—	—	—	—
Out of Level 3	—	(55)	—	—	—	—	—	—	—
Fair value December 31, 2014	$11	$14	$5,264	$85,814	$112,955	$208,674	$1,564	$2,407	$(58)
Change in unrealized gains (losses) for the period included in earnings (or changes in net assets) for assets held at the end of the	$—	$5	$—	$(882)	$(1,084)	$2,646	$40	$1,620	$—

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 $2.4 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 $200 thousand.

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

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Three months ended December 31, 2013 Level 3 assets at fair value
(in thousands)

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

(1)

Primarily results from valuation adjustments of certain private equity investments. Since we only own a portion of these investments, our share of the net valuation adjustments resulted in a gain of $4.4 million which is included in net income attributable to RJF (after noncontrolling interests). The noncontrolling interests' share of the net valuation adjustments was a gain of approximately $400 thousand.

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

As of December 31, 2014, 8.1% of our assets and 3% of our liabilities are instruments measured at fair value on a recurring basis. Instruments measured at fair value on a recurring basis categorized as Level 3 as of December 31, 2014 represent 21% of our assets measured at fair value. In comparison, as of December 31, 2013, 8.2% and 2% of our assets and liabilities, respectively, represented instruments measured at fair value on a recurring basis. Instruments measured at fair value on a recurring basis categorized as Level 3 as of December 31, 2013 represented 24% of our assets measured at fair value. Level 3 instruments as a percentage of total financial instruments decreased by 3% as compared to December 31, 2013. The balances of our level 3 assets have decreased compared to December 31, 2013 primarily as a result of the sale or redemption of a portion of our ARS portfolio since December 31, 2013.

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

For the three months ended December 31, 2014	Net trading profit	Other revenues
	(in thousands)	
Total (losses) gains included in revenues	$(15)	$4,306
Change in unrealized gains for assets held at the end of the reporting period	$5	$2,340

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

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Quantitative information about level 3 fair value measurements

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

Level 3 financial instrument	Fair value at December 31, 2014 (in thousands)	Valuation technique(s)	Unobservable input	Range (weighted-average)
Recurring measurements:				
Available for sale securities:				
ARS:				
Municipals	$57,374	Recent trades	Observed trades (in inactive markets) of in-portfolio securities	79% of par - 88% of par (87% of par)
Municipals	$10,687	Income or market approach:		
		Scenario 1 - recent trades	Observed trades (in inactive markets) of in-portfolio securities	70% of par - 70% of par (70% of par)
		Scenario 2 - discounted cash flow	Average discount rate[(a)]	5.08% - 6.91% (6%)
			Average interest rates applicable to future interest income on the securities[(b)]	1.71% - 3.59% (2.65%)
			Prepayment year[(c)]	2017 - 2024 (2021)
			Weighting assigned to outcome of scenario1/ scenario 2	20%/80%
Municipals	$17,753	Discounted cash flow	Average discount rate[(a)]	3.34% - 5.91.% (3.91%)
			Average interest rates applicable to future interest income on the securities[(b)]	1.46% - 4.81% (1.63%)
			Prepayment year[(c)]	2017 - 2024 (2019)
Preferred securities	$112,955	Discounted cash flow	Average discount rate[(a)]	3.66% - 5.15% (4.36%)
			Average interest rates applicable to future interest income on the securities[(b)]	2.17% - 3.7% (2.29%)
			Prepayment year[(c)]	2015 - 2019 (2019)
Private equity investments:	$46,402	Income or market approach:		
		Scenario 1 - income approach - discounted cash flow	Discount rate[(a)]	13% - 17.5% (15.9%)
			Terminal growth rate of cash flows	3% - 3% (3%)
			Terminal year	2016 - 2018 (2017)

		Scenario 2 - market approach - market multiple method	EBITDA Multiple[d]	4.75 - 7.5 (6.3)
			Weighting assigned to outcome of scenario 1/scenario 2	72%/28%
	$162,272	Transaction price or other investment-specific events[e]	Not meaningful[e]	Not meaningful[e]
Nonrecurring measurements:				
Impaired loans: residential	$24,313	Discounted cash flow	Prepayment rate	7 yrs. - 12 yrs. (10.3 yrs.)
Impaired loans: corporate	$27,888	Appraisal, discounted cash flow, or distressed enterprise value[f]	Not meaningful[f]	Not meaningful[f]

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

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

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

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

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

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

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

(f) The valuation techniques used for the impaired corporate loan portfolio as of December 31, 2014 were appraisals less selling costs for the collateral dependent loans, and either discounted cash flows or distressed enterprise value for the remaining impaired loans that are not collateral dependent.

Qualitative disclosure about unobservable inputs

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

Auction rate securities:

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

The future interest rate and maturity assumptions impacting the valuation of the auction rate securities are directly related. As short-term interest rates rise, due to the variable nature of the penalty interest rate provisions embedded in most of these securities in the event auctions fail to set the security's interest rate, then a penalty rate that is specified in the security increases. These penalty rates are based upon a stated interest rate spread over what is typically a short-term base interest rate index. Management estimates that at some level of increase in short-term interest rates, issuers of the securities will have the economic incentive to refinance (and thus prepay) the securities. Therefore, the short-term interest rate assumption directly impacts the input related to the timing of any projected prepayment. The faster and steeper short-term interest rates rise, the earlier prepayments will likely occur and the higher the fair value of the security.

Private equity investments:

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

Fair value option

The fair value option is an accounting election that allows the reporting entity to apply fair value accounting for certain financial assets and liabilities on an instrument by instrument basis. As of December 31, 2014, we have elected not to choose the fair value option for any of our financial assets or liabilities not already recorded at fair value.

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Other fair value disclosures

Many, but not all, of the financial instruments we hold are recorded at fair value in the Condensed Consolidated Statements of Financial Condition. Refer to Note 5 on pages 131 - 132 of our 2014 Form 10-K for discussion of the methods and assumptions we apply to the determination of fair value of our financial instruments that are not otherwise recorded at fair value.

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

	Quoted prices in active markets for identical assets (Level 1) (in thousands)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total estimated fair value	Carrying amount
December 31, 2014					
Financial assets:					
Bank loans, net[(1)]	$—	$125,043	$11,560,647	$11,685,690	$11,710,468
Financial liabilities:					
Bank deposits	$—	$10,742,680	$348,039	$11,090,719	$11,089,019
Corporate debt	$382,060	$953,846	$—	$1,335,906	$1,189,883
September 30, 2014					
Financial assets:					
Bank loans, net[(1)]	$—	$23,678	$10,738,136	$10,761,814	$10,857,662
Financial liabilities:					
Bank deposits	$—	$9,684,221	$344,234	$10,028,455	$10,028,924
Corporate debt	$366,100	$955,170	$—	$1,321,270	$1,190,836

(1) Excludes all impaired loans and loans held for sale which have been recorded at fair value in the Condensed Consolidated Statements of Financial Condition at December 31, 2014 and September 30, 2014, respectively.

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

	December 31, 2014		September 30, 2014	
	Trading instruments	Instruments sold but not yet purchased	Trading instruments	Instruments sold but not yet purchased
	(in thousands)			
Municipal and provincial obligations	$145,168	$7,751	$203,889	$11,647
Corporate obligations	46,466	16,319	111,928	15,333
Government and agency obligations	110,196	141,525	101,362	187,424
Agency MBS and CMOs	162,159	2,289	127,419	738
Non-agency CMOs and ABS	28,066	—	58,375	—
Total debt securities	492,055	167,884	602,973	215,142
Derivative contracts (1)	33,567	16,774	28,205	12,372
Equity securities	22,962	13,317	34,142	10,886
Corporate loans	8,888	—	990	—
Other	49,204 (2)	—	13,083 (2)	—
Total	$606,676	$197,975	$679,393	$238,400

(1) Represents the derivative contracts held for trading purposes. These balances do not include all derivative instruments since the derivative instruments associated with offsetting matched book positions are included on their own line item on our Condensed Consolidated Statements of Financial Condition. See Note 12 for further information regarding all of our derivative transactions, and see Note 13 for additional information regarding offsetting financial instruments.

(2) The balance as of December 31, 2014 includes $34.8 million of brokered certificates of deposit issued by third party financial institutions. As of September 30, 2014, we held $800 thousand of such instruments.

Included in net trading profit on our Condensed Consolidated Statements of Income and Comprehensive Income are net unrealized (losses) gains related to trading instruments held as of December 31, 2014 and 2013 of $(2.9) million and $1.3 million respectively.

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 and ARS owned by one of our non-broker-dealer subsidiaries. Refer to the discussion of our available for sale securities accounting policies, including the fair value determination process, in Note 2 on pages 104 - 106 of our 2014 Form 10-K.

There were no proceeds from the sale of RJ Bank available for sale securities in either of the three month periods ended December 31, 2014 or 2013.

There were no proceeds from the sale or redemption of ARS during the three months ended December 31, 2014. During the three months ended December 31, 2013, certain ARS with an aggregate par value of approximately $27.1 million were redeemed by their issuer at par, or sold at amounts approximating their par value pursuant to tender offers, resulting in a gain which is recorded in other revenues on our Condensed Consolidated Statements of Income and Comprehensive Income of $5.5 million. Nearly all of the prior period proceeds and gain resulted from the redemption of the Jefferson County Sewer Revenue Refunding Warrants ARS.

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

	Cost basis	Gross unrealized gains	Gross unrealized losses	Fair value
	(in thousands)			
December 31, 2014				
Available for sale securities:				
Agency MBS and CMOs	$253,687	$766	$(802)	$253,651
Non-agency CMOs [1]	95,586	114	(5,418)	90,282
Other securities	1,575	357	—	1,932
Total RJ Bank available for sale securities	350,848	1,237	(6,220)	345,865
Auction rate securities:				
Municipal obligations	81,535	5,666	(1,387)	85,814
Preferred securities	104,526	8,429	—	112,955
Total auction rate securities	186,061	14,095	(1,387)	198,769
Total available for sale securities	$536,909	$15,332	$(7,607)	$544,634
September 30, 2014				
Available for sale securities:				
Agency MBS and CMOs	$267,927	$822	$(1,029)	$267,720
Non-agency CMOs [2]	98,946	56	(7,084)	91,918
Other securities	1,575	341	—	1,916
Total RJ Bank available for sale securities	368,448	1,219	(8,113)	361,554
Auction rate securities:				
Municipal obligations	81,535	6,240	(1,079)	86,696
Preferred securities	104,526	9,513	—	114,039
Total auction rate securities	186,061	15,753	(1,079)	200,735
Total available for sale securities	$554,509	$16,972	$(9,192)	$562,289

(1) As of December 31, 2014, the non-credit portion of other-than-temporary impairment (“OTTI”) recorded in accumulated other comprehensive income (loss) (“AOCI”) was $4.3 million (before taxes). See Note 16 for additional information.

(2) As of September 30, 2014, the non-credit portion of OTTI recorded in AOCI was $6.1 million (before taxes).

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

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

	December 31, 2014				
	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	$—	$8,711	$9,075	$235,901	$253,687
Carrying value	—	8,734	9,127	235,790	253,651
Weighted-average yield	—	0.25 %	0.21 %	0.95 %	0.91 %
Non-agency CMOs:					
Amortized cost	$—	$—	$—	$95,586	$95,586
Carrying value	—	—	—	90,282	90,282
Weighted-average yield	—	—	—	2.36 %	2.36 %
Other securities:					
Amortized cost	$—	$—	$—	$1,575	$1,575
Carrying value	—	—	—	1,932	1,932
Weighted-average yield	—	—	—	—	—
Sub-total agency MBS & CMOs, non-agency CMOs, and other securities:					
Amortized cost	$—	$8,711	$9,075	$333,062	$350,848
Carrying value	—	8,734	9,127	328,004	345,865
Weighted-average yield	—	0.25 %	0.21 %	1.33 %	1.28 %
Auction rate securities:					
Municipal obligations					
Amortized cost	$—	$—	$—	$81,535	$81,535
Carrying value	—	—	—	85,814	85,814
Weighted-average yield	—	—	—	0.41 %	0.41 %
Preferred securities:					
Amortized cost	$—	$—	$—	$104,526	$104,526
Carrying value	—	—	—	112,955	112,955
Weighted-average yield	—	—	—	0.27 %	0.27 %
Sub-total auction rate securities:					
Amortized cost	$—	$—	$—	$186,061	$186,061
Carrying value	—	—	—	198,769	198,769
Weighted-average yield	—	—	—	0.33 %	0.33 %

Total available for sale securities:					
Amortized cost	$—	$8,711	$9,075	$519,123	$536,909
Carrying value	—	8,734	9,127	526,773	544,634
Weighted-average yield	—	0.25 %	0.21 %	0.96 %	0.94 %

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

	December 31, 2014					
	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	$8,530	$(152)	$69,513	$(650)	$78,043	$(802)
Non-agency CMOs	19,724	(592)	66,468	(4,826)	86,192	(5,418)
ARS municipal obligations	—	—	11,765	(1,387)	11,765	(1,387)
Total	$28,254	$(744)	$147,746	$(6,863)	$176,000	$(7,607)

	September 30, 2014					
	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	$18,062	$(53)	$71,688	$(976)	$89,750	$(1,029)
Non-agency CMOs	5,506	(357)	69,970	(6,727)	75,476	(7,084)
ARS municipal obligations	—	—	12,072	(1,079)	12,072	(1,079)
Total	$23,568	$(410)	$153,730	$(8,782)	$177,298	$(9,192)

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

Agency MBS and CMOs

The Federal National Mortgage Association ("FNMA"), the Federal Home Loan Mortgage Corporation ("FHLMC"), as well as the Government National Mortgage Association ("GNMA"), guarantee the contractual cash flows of the agency MBS and CMOs. At December 31, 2014, of the 10 of our U.S. government-sponsored enterprise MBS and CMOs in an unrealized loss position, one was in a continuous unrealized loss position for less than 12 months and nine were for 12 months or more. We do not consider these securities other-than-temporarily impaired due to the guarantee provided by FNMA, FHLMC, and GNMA as to the full payment of principal and interest, and the fact that we have the ability and intent to hold these securities to maturity.

Non-agency CMOs

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

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

	December 31, 2014	
	Range	Weighted-average [1]
Default rate	0% - 10.7%	3.88%
Loss severity	0% - 73.8%	38.15%
Prepayment rate	5.0% - 24.2%	9.95%

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

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At December 31, 2014, 17 of the 19 non-agency CMOs were in a continuous unrealized loss position. Of these, 12 were in that position for 12 months or more and five were in a continuous unrealized loss position for less than 12 months. Based on the expected cash flows derived from the model utilized in our analysis, we expect to recover all unrealized losses not already recorded in earnings on our non-agency CMOs. However, it is possible that the underlying loan collateral of these securities will perform worse than current expectations, which may lead to adverse changes in the cash flows expected to be collected on these securities and potential future OTTI losses. As residential mortgage loans are the underlying collateral of these securities, the unrealized losses at December 31, 2014 reflect the uncertainty in the markets for these instruments.

ARS

Our cost basis in the ARS we hold is the fair value of the securities in the period in which we acquired them. The par value of the ARS we hold as of December 31, 2014 is $221.8 million. Only those ARS whose amortized cost basis we do not expect to recover in full are considered to be other-than-temporarily impaired, as we have the ability and intent to hold these securities to maturity. All of our ARS securities are evaluated for OTTI on a quarterly basis.

Within our ARS preferred securities, we analyze the credit ratings associated with each security as an indicator of potential credit impairment. As of December 31, 2014, and including subsequent ratings changes, all of the ARS preferred securities were rated investment grade by at least one rating agency and there is no potential impairment since the fair values of these securities exceed their cost basis.

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, as of December 31, 2014 we do not expect to recover the entire amortized cost basis of certain securities within these portfolios.

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

	Three months ended December 31,	
	2014	2013
	(in thousands)	
Amount related to credit losses on securities we held at the beginning of the period	$18,703	$28,217
Additional increases to the amount related to credit loss for which an OTTI was previously recognized	—	27
Amount related to credit losses on securities we held at the end of the period	$18,703	$28,244

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

For a discussion of our accounting policies regarding bank loans and allowances for losses, including the policies regarding loans held for investment, loans held for sale, off-balance sheet loan commitments, nonperforming assets, troubled debt restructurings ("TDRs"), impaired loans, the allowance for loan losses and reserve for unfunded lending commitments, and loan charge-off policies, see Note 2 on pages 108 – 112 of our 2014 Form 10-K.

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

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

	December 31, 2014		September 30, 2014	
	Balance	%	Balance	%
	($ in thousands)			
Loans held for sale, net[1]	$145,132	1 %	$45,988	—
Loans held for investment:				
Domestic:				
C&I loans	5,694,766	47 %	5,378,592	49 %
CRE construction loans	81,477	1 %	76,733	1 %
CRE loans	1,398,666	12 %	1,415,093	13 %
Tax-exempt loans	242,029	2 %	122,218	1 %
Residential mortgage loans	1,969,514	16 %	1,749,513	16 %
SBL	1,158,985	10 %	1,021,358	9 %
Foreign:				
C&I loans	1,073,061	9 %	1,043,755	9 %
CRE construction loans	19,233	—	17,462	—
CRE loans	214,777	2 %	274,070	2 %
Residential mortgage loans	2,220	—	2,234	—
SBL	2,015	—	2,390	—
Total loans held for investment	11,856,743		11,103,418	
Net unearned income and deferred expenses	(35,222)		(37,533)	
Total loans held for investment, net[1]	11,821,521		11,065,885	
Total loans held for sale and investment	11,966,653	100 %	11,111,873	100 %
Allowance for loan losses	(156,767)		(147,574)	
Bank loans, net	$11,809,886		$10,964,299	

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

At December 31, 2014, the Federal Home Loan Bank of Atlanta ("FHLB") had a blanket lien on RJ Bank's residential mortgage loan portfolio as security for the repayment of certain borrowings. See Note 11 for more information regarding borrowings from the FHLB.

Loans held for sale

RJ Bank originated or purchased $397.9 million and $292.9 million of loans held for sale during the three months ended December 31, 2014 and 2013, respectively. Proceeds from the sale of held for sale loans amounted to $37.3 million and $59.8 million during the three months ended December 31, 2014 and 2013, respectively. Net gains resulting from such sales amounted to $310 thousand and $83 thousand during the three months ended December 31, 2014, and 2013, respectively. Unrealized losses recorded in the Condensed Consolidated Statements of Income and Comprehensive Income to reflect the loans held for sale at the lower of cost or market value were $78 thousand and $95 thousand during the three months ended December 31, 2014 and 2013, respectively.

Purchases and sales of loans held for investment

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

Three months ended December 31,

	2014		2013	
	Purchases	Sales	Purchases	Sales
	(in thousands)			
C&I loans	$154,084	$6,860	$127,330	$60,973
Residential mortgage loans	211,972 (1)	—	27,595	—
Total	$366,056	$6,860	$154,925	$60,973

(1) Includes the purchase of a loan portfolio totaling $207.3 million in principal loan balance.

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Aging analysis of loans held for investment

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

	30-89 days and accruing	90 days or more and accruing	Total past due and accruing	Nonaccrual (1)	Current and accruing	Total loans held for investment (2)
	(in thousands)					
As of December 31, 2014:						
C&I loans	$299	$—	$299	$—	$6,767,528	$6,767,827
CRE construction loans	—	—	—	—	100,710	100,710
CRE loans	—	—	—	17,440	1,596,003	1,613,443
Tax-exempt loans	—	—	—	—	242,029	242,029
Residential mortgage loans:						
First mortgage loans	1,461	—	1,461	58,426	1,891,394	1,951,281
Home equity loans/lines	76	—	76	287	20,090	20,453
SBL	—	—	—	—	1,161,000	1,161,000
Total loans held for investment, net	$1,836	$—	$1,836	$76,153	$11,778,754	$11,856,743
As of September 30, 2014:						
C&I loans	$124	$—	$124	$—	$6,422,223	$6,422,347
CRE construction loans	—	—	—	—	94,195	94,195
CRE loans	—	—	—	18,876	1,670,287	1,689,163
Tax-exempt	—	—	—	—	122,218	122,218
Residential mortgage loans:						
First mortgage loans	1,648	—	1,648	61,391	1,668,724	1,731,763
Home equity loans/lines	57	—	57	398	19,529	19,984
SBL	—	—	—	—	1,023,748	1,023,748
Total loans held for investment, net	$1,829	$—	$1,829	$80,665	$11,020,924	$11,103,418

(1) Includes $40 million and $41.4 million of nonaccrual loans at December 31, 2014 and September 30, 2014, respectively, which are performing pursuant to their contractual terms.

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

Nonperforming loans represent those loans on nonaccrual status, troubled debt restructurings, and accruing loans which are 90 days or more past due and in the process of collection. 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 $713 thousand and $887 thousand for the three months ended December 31, 2014 and 2013, respectively. The interest income recognized on nonperforming loans was $261 thousand and $569 thousand for the three months ended December 31, 2014 and 2013, respectively.

Other real estate owned, included in other assets on our Condensed Consolidated Statements of Financial Condition, at December 31, 2014 and September 30, 2014 was $5.4 million in each respective period.

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Impaired loans and troubled debt restructurings

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

	December 31, 2014			September 30, 2014		
	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	$11,711	$12,315	$1,263	$11,959	$12,563	$1,289
Residential - first mortgage loans	41,123	57,397	4,608	43,806	61,372	5,012
Total	52,834	69,712	5,871	55,765	73,935	6,301
Impaired loans without allowance for loan losses:(2)						
CRE loans	17,440	28,446	—	18,876	39,717	—
Residential - first mortgage loans	20,788	31,100	—	21,987	32,949	—
Total	38,228	59,546	—	40,863	72,666	—
Total impaired loans	$91,062	$129,258	$5,871	$96,628	$146,601	$6,301

(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 preceding table includes $17.4 million CRE, $11.7 million of C&I, and $34.8 million residential first mortgage TDR's at December 31, 2014, and $18.9 million CRE, $12 million C&I, and $36.6 million residential first mortgage TDR's at September 30, 2014.

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

	Three months ended December 31,	
	2014	2013
	(in thousands)	
Average impaired loan balance:		
C&I loans	$11,851	$59
CRE loans	17,530	25,195
Residential mortgage loans:		
First mortgage loans	63,112	72,359
Home equity loans/lines	—	36
Total	$92,493	$97,649
Interest income recognized:		
Residential mortgage loans:		
First mortgage loans	$326	$626
Total	$326	$626

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During the three months ended December 31, 2014 and 2013, RJ Bank granted concessions to borrowers having financial difficulties, for which the resulting modification was deemed a TDR. The concessions granted for the respective first mortgage residential loans presented in the table below were interest rate reductions, amortization and maturity date extensions, capitalization of past due payments, or release of liability ordered under Chapter 7 bankruptcy not reaffirmed by the borrower. The table below presents the TDRs that occurred during the respective periods presented:

	Number of contracts	Pre-modification outstanding recorded investment	Post-modification outstanding recorded investment
	($ in thousands)		
Three months ended December 31, 2014			
Residential – first mortgage loans	2	$ 157	$ 159
Three months ended December 31, 2013			
Residential – first mortgage loans	8	$ 1,885	$ 1,997

There were no TDRs for which there was a payment default and for which the respective loan was modified as a TDR within the 12 months prior to the default during either of the three month periods ended December 31, 2014 or 2013.

As of December 31, 2014 and September 30, 2014, RJ Bank had one outstanding commitment on a C&I TDR in the amount of $560 thousand.

Credit quality indicators

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

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

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

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

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

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

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

	C&I	CRE construction	CRE	Tax-exempt	Residential mortgage First mortgage	Home equity	SBL	Total
	(in thousands)							
December 31, 2014								
Pass	$6,704,134	$100,710	$1,580,129	$242,029	$1,870,579	$20,109	$1,161,000	$11,678,690
Special mention (1)	14,951	—	15,676	—	14,423	57	—	45,107
Substandard (1)	48,742	—	17,638	—	66,279	287	—	132,946
Doubtful (1)	—	—	—	—	—	—	—	—
Total	$6,767,827	$100,710	$1,613,443	$242,029	$1,951,281	$20,453	$1,161,000	$11,856,743
September 30, 2014								
Pass	$6,321,662	$94,195	$1,669,897	$122,218	$1,647,325	$19,572	$1,023,748	$10,898,617
Special mention (1)	83,101	—	191	—	15,346	—	—	98,638
Substandard (1)	17,584	—	18,167	—	69,092	412	—	105,255
Doubtful (1)	—	—	908	—	—	—	—	908
Total	$6,422,347	$94,195	$1,689,163	$122,218	$1,731,763	$19,984	$1,023,748	$11,103,418

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

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

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

	Balance(1)
	(in thousands)
LTV range:	
LTV less than 50%	$463,353
LTV greater than 50% but less than 80%	833,560
LTV greater than 80% but less than 100%	174,646
LTV greater than 100%, but less than 120%	28,021
LTV greater than 120%	4,921
Total	$1,504,501

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

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Allowance for loan losses and reserve for unfunded lending commitments

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

	Loans held for investment						
	C&I	CRE construction	CRE	Tax-exempt	Residential mortgage	SBL	Total
	(in thousands)						
Three months ended December 31, 2014							
Balance at beginning of period	$103,179	$1,594	$25,022	$1,380	$14,350	2,049	$147,574
Provision for loan losses	6,834	125	162	1,358	619	267	9,365
Net (charge-offs)/recoveries:							
Charge-offs	(238)	—	—	—	(236)	—	(474)
Recoveries	—	—	—	—	586	8	594
Net (charge-offs)/recoveries	(238)	—	—	—	350	8	120
Foreign exchange translation adjustment	(193)	(10)	(89)	—	—	—	(292)
Balance at December 31, 2014	$109,582	$1,709	$25,095	$2,738	$15,319	$2,324	$156,767
Three months ended December 31, 2013							
Balance at beginning of period	$95,994	$1,000	$19,266	—	19,126	1,115	$136,501
Provision (benefit) for loan losses	902	655	929	—	(1,061)	211	1,636
Net (charge-offs)/recoveries:							
Charge-offs	(40)	—	—	—	(209)	—	(249)
Recoveries	4	—	80	—	444	12	540
Net (charge-offs)/recoveries	(36)	—	80	—	235	12	291
Foreign exchange translation adjustment	(231)	(8)	(65)	—	—	—	(304)
Balance at December 31, 2013	$96,629	$1,647	$20,210	$—	$18,300	$1,338	$138,124

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

	Loans held for investment						
	C&I	CRE construction	CRE	Tax-exempt	Residential mortgage	SBL	Total
	(in thousands)						
December 31, 2014							
Allowance for loan losses:							
Individually evaluated for impairment	$1,263	$—	$—	$—	$4,608	$—	$5,871
Collectively evaluated for impairment	108,319	1,709	25,095	2,738	10,711	2,324	150,896
Total allowance for loan losses	$109,582	$1,709	$25,095	$2,738	$15,319	$2,324	$156,767
Recorded investment:(1)							
Individually evaluated for impairment	$11,711	$—	$17,440	$—	$61,911	$—	$91,062
Collectively evaluated for impairment	6,756,116	100,710	1,596,003	242,029	1,909,823	1,161,000	11,765,681
Total recorded investment	$6,767,827	$100,710	$1,613,443	$242,029	$1,971,734	$1,161,000	$11,856,743
September 30, 2014							
Allowance for loan losses:							
Individually evaluated for impairment	$1,289	$—	$—	$—	$5,012	$—	$6,301
Collectively evaluated for impairment	101,890	1,594	25,022	1,380	9,338	2,049	141,273
Total allowance for loan losses	$103,179	$1,594	$25,022	$1,380	$14,350	$2,049	$147,574
Recorded investment:(1)							
Individually evaluated for impairment	$11,959	$—	$18,876	$—	$65,793	$—	$96,628
Collectively evaluated for impairment	6,410,388	94,195	1,670,287	122,218	1,685,954	1,023,748	11,006,790
Total recorded investment	$6,422,347	$94,195	$1,689,163	$122,218	$1,751,747	$1,023,748	$11,103,418

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

The reserve for unfunded lending commitments, included in trade and other payables on our Condensed Consolidated Statements of Financial Condition, was $11.3 million and $10 million at December 31, 2014 and September 30, 2014, respectively.

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"), and certain funds formed for the purpose of making and managing investments in securities of other entities ("Managed Funds").

Refer to Note 2 on pages 115 - 118 of our 2014 Form 10-K for a description of our principal involvement with VIEs and the accounting policies regarding determination of whether we are deemed to be the primary beneficiary of any VIEs. Other than as described below, as of December 31, 2014 there have been no significant changes in either the nature of our involvement with, or the accounting policies associated with the analysis of, VIEs as described in the 2014 Form 10-K.

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

VIEs where we are the primary beneficiary

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

	Aggregate assets (1)	Aggregate liabilities (1)
	(in thousands)	
December 31, 2014		
LIHTC Funds	$175,597	$48,907
Guaranteed LIHTC Fund (2)	74,019	2,001
Restricted Stock Trust Fund	10,620	10,620
EIF Funds	6,200	—
Total	$266,436	$61,528
September 30, 2014		
LIHTC Funds	$179,050	$60,180
Guaranteed LIHTC Fund (2)	74,798	—
Restricted Stock Trust Fund	6,608	6,608
EIF Funds	6,041	—
Total	$266,497	$66,788

(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 one investor member with a guaranteed return on their investment in the fund (the “Guaranteed LIHTC Fund”). See Note 15 for additional information regarding this commitment.

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

	December 31, 2014	September 30, 2014
	(in thousands)	
Assets:		
Assets segregated pursuant to regulations and other segregated assets	$10,230	$10,887
Receivables, other	5,812	5,812
Investments in real estate partnerships held by consolidated variable interest entities	232,159	235,858
Trust fund investment in RJF common stock (1)	10,619	6,607
Prepaid expenses and other assets	6,146	5,728
Total assets	$264,966	$264,892
Liabilities and equity:		
Trade and other payables	$14,559	$10,157
Intercompany payables	10,614	6,608
Loans payable of consolidated variable interest entities (2)	34,470	43,877
Total liabilities	59,643	60,642
RJF equity	6,179	6,165
Noncontrolling interests	199,144	198,085
Total equity	205,323	204,250
Total liabilities and equity	$264,966	$264,892

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

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

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

	Three months ended December 31, 2014	2013
	(in thousands)	
Revenues:		
Other	$674	$184
Total revenues	674	184
Interest expense	(529)	(787)
Net revenues (expense)	145	(603)
Non-interest expenses (1)	8,014	8,966
Net loss including noncontrolling interests	(7,869)	(9,569)
Net loss attributable to noncontrolling interests	(7,883)	(9,558)
Net income (loss) attributable to RJF	$14	$(11)

(1) Primarily comprised of items reported in other expense on our Condensed Consolidated Statements of Income and Comprehensive Income.

Low-income housing tax credit funds

RJTCF is the managing member or general partner in 98 separate low-income housing tax credit funds having one or more investor members or limited partners, 85 of which are determined to be VIEs and 13 of which are determined not to be VIEs. RJTCF has concluded that it is the primary beneficiary of eight non-guaranteed LIHTC Fund VIEs and, accordingly, consolidates these funds. In addition, RJTCF consolidates the one Guaranteed LIHTC Fund VIE it sponsors (see Note 15 for further discussion of the guarantee obligation as well as other RJTCF commitments). RJTCF also consolidates seven of the funds it determined not to be VIEs.

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

Low-income housing tax credit funds

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

New market tax credit funds

One of our affiliates is the managing member of six NMTC Funds, and, as discussed in Note 2 on page 117 of our 2014 Form 10-K, this affiliate is not deemed to be the primary beneficiary of these NMTC Funds. These NMTC Funds are therefore not consolidated. Our risk of loss is limited to our receivables due from these funds.

Other real estate limited partnerships and LLCs

We have a variable interest in several limited partnerships involved in various real estate activities in which a subsidiary is either the general partner or a limited partner. As discussed in Note 2 on page 117 of our 2014 Form 10-K, we have determined that we are not the primary beneficiary of these VIEs. Accordingly, we do not consolidate these partnerships or LLCs. The carrying value of our investment in these partnerships or LLCs represents our risk of loss.

Aggregate assets, liabilities and risk of loss

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

	December 31, 2014			September 30, 2014		
	Aggregate assets	Aggregate liabilities	Our risk of loss	Aggregate assets	Aggregate liabilities	Our risk of loss
	(in thousands)					
LIHTC Funds	$3,063,943	$898,270	$51,237	$2,988,224	$899,586	$48,915
NMTC Funds	65,311	2	12	83,474	2	13
Other Real Estate Limited Partnerships and LLCs	30,209	36,226	172	30,202	36,262	183
Total	$3,159,463	$934,498	$51,421	$3,101,900	$935,850	$49,111

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

Managed Funds

As described in Note 2 on page 117 - 118 of our 2014 Form 10-K, we have subsidiaries which serve as the general partner of the Managed Funds. For the Managed Funds, the primary beneficiary assessment applies prior accounting guidance which assesses who will absorb a majority of the entity's expected losses, receive a majority of the entity's expected residual returns, or both. Based upon the outcome of our assessments, we have determined that we are not required to consolidate the Managed Funds.

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

	December 31, 2014			September 30, 2014		
	Aggregate	Aggregate	Our risk	Aggregate	Aggregate	Our risk

	assets	liabilities	of loss	assets	liabilities	of loss
	(in thousands)					
Managed Funds	$102,377	$29	$94	$103,618	$11	$94

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NOTE 9 - GOODWILL AND IDENTIFIABLE INTANGIBLE ASSETS

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

	December 31, 2014	September 30, 2014
	(in thousands)	
Goodwill	$295,486	$295,486
Identifiable intangible assets, net	56,988	58,775
Total goodwill and identifiable intangible assets, net	$352,474	$354,261

Our goodwill and identified intangible assets result from various acquisitions. See Note 13 on pages 150 - 154 of our 2014 Form 10-K for a discussion of the components of our goodwill balance and additional information regarding our identifiable intangible assets. See the discussion of our intangible assets and goodwill accounting policies in Note 2 on page 113 of our 2014 Form 10-K.

Goodwill

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

	Segment		
	Private client group	Capital markets	Total
	(in thousands)		
Three months ended December 31, 2014			
Goodwill as of beginning of period	$174,584	$120,902	$295,486
Impairment losses	—	—	—
Goodwill as of end of period	$174,584	$120,902	$295,486
Three months ended December 31, 2013			
Goodwill as of beginning of period	$174,584	$120,902	$295,486
Impairment losses	—	—	—
Goodwill as of end of period	$174,584	$120,902	$295,486

We performed our latest annual goodwill impairment testing during the quarter ended March 31, 2014, evaluating the balances as of December 31, 2013. See pages 151 - 152 of our 2014 Form 10-K for information regarding the outcome of our evaluations. No events have occurred since September 30, 2014 that would cause us to update our latest annual impairment testing.

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Identifiable intangible assets, net

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

	Segment Private client group	Capital markets	Asset management	RJ Bank	Total
	(in thousands)				
For the three months ended December 31, 2014					
Net identifiable intangible assets as of beginning of period	$8,611	$37,975	$10,996	$1,193	$58,775
Additions	—	—	—	115	115
Amortization expense	(139)	(1,375)	(333)	(55)	(1,902)
Impairment losses	—	—	—	—	—
Net identifiable intangible assets as of end of period	$8,472	$36,600	$10,663	$1,253	$56,988
For the three months ended December 31, 2013					
Net identifiable intangible assets as of beginning of period	$9,191	$43,474	$12,329	$984	$65,978
Additions	—	—	—	71	71
Amortization expense	(156)	(1,375)	(333)	(41)	(1,905)
Impairment losses	—	—	—	—	—
Net identifiable intangible assets as of end of period	$9,035	$42,099	$11,996	$1,014	$64,144

Identifiable intangible assets by type are presented below:

	December 31, 2014		September 30, 2014	
	Gross carrying value	Accumulated amortization	Gross carrying value	Accumulated amortization
	(in thousands)			
Customer relationships	$65,957	$(15,172)	$65,957	$(13,875)
Trade name	2,000	(2,000)	2,000	(2,000)
Developed technology	11,000	(6,050)	11,000	(5,500)
Non-compete agreements	1,000	(1,000)	1,000	(1,000)
Mortgage servicing rights	1,567	(314)	1,493	(300)
Total	$81,524	$(24,536)	$81,450	$(22,675)

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NOTE 10 – BANK DEPOSITS

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

	December 31, 2014			September 30, 2014		
	Balance	Weighted-average rate [1]		Balance	Weighted-average rate [1]	
	($ in thousands)					
Bank deposits:						
NOW accounts	$7,065	0.01	%	$5,792	0.01	%
Demand deposits (non-interest-bearing)	4,453	—		8,386	—	
Savings and money market accounts	10,731,162	0.02	%	9,670,043	0.02	%
Certificates of deposit	346,339	1.75	%	344,703	1.81	%
Total bank deposits[2]	$11,089,019	0.07	%	$10,028,924	0.09	%

(1) Weighted-average rate calculation is based on the actual deposit balances at December 31, 2014 and September 30, 2014, respectively.

(2) Bank deposits exclude affiliate deposits of approximately $361 million and $509 million at December 31, 2014 and September 30, 2014, respectively. These affiliate deposits include $350 million and $500 million, held in a deposit account on behalf of RJF as of December 31, 2014 and September 30, 2014, respectively.

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

Scheduled maturities of certificates of deposit are as follows:

	December 31, 2014		September 30, 2014	
	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	$9,803	$10,234	$11,761	$9,482
Over three through six months	7,456	8,911	9,067	10,317
Over six through twelve months	13,169	19,561	15,809	21,002
Over one through two years	42,676	33,164	33,366	27,722
Over two through three years	32,120	22,667	45,842	33,529
Over three through four years	49,778	15,636	35,362	11,301
Over four through five years	56,556	24,608	55,556	24,587
Total	$211,558	$134,781	$206,763	$137,940

Interest expense on deposits is summarized as follows:

	Three months ended December 31,	
	2014	2013
	(in thousands)	

Certificates of deposit	$1,524	$1,548
Money market, savings and NOW accounts	613	397
Total interest expense on deposits	$2,137	$1,945

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NOTE 11 – OTHER BORROWINGS

The following table details the components of other borrowings:

	December 31, 2014 (in thousands)	September 30, 2014
Other borrowings:		
FHLB advances [(1)]	$500,000	$500,000
Borrowings on secured lines of credit [(2)]	105,000	154,700
Borrowings on ClariVest revolving credit facility [(3)]	166	216
Borrowings on unsecured lines of credit [(4)]	—	—
Total other borrowings	$605,166	$654,916

(1) Borrowings from the FHLB at December 31, 2014 are comprised of two $250 million floating-rate advances. The weighted average interest rate on these advances is 0.26%. These advances are secured by a blanket lien granted to the FHLB on RJ Bank's residential mortgage loan portfolio and mature in September, 2017. The interest rate resets on a monthly basis for one of the advances, and a quarterly basis for the other. RJ Bank has the option to prepay each advance without penalty on each interest reset date.

(2) Other than a $5 million borrowing outstanding on the Regions Credit Facility (as hereinafter defined) as of both December 31, 2014 and September 30, 2014, any borrowings on secured lines of credit are day-to-day and are generally utilized to finance certain fixed income securities.

A subsidiary of RJF (the "Borrower") is a party to a Revolving Credit Agreement (the "Regions Credit Facility") with Regions Bank. The Regions Credit Facility provides for a revolving line of credit from Regions Bank to the Borrower and is subject to a guarantee in favor of Regions Bank provided by RJF. The proceeds from any borrowings under the line are used for working capital and general corporate purposes. The obligations under the Regions Credit Facility are secured by, subject to certain exceptions, all of the present and future ARS owned by the Borrower (the "Pledged ARS"). The amount of any borrowing under the Regions Credit Facility cannot exceed the lesser of 70% of the value of the Pledged ARS, or $100 million. The maximum amount available to borrow was $91 million and the outstanding borrowings were $5 million as of December 31, 2014. The Regions Credit Facility bears interest at a variable rate which is 2.75% over LIBOR. The facility expires on April 2, 2015.

(3) The outstanding balance on the revolving line of credit provided to ClariVest Asset Management, LLC ("ClariVest"), a subsidiary of Eagle, by a third party lender (the "ClariVest Facility"). The maximum amount available to borrow under ClariVest Facility is $500 thousand, bearing interest at a variable rate which is 1% over the lenders prime rate. The ClariVest Facility expires on September 10, 2018.

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

There were other collateralized financings outstanding in the amount of $337 million and $244 million as of December 31, 2014 and September 30, 2014, respectively. These other collateralized financings are included in securities sold under agreements to repurchase on the Condensed Consolidated Statements of Financial Condition. These financings are collateralized by non-customer, RJ&A-owned securities. See Note 13 for additional information regarding offsetting asset and liability balances as well as additional information regarding the collateral.

NOTE 12 – DERIVATIVE FINANCIAL INSTRUMENTS

The significant accounting policies governing our derivative financial instruments, including our methodologies for determining fair value, are described in Note 2 on page 106 of our 2014 Form 10-K.

Derivatives arising from our fixed income business operations

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

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

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

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

The receivable for uncollected derivative transaction fee revenues of RJSS is $7 million as of both December 31, 2014 and September 30, 2014, and is included in other receivables on our Condensed Consolidated Statements of Financial Condition.

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

Derivatives arising from RJ Bank's business operations

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

Description of the collateral we hold related to derivative contracts

Where permitted, we elect to net-by-counterparty certain derivative contracts entered into in our OTC Derivatives Operations and by RJ Bank's U.S. subsidiaries. Certain of these contracts contain a legally enforceable master netting arrangement that allows for netting of all derivative transactions with each counterparty and, therefore, the fair value of those derivative contracts are netted by counterparty in the Condensed Consolidated Statements of Financial Condition. The credit support annex related to the interest rate swaps and certain forward foreign exchange contracts allows parties to the master agreement to mitigate their credit risk by requiring the party which is out of the money to post collateral. We accept collateral in the form of cash or other marketable securities. As we elect to net-by-counterparty the fair value of derivative contracts arising from our OTC Derivatives Operations, we also net-by-counterparty any cash collateral exchanged as part of those derivative agreements. Refer to Note 13 for additional information regarding offsetting asset and liability balances.

This cash collateral is recorded net-by-counterparty at the related fair value. The cash collateral included in the net fair value of all open derivative asset positions arising from our OTC Derivatives Operations aggregates to a net liability of $21 million as of both December 31, 2014 and September 30, 2014. The cash collateral included in the net fair value of all open derivative liability positions from our OTC Derivatives Operations aggregates to a net asset of $26 million and $23 million at December 31, 2014 and September 30, 2014, respectively. Our maximum loss exposure under the interest rate swap contracts arising from our OTC Derivatives Operations at December 31, 2014 is $34 million.

RJ Bank provides to counterparties for the benefit of its U.S. subsidiaries, a guarantee of payment in the event of the subsidiaries' default under forward foreign exchange contracts. Due to this RJ Bank guarantee and the short-term nature of these derivatives, RJ Bank's U.S. subsidiaries are not required to post collateral and do not receive collateral with respect to certain derivative contracts with the respective counterparties. RJ Bank's maximum loss exposure under the forward foreign exchange contracts at December 31, 2014 is approximately $1.1 million.

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Derivative balances included in our financial statements

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

	Asset derivatives					
	December 31, 2014			September 30, 2014		
	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	Prepaid expenses and other assets	$—	$—	Prepaid expenses and other assets	$609,018	$2,101
Derivatives not designated as hedging instruments:						
Interest rate contracts [2]	Trading instruments	$2,251,153	$104,873	Trading instruments	$2,198,357	$89,923
Interest rate contracts [3]	Derivative instruments associated with offsetting matched book positions	$1,790,108	$385,512	Derivative instruments associated with offsetting matched book positions	$1,796,288	$323,337
Forward foreign exchange contracts	Prepaid expenses and other assets	$—	$—	Prepaid expenses and other assets	$105,179	$361

	Liability derivatives					
	December 31, 2014			September 30, 2014		
	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	$604,603	$939	Trade and other payables	$—	$—
Derivatives not designated as hedging instruments:						
Interest rate contracts [2]	Trading instruments sold	$2,289,738	$91,984	Trading instruments sold	$2,185,085	$75,668
Interest rate contracts [3]	Derivative instruments associated with offsetting	$1,790,108	$385,512	Derivative instruments associated with offsetting	$1,796,288	$323,337

	matched book positions			matched book positions		
Forward foreign exchange contracts	Trade and other payables	$107,577	$163	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. See Note 13 for additional information regarding offsetting asset and liability balances.

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

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

A gain of $13.1 million was recognized on forward foreign exchange derivatives in AOCI, net of income taxes, for the three months ended December 31, 2014 (see Note 16 for additional information). There was no hedge ineffectiveness and no components of derivative gains or losses were excluded from the assessment of hedge effectiveness for the three months ended December 31, 2014.

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

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

	Location of gain (loss) recognized on derivatives in the Condensed Consolidated Statements of Income and Comprehensive Income	Amount of gain (loss) on derivatives recognized in income Three months ended December 31, 2014	2013
		(in thousands)	
Derivatives not designated as hedging instruments:			
Interest rate contracts (1)	Net trading profit	$(123)	$649
Interest rate contracts (2)	Other revenues	$22	$20
Forward foreign exchange contracts	Other revenues	$3,622	$2,281

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

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

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

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

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

Certain of the derivative instruments arising from our OTC Derivatives Operations and from RJ Bank's forward foreign exchange contracts contain provisions that require our debt to maintain an investment grade rating from one or more of the major credit rating agencies. If our debt were to fall below investment grade, we would be in breach of these provisions, and the counterparties to the derivative instruments could request immediate payment or demand immediate and ongoing overnight collateralization on our derivative instruments in liability positions. The aggregate fair value of all derivative instruments with such credit-risk-related contingent features that are in a liability position at December 31, 2014 is $21.1 million, for which we have posted collateral of $19.1 million in the normal course of business. If the credit-risk-related contingent features underlying these agreements were triggered on December 31, 2014, we would have been required to post an additional $2 million of collateral to our counterparties.

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

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NOTE 13 – DISCLOSURE OF OFFSETTING ASSETS AND LIABILITIES, COLLATERAL AND ENCUMBERED ASSETS

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

				Gross amounts not offset in the Statement of Financial Condition		
	Gross amounts of recognized assets (liabilities)	Gross amounts offset in the Statement of Financial Condition	Net amounts presented in the Statement of Financial Condition	Financial instruments	Cash collateral received (paid)	Net amount
	(in thousands)					
As of December 31, 2014:						
Assets						
Securities purchased under agreements to resell and other collateralized financings	$384,129	$—	$384,129	$(384,129) [1]	$—	$—
Derivatives - interest rate contracts[2]	104,873	(71,306)	33,567	—	—	33,567
Derivative instruments associated with offsetting matched book positions	385,512	—	385,512	(385,512) [3]	—	—
Stock borrowed	210,769	—	210,769	(202,323)	—	8,446
Total assets	$1,085,283	$(71,306)	$1,013,977	$(971,964)	$—	$42,013
Liabilities						
Securities sold under agreements to repurchase	$(337,107)	$—	$(337,107)	$337,107 [6]	$—	$—
Derivatives - interest rate contracts[2]	(91,984)	75,210	(16,774)	—	—	(16,774)
Derivative instruments associated with offsetting matched book positions	(385,512)	—	(385,512)	385,512 [3]	—	—
Derivatives - forward foreign exchange contracts[4]	(1,102)	—	(1,102)	—	—	(1,102)
Stock loaned	(390,159)	—	(390,159)	375,144	—	(15,015)
Total liabilities	$(1,205,864)	$75,210	$(1,130,654)	$1,097,763	$—	$(32,891)
As of September 30, 2014:						
Assets						
Securities purchased under agreements to resell and other collateralized financings	$446,016	$—	$446,016	$(446,016) [1]	$—	$—

Derivatives - interest rate contracts[2]	89,923	(61,718)	28,205	(3,877)	—	24,328
Derivative instruments associated with offsetting matched book positions	323,337	—	323,337	(323,337) [3]	—	—
Derivatives - forward foreign exchange contracts[5]	2,462	—	2,462	—	—	2,462
Stock borrowed	158,988	—	158,988	(153,261)	—	5,727
Total assets	$1,020,726	$(61,718)	$959,008	$(926,491)	$—	$32,517
Liabilities						
Securities sold under agreements to repurchase	$(244,495)	$—	$(244,495)	$244,495 [6]	$—	$—
Derivatives - interest rate contracts[2]	(75,668)	63,296	(12,372)	—	—	(12,372)
Derivative instruments associated with offsetting matched book positions	(323,337)	—	(323,337)	323,337 [3]	—	—
Stock loaned	(417,383)	—	(417,383)	402,180	—	(15,203)
Total liabilities	$(1,060,883)	$63,296	$(997,587)	$970,012	$—	$(27,575)

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

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

(1) We are over-collateralized since the actual amount of financial instruments pledged as collateral for securities purchased under agreements to resell and other collateralized financings amounts to $404.7 million and $463.7 million as of December 31, 2014 and September 30, 2014, respectively.

(2) Derivatives - interest rate contracts are included in Trading instruments on our Condensed Consolidated Statements of Financial Condition. See Note 12 for additional information.

(3) Although these derivative arrangements do not meet the definition of a master netting arrangement as specified by GAAP, the nature of the agreement with the third party intermediary include terms that are similar to a master netting agreement, thus we present the offsetting amounts net in the table above. See Note 12 for further discussion of the "pass through" structure of the derivative instruments associated with Offsetting Matched Book Derivatives Operations.

(4) As of December 31, 2014. the fair value of the forward foreign exchange contract derivatives are in a liability position and are included in trade and other payables on our Condensed Consolidated Statements of Financial Condition. See Note 12 for additional information.

(5) As of September 30, 2014. the fair value of the forward foreign exchange contract derivatives are in an asset position, and are included in prepaid expenses and other assets on our Condensed Consolidated Statements of Financial Condition. See Note 12 for additional information.

(6) We are over-collateralized since the actual amount of financial instruments pledged as collateral for securities sold under agreements to repurchase amounts to $350.9 million and $253.7 million as of December 31, 2014 and September 30, 2014, respectively.

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

Collateral

We receive cash and securities as collateral, primarily in connection with Reverse Repurchase Agreements, securities borrowed, derivative transactions, client margin loans arising from our domestic operations, and the secured call loans that are held by RJ Ltd. The cash collateral we receive is primarily associated with our OTC Derivative Operations (see Note 12 for additional information). The collateral we receive reduces our credit exposure to individual counterparties.

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

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

	December 31, 2014		September 30, 2014	
	(in thousands)			
Collateral we received that is available to be delivered or repledged	$2,291,977		$2,178,868	
Collateral that we delivered or repledged	844,473	(1)	879,071	(2)

(1) The collateral delivered or repledged as of December 31, 2014, includes client margin securities which we pledged with a clearing organization in the amount of $166.7 million which were applied against our requirement of $122.1 million.

(2) The collateral delivered or repledged as of September 30, 2014, includes client margin securities which we pledged with a clearing organization in the amount of $138.8 million which were applied against our requirement of $116.5 million.

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Encumbered assets

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

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

	December 31, 2014		September 30, 2014	
	(in thousands)			
Financial instruments owned, at fair value, pledged to counterparties that:				
Had the right to deliver or repledge	$346,889		$394,746	
Did not have the right to deliver or repledge	145,341	(1)	50,983	(2)

(1) Assets delivered or repledged as of December 31, 2014, includes securities which we pledged with a clearing organization in the amount of $24.6 million which were applied against our requirement of $122.1 million (client margin securities we pledged which are described in the preceding table constitute the remainder of the assets pledged to meet the requirement).

(2) Assets delivered or repledged as of September 30, 2014, includes securities which we pledged with a clearing organization in the amount of $18.9 million which were applied against our requirement of $116.5 million (client margin securities we pledged which are described in the preceding table constitute the remainder of the assets pledged to meet the requirement).

NOTE 14 – INCOME TAXES

For discussion of income tax accounting policies and other income tax related information, see Note 2 on page 115, and Note 20 on pages 163 - 166, of our 2014 Form 10-K.

For the three months ended December 31, 2014, our effective income tax rate is 37.8%, which is higher than the 35.8% effective tax rate for fiscal year 2014. Factors contributing to the increase in the current period effective tax rate compared to the prior year rate include a reduction in the amount of our non-taxable income associated with our corporate owned life insurance. In addition, the fiscal year 2014 effective tax rate was favorably impacted by the recognition of prior year state tax refunds, a benefit that is not expected to recur in fiscal year 2015.

As of December 31, 2014, we have not experienced significant changes in our unrecognized tax benefits balances from September 30, 2014.

NOTE 15 – COMMITMENTS, CONTINGENCIES AND GUARANTEES

Commitments and contingencies

In the normal course of business we enter into underwriting commitments. As of December 31, 2014, RJ&A had one open transaction involving such commitments which was subsequently settled in open market transactions at amounts which approximated the carrying value of this commitment in our Condensed Consolidated Statements of Financial Condition as of December 31, 2014. Transactions of RJ Ltd. involving such commitments that were recorded and open at December 31, 2014 were approximately $600 thousand in Canadian currency (“CDN”).

As part of our recruiting efforts, we offer loans to prospective financial advisors and certain key revenue producers, primarily for recruiting and/or retention purposes (see Note 2 on pages 107 - 108 of our 2014 Form 10-K for a discussion of our accounting policies governing these transactions). These commitments are contingent upon certain events occurring, including, but not limited to, the individual joining us. As of December 31, 2014, we had made commitments, to either prospects that had accepted our offer, or recently recruited producers, of approximately $51.7 million that had not yet been funded.

As of December 31, 2014, RJ Bank had not settled purchases of $180 million in syndicated loans. These loan purchases are expected to be settled within 90 days.

A subsidiary of RJ Bank has committed $52.9 million as an investor member in a low-income housing tax credit fund in which a subsidiary of RJTCF is the managing member (see the discussion of “direct investments in LIHTC project partnerships” in Note

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2 on page 117 of our 2014 Form 10-K for information regarding the accounting policies governing these investments). As of December 31, 2014, the RJ Bank subsidiary has invested $20.3 million of the committed amount.

RJ Bank has a committed limited partner investment of $3 million to a limited partnership, $1.2 million of this committed amount has been invested as of December 31, 2014.

During fiscal year 2014, RJ Bank entered into a forward-starting advance transaction with the FHLB to borrow $25 million on October 13, 2015. Once funded, this borrowing will bear interest at the rate of 3.4% and will mature on October 13, 2020.

See Note 20 for additional information regarding RJ Bank’s commitments to extend credit and other credit-related off-balance sheet financial instruments, such as standby letters of credit and loan purchases.

We have unfunded commitments to various venture capital or private equity partnerships, which aggregate to approximately $56 million as of December 31, 2014. Of the total, we have unfunded commitments to internally-sponsored private equity limited partnerships in which we control the general partner, of approximately $20 million.

RJF has committed to lend to RJTCF, or to guarantee obligations in connection with RJTCF’s low-income housing development/rehabilitation and syndication activities, in amounts aggregating up to $250 million upon request, subject to certain limitations and to annual review and renewal. At December 31, 2014, RJTCF has $77.8 million in outstanding cash borrowings and $109.3 million in unfunded commitments outstanding against this commitment. RJTCF borrows from RJF in order to make investments in, or fund loans or advances to, either partnerships that purchase and develop properties qualifying for tax credits (“Project Partnerships”) or LIHTC Funds. Investments in Project Partnerships are sold to various LIHTC Funds, which have third party investors, and for which RJTCF serves as the managing member or general partner. RJTCF typically sells investments in Project Partnerships to LIHTC Funds within 90 days of their acquisition, and the proceeds from the sales are used to repay RJTCF’s borrowings from RJF. RJTCF may also make short-term loans or advances to Project Partnerships, and LIHTC Funds.

As a part of our fixed income public finance operations, RJ&A enters into forward commitments to purchase GNMA or FNMA MBS (see the discussion of these activities within “financial instruments owned, financial instruments sold but not purchased and fair value” in Note 2 on page 104 of our 2014 Form 10-K). At December 31, 2014, RJ&A had approximately $412 million principal amount of outstanding forward MBS purchase commitments which are expected to be purchased over the following 90 days. In order to hedge the market interest rate risk to which RJ&A would otherwise be exposed between the date of the commitment and the date of sale of the MBS, RJ&A enters into to be announced (“TBA”) security contracts with investors for generic MBS securities at specific rates and prices to be delivered on settlement dates in the future. These TBA securities are accounted for at fair value and are included in Agency MBS securities in the table of assets and liabilities measured at fair value included in Note 4, and at December 31, 2014 aggregate to a net liability having a fair value of $2.5 million. The estimated fair value of the purchase commitment is a $2.4 million asset balance as of December 31, 2014.

As a result of extensive regulation of financial holding companies, banks, broker-dealers and investment advisory entities, RJF and certain of its subsidiaries are subject to regular reviews and inspections by regulatory authorities and self-regulatory organizations. The reviews can result in the imposition of sanctions for regulatory violations, ranging from non-monetary censure to fines and, in serious cases, temporary or permanent suspension from conducting business. In addition, regulatory agencies and self-regulatory organizations institute investigations from time to time into industry practices, which can also result in the imposition of sanctions. See Note 19 for additional information regarding regulatory capital requirements applicable to RJF and certain of its broker-dealer subsidiaries.

Guarantees

RJ Bank provides to its affiliate, Raymond James Capital Services, Inc. ("RJ Cap Services"), on behalf of certain corporate borrowers, a guarantee of payment in the event of the borrower's default for exposure under interest rate swaps entered into with RJ Cap Services. At December 31, 2014, the exposure under these guarantees is $3.8 million, which was underwritten as part of RJ Bank's corporate credit relationship with such borrowers. The outstanding interest rate swaps at December 31, 2014 have maturities ranging from January 2015 through July 2021. RJ Bank records an estimated reserve for its credit risk associated with the guarantee of these client swaps, which was insignificant as of December 31, 2014. The estimated total potential exposure under these guarantees is $11.2 million at December 31, 2014.

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

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

We have from time to time authorized performance guarantees for the completion of trades with counterparties in Argentina. At December 31, 2014, there were no such outstanding performance guarantees.

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

RJF has guaranteed the Borrower's performance under the Regions Credit Facility. See further discussion in Note 11.

RJF guarantees the existing mortgage debt of RJ&A of approximately $40.8 million.

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

RJTCF issues certain guarantees to various third parties related to Project Partnerships whose interests have been sold to one or more of the funds in which RJTCF is the managing member or general partner. In some instances, RJTCF is not the primary guarantor of these obligations, which aggregate to approximately $1.6 million as of December 31, 2014.

RJTCF has provided a guaranteed return on investment to a third party investor in one of its fund offerings ("Fund 34"), and RJF has guaranteed RJTCF's performance under the arrangement. Under the terms of the performance guarantee, should the underlying LIHTC project partnerships held by Fund 34 fail to deliver a certain amount of tax credits and other tax benefits to this investor over the next seven years, RJTCF is obligated to pay the investor an amount that results in the investor achieving a minimum specified return on their investment. A $28.4 million financing asset is included in prepaid expenses and other assets, and a related $28.4 million liability is included in trade and other payables on our Condensed Consolidated Statements of Financial Condition as of December 31, 2014 related to this obligation. The maximum exposure to loss under this guarantee is approximately $35.4 million at December 31, 2014, which represents the undiscounted future payments due the investor.

Legal matter contingencies

Indemnification from Regions

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 affiliates (collectively referred to hereinafter as "Morgan Keegan") from Regions Financial Corporation ("Regions"). The terms of the stock purchase agreement provide that Regions will indemnify RJF for losses incurred in connection with legal proceedings pending as of the closing date or commenced after the closing date and related to pre-closing matters, as well as any cost of defense pertaining thereto (see Note 3 on pages 118 - 119 of our 2014 Form 10-K for a discussion of the indemnifications provided to RJF by Regions). All of the Morgan Keegan matters described below are subject to such indemnification provisions. Management estimates the range of potential liability of all such matters subject to indemnification, including the cost of defense, to be from $38 million to $215 million. Any loss arising from such matters, after consideration of the applicable annual deductible, if any, will be borne by Regions. As of December 31, 2014, a receivable from Regions of approximately $1.6 million is included in other receivables, an indemnification asset of approximately $151 million is included in other assets, and a liability for potential losses of approximately $151 million is included within trade and other payables, all of which are reflected on our Condensed Consolidated Statements of Financial Condition pertaining to the matters described below and the related indemnification from Regions. The amount included within trade and other payables is the amount within the range of potential liability related to such matters which management estimates is more likely than any other amount within such range.

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Morgan Keegan matters subject to indemnification

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

Certain of the Morgan Keegan entities, along with Regions, have been named in class-action lawsuits filed in federal and state courts on behalf of shareholders of Regions and investors who purchased shares of certain mutual funds in the Regions Morgan Keegan Fund complex (the “Regions Funds”). The Regions Funds were formerly managed by Morgan Asset Management (“MAM”), an entity which was at one time a subsidiary of one of the Morgan Keegan affiliates, but an entity which was not part of our Morgan Keegan acquisition (see further information regarding the Morgan Keegan acquisition in Note 3 on pages 118 - 119 of our 2014 Form 10-K). The complaints contain various allegations, including claims that the Regions Funds and the defendants misrepresented or failed to disclose material facts relating to the activities of the funds. In August 2013, the United States District Court for the Western District of Tennessee approved the settlement of the class action and the derivative action regarding the closed end funds for $62 million and $6 million, respectively. No class has been certified. Certain of the shareholders in the funds and other interested parties have entered into arbitration proceedings and individual civil claims, in lieu of participating in the class action lawsuits.

The SEC and states of Missouri and Texas are investigating alleged securities law violations by MK & Co. in the underwriting and sale of certain municipal bonds. An enforcement action brought by the Missouri Secretary of State in April 2013, seeking monetary penalties and other relief, was dismissed and refiled in November 2013. A civil action was brought by institutional investors of the bonds in March 2012, seeking a return of their investment and unspecified compensatory and punitive damages. Trial of this case is currently set for July 2015 in the Circuit Court for Cole County, Missouri. A class action was brought on behalf of retail purchasers of the bonds in September 2012, seeking unspecified compensatory and punitive damages. In September 2014, the District Court for the Western District of Missouri granted class certification. The trial date which was originally set for September 2014 has been postponed. Other individual investors and investor groups have also filed arbitration claims or separate civil claims, which are pending in various stages.

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

Other matters

We are a defendant or co-defendant in various lawsuits and arbitrations incidental to our securities business as well as other corporate litigation. We are contesting the allegations in these cases and believe that there are meritorious defenses in each of these lawsuits and arbitrations. In view of the number and diversity of claims against us, the number of jurisdictions in which litigation is pending and the inherent difficulty of predicting the outcome of litigation and other claims, we cannot state with certainty what the eventual outcome of pending litigation or other claims will be. Refer to Note 2 on page 114 of our 2014 Form 10-K for a discussion of our criteria for establishing a range of possible loss related to such matters. Excluding any amounts subject to indemnification from Regions related to pre-Closing Date Morgan Keegan matters discussed above, as of December 31, 2014, 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 16 – ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME

Accumulated other comprehensive income (loss)

The following table presents the after-tax changes in each component of accumulated other comprehensive income (loss) for the three months ended December 31, 2014 and 2013:

	Unrealized gains on available for sale securities	Net currency translations and net investment hedges (1)	Total
	(in thousands)		
Three months ended December 31, 2014			
Accumulated other comprehensive income (loss) as of the beginning of the period	$4,745	$(6,633)	$(1,888)
Other comprehensive loss before reclassifications	(24)	(6,440)	(6,464)
Amounts reclassified from accumulated other comprehensive income (loss)	—	—	—
Net other comprehensive loss for the period	(24)	(6,440)	(6,464)
Accumulated other comprehensive income (loss) as of December 31, 2014	$4,721	$(13,073)	$(8,352)
Three months ended December 31, 2013			
Accumulated other comprehensive income (loss) as of the beginning of the period	$(1,276)	$12,002	$10,726
Other comprehensive income (loss) before reclassifications	3,364	(6,275)	(2,911)
Amounts reclassified from accumulated other comprehensive income	(2,270)	—	(2,270)
Net other comprehensive income (loss) for the period	1,094	(6,275)	(5,181)
Accumulated other comprehensive (loss) income as of December 31, 2013	$(182)	$5,727	$5,545

(1) Includes net gains (losses) recognized on forward foreign exchange derivatives associated with hedges of RJ Bank's foreign currency exposure due to its non-U.S. dollar net investments (see Note 12 for additional information on these derivatives).

Reclassifications out of accumulated other comprehensive income

The following table presents the income statement line items impacted by reclassifications out of accumulated other comprehensive income (loss). There were no reclassifications out of accumulated other comprehensive income (loss) during the three months ended December 31, 2014. The table below presents the reclassifications out of accumulated other comprehensive income (loss) during the three months ended December 31, 2013:

Accumulated other comprehensive income (loss) components:	Increase (decrease) in amounts reclassified from accumulated other comprehensive income (loss) (in thousands)	Affected line items in income statement
Three months ended December 31, 2013		

Available for sale securities: (1)		
Auction rate securities (2)	$(3,719)	Other revenue
RJ Bank available for sale securities	27	Other revenue
	(3,692)	Total before tax
	1,422	Provision for income taxes
Total reclassifications for the period	$(2,270)	Net of tax

(1) See Note 6 for additional information regarding the available for sale securities, and Note 4 for additional fair value information regarding these securities.

(2) For the three months ended December 31, 2013, other revenues include realized gains on the redemption or sale of ARS in the amount of $5.5 million (see Note 6 for further information). The amounts presented in the table represent the reversal out of AOCI associated with such ARS' redeemed or sold. The net of such realized gain and this reversal out of AOCI represents the net effect of such redemptions and sales activities on other comprehensive income ("OCI") for each respective period, on a pre-tax basis.

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

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NOTE 17 – INTEREST INCOME AND INTEREST EXPENSE

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

	Three months ended December 31,	
	2014	2013
	(in thousands)	
Interest income:		
Margin balances	$17,276	$17,787
Assets segregated pursuant to regulations and other segregated assets	3,610	4,630
Bank loans, net of unearned income	96,758	81,209
Available for sale securities	1,312	1,923
Trading instruments	4,500	4,528
Stock loan	3,511	1,873
Loans to financial advisors	1,750	1,656
Corporate cash and all other	3,392	3,487
Total interest income	$132,109	$117,093
Interest expense:		
Brokerage client liabilities	$283	$431
Retail bank deposits	2,137	1,945
Trading instruments sold but not yet purchased	1,085	868
Stock borrow	1,618	492
Borrowed funds	1,059	972
Senior notes	19,010	19,010
Interest expense of consolidated VIEs	529	787
Other	1,663	867
Total interest expense	27,384	25,372
Net interest income	104,725	91,721
Subtract: provision for loan losses	(9,365)	(1,636)
Net interest income after provision for loan losses	$95,360	$90,085

NOTE 18 – SHARE-BASED COMPENSATION

We maintain one share-based compensation plan for our employees, Board of Directors and non-employees (comprised of independent contractor financial advisors). The 2012 Stock Incentive Plan (the “2012 Plan”) permits us to grant share-based and cash-based awards designed to be exempt from the limitation on deductible compensation under Section 162(m) of the Internal Revenue Code. In our 2014 Form 10-K, our share-based compensation accounting policies are described in Note 2 on page 114. Other information relating to our employee and Board of Director share-based awards are outlined in our 2014 Form 10-K in Note 24, on pages 172 – 176, while Note 25 on pages 176 – 178 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.

Stock option awards

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

Three months ended December 31,

	2014	2013
	(in thousands)	
Total share-based expense	$3,117	$3,733
Income tax benefit related to share-based expense	376	795

For the three months ended December 31, 2014, we realized $512 thousand of excess tax benefits related to our stock option awards.

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During the three months ended December 31, 2014, we granted 1,085,500 stock options to employees and 39,200 stock options were granted to our independent contractor financial advisors. During the three months ended December 31, 2014, no stock options were granted to outside directors.

Unrecognized pre-tax expense for stock option awards granted to employees, members of our Board of Directors, and independent contractor financial advisors, net of estimated forfeitures, and the remaining period over which the expense will be recognized as of December 31, 2014, are presented below:

	Unrecognized pre-tax expense	Remaining weighted-average amortization period
	(in thousands)	(in years)
Employees and members of our Board of Directors	$31,465	3.7
Independent contractor financial advisors	2,075	3.6

The weighted-average grant-date fair value of stock option awards to employees and members of our Board of Directors for the three months ended December 31, 2014 was $14.20.

The fair value of each option awarded to our independent contractor financial advisors is estimated on the date of grant and periodically revalued using the Black-Scholes option pricing model. The weighted-average fair value for unvested stock options granted to independent contractor financial advisors as of December 31, 2014 was $22.84.

Restricted stock and restricted stock unit awards

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

	Three months ended December 31,	
	2014	2013
	(in thousands)	
Total share-based expense	$18,966	$16,635
Income tax benefit related to share-based expense	6,862	5,916

For the three months ended December 31, 2014, we realized $7.1 million of excess tax benefits related to our restricted equity awards.

During the three months ended December 31, 2014, we granted 1,049,273 restricted stock units to employees and no restricted stock units to outside members of our Board of Directors. We granted no restricted stock units to independent contractor financial advisors during the three months ended December 31, 2014.

Unrecognized pre-tax expense for restricted equity awards granted to employees, members of our Board of Directors and independent contractor financial advisors, net of estimated forfeitures, and the remaining period over which the expense will be recognized as of December 31, 2014, are presented below:

	Unrecognized pre-tax expense	Remaining weighted-

	(in thousands)	average amortization period (in years)
Employees and members of our Board of Directors	$117,243	2.7
Independent contractor financial advisors	85	1.4

The weighted-average grant-date fair value of restricted stock unit awards granted to employees and outside members of our Board of Directors for the three months ended December 31, 2014 were $56.09 per unit.

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The fair value of each restricted equity award to our independent contractor financial advisors is computed on the date of grant and periodically revalued at the current stock price. The fair value for unvested restricted equity awards granted to independent contractor financial advisors as of December 31, 2014 was $57.29 per unit.

NOTE 19 – REGULATIONS AND CAPITAL REQUIREMENTS

For a discussion of the various regulations and capital requirements applicable to certain of our businesses and subsidiaries, see Note 26 on pages 178 - 181 of our 2014 Form 10-K.

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

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

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

	Actual		Requirement for capital adequacy purposes		To be well capitalized under prompt corrective action provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
	($ in thousands)					
RJF as of December 31, 2014:						
Total capital (to risk-weighted assets)	$4,083,551	20.9 %	$1,564,214	8.0 %	$1,955,267	10.0 %
Tier I capital (to risk-weighted assets)	3,908,141	20.0 %	782,107	4.0 %	1,173,160	6.0 %
Tier I capital (to adjusted assets)	3,908,141	16.6 %	940,983	4.0 %	1,176,228	5.0 %
RJF as of September 30, 2014:						
Total capital (to risk-weighted assets)	$3,940,516	20.6 %	$1,531,178	8.0 %	$1,913,973	10.0 %
Tier I capital (to risk-weighted assets)	3,775,385	19.7 %	765,589	4.0 %	1,148,384	6.0 %
Tier I capital (to adjusted assets)	3,775,385	16.4 %	919,546	4.0 %	1,149,433	5.0 %

The increase in RJF's Total capital (to risk-weighted assets) and Tier I capital (to risk-weighted assets) at December 31, 2014 compared to September 30, 2014 was the result of earnings during the three month period ended

December 31, 2014 offset by an increase in RJ Banks' loans outstanding. The increase in RJF's Tier I capital (to adjusted assets) ratio at December 31, 2014 compared to September 30, 2014 was primarily due to earnings during the three month period ended December 31, 2014 as well as a decrease in average segregated assets offset by an increase in RJ Banks' average loans outstanding.

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

	Actual		Requirement for capital adequacy purposes		To be well capitalized under prompt corrective action provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
	($ in thousands)					
RJ Bank as of December 31, 2014:						
Total capital (to risk-weighted assets)	$1,544,268	12.6 %	$977,741	8.0 %	$1,222,176	10.0 %
Tier I capital (to risk-weighted assets)	1,391,145	11.4 %	488,870	4.0 %	733,306	6.0 %
Tier I capital (to adjusted assets)	1,391,145	10.9 %	509,152	4.0 %	636,440	5.0 %
RJ Bank as of September 30, 2014:						
Total capital (to risk-weighted assets)	$1,460,895	12.5 %	$935,852	8.0 %	$1,169,815	10.0 %
Tier I capital (to risk-weighted assets)	1,314,374	11.2 %	467,926	4.0 %	701,889	6.0 %
Tier I capital (to adjusted assets)	1,314,374	10.7 %	492,186	4.0 %	615,232	5.0 %

The increase in RJ Bank's Total and Tier I capital (to risk-weighted assets) ratios and Tier I capital (to adjusted assets) ratio at December 31, 2014 compared to September 30, 2014 was primarily due to earnings and a $35 million capital contribution from RJF, which exceeded the impact of significant loan growth during the three month period ended December 31, 2014.

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

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

	As of December 31, 2014	September 30, 2014
	($ in thousands)	
Raymond James & Associates, Inc.:		
(Alternative Method elected)		
Net capital as a percent of aggregate debit items	24.65 %	24.14 %
Net capital	$463,144	$442,866
Less: required net capital	(37,579)	(36,694)
Excess net capital	$425,565	$406,172

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

	As of December 31, 2014	September 30, 2014
	(in thousands)	
Raymond James Financial Services, Inc.:		

(Alternative Method elected)		
Net capital	$8,520	$23,748
Less: required net capital	(250)	(250)
Excess net capital	$8,270	$23,498

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

	As of December 31, 2014	September 30, 2014
	(in thousands)	
Raymond James Ltd.:		
Risk adjusted capital before minimum	$114,716	$107,645
Less: required minimum capital	(250)	(250)
Risk adjusted capital	$114,466	$107,395

At December 31, 2014, all of our other active regulated domestic and international subsidiaries are in compliance with and met all capital requirements.

NOTE 20 – FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

For a discussion of our financial instruments with off-balance-sheet risk, see Note 27 on pages 181 - 182 of our 2014 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.

RJ Bank's commitments to extend credit and other credit-related off-balance sheet financial instruments outstanding are as follows:

	December 31, 2014
	(in thousands)
Standby letters of credit	$102,825
Open end consumer lines of credit	1,764,764
Commercial lines of credit	1,752,222
Unfunded loan commitments	270,062

Because many of RJ Bank's 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 denominated in U.S. dollars that may be impacted by fluctuation in foreign exchange rates. In order to mitigate this risk, RJ Ltd. enters into forward foreign exchange contracts. The fair value of these contracts is not significant. As of December 31, 2014, forward contracts outstanding to buy and sell U.S. dollars totaled CDN $2.3 million and CDN $3.8 million, respectively. RJ Bank is also subject to foreign exchange risk related to its 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.

As a part of our fixed income public finance operations, RJ&A enters into forward commitments to purchase GNMA or FNMA MBS. See Note 15 for information on these commitments. We utilize TBA security contracts to hedge our interest rate risk associated with these commitments. We are subject to loss if the timing of, or the actual amount of, the MBS securities differs significantly from the term and notional amount of the TBA security contracts we enter into.

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NOTE 21 – EARNINGS PER SHARE

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

	Three months ended December 31,	
	2014	2013
	(in thousands, except per share amounts)	
Income for basic earnings per common share:		
Net income attributable to RJF	$126,296	$116,633
Less allocation of earnings and dividends to participating securities [(1)]	(453)	(884)
Net income attributable to RJF common shareholders	$125,843	$115,749
Income for diluted earnings per common share:		
Net income attributable to RJF	$126,296	$116,633
Less allocation of earnings and dividends to participating securities [(1)]	(444)	(866)
Net income attributable to RJF common shareholders	$125,852	$115,767
Common shares:		
Average common shares in basic computation	141,246	139,089
Dilutive effect of outstanding stock options and certain restricted stock units	4,036	3,508
Average common shares used in diluted computation	145,282	142,597
Earnings per common share:		
Basic	$0.89	$0.83
Diluted	$0.87	$0.81
Stock options and certain restricted stock units excluded from weighted-average diluted common shares because their effect would be antidilutive	1,845	560

(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 514 thousand and 1.1 million for the three months ended December 31, 2014 and 2013, respectively. Dividends paid to participating securities amounted to $78 thousand and $150 thousand for the three months ended December 31, 2014 and 2013, respectively. Undistributed earnings are allocated to participating securities based upon their right to share in earnings if all earnings for the period had been distributed.

Dividends per common share declared and paid are as follows:

	Three months ended December 31,	
	2014	2013
Dividends per common share - declared	$0.18	$0.16
Dividends per common share - paid	$0.16	$0.14

NOTE 22 – SEGMENT INFORMATION

We currently operate through the following five business segments: “Private Client Group;” “Capital Markets;” “Asset Management;” RJ Bank; and our “Other” segment, which includes our principal capital and private equity activities as well as various corporate overhead costs of RJF including the interest cost on our public debt. 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 29 on pages 183 - 186 of our 2014 Form 10-K.

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

	Three months ended December 31,	
	2014	2013
	(in thousands)	
Revenues:		
Private Client Group	$849,243	$782,749
Capital Markets	235,174	241,440
Asset Management	99,630	96,016
RJ Bank	102,956	83,873
Other	9,766	20,089
Intersegment eliminations	(16,925)	(15,393)
Total revenues[1]	$1,279,844	$1,208,774
Income (loss) excluding noncontrolling interests and before provision for income taxes:		
Private Client Group	$92,744	$71,510
Capital Markets	27,653	33,445
Asset Management	39,796	31,836
RJ Bank	64,356	57,058
Other	(21,641)	(14,925)
Pre-tax income excluding noncontrolling interests	202,908	178,924
Add: net loss attributable to noncontrolling interests	(4,259)	(112)
Income including noncontrolling interests and before provision for income taxes	$198,649	$178,812

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

	Three months ended December 31,	
	2014	2013
	(in thousands)	
Net interest income (expense):		
Private Client Group	$22,063	$23,450
Capital Markets	2,093	1,848
Asset Management	67	29
RJ Bank	96,722	82,114
Other	(16,220)	(15,720)
Net interest income	$104,725	$91,721

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

	December 31, 2014	September 30, 2014
	(in thousands)	
Total assets:		
Private Client Group [1]	$6,104,409	$6,255,176
Capital Markets [2]	2,627,370	2,645,926
Asset Management	182,374	186,170
RJ Bank	13,199,614	12,036,945
Other	2,139,479	2,201,435

Total	$24,253,246	$23,325,652

(1) Includes $174.6 million of goodwill at December 31, 2014 and September 30, 2014.

(2) Includes $120.9 million of goodwill at December 31, 2014 and September 30, 2014.

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

	Three months ended December 31,	
	2014	2013
	(in thousands)	
Revenues:		
United States	$1,181,308	$1,088,095
Canada	67,712	88,114
Europe	23,914	24,996
Other	6,910	7,569
Total	$1,279,844	$1,208,774
Pre-tax income (loss) excluding noncontrolling interests:		
United States	$202,185	$166,606
Canada	2,225	11,546
Europe	(1,756)	199
Other	254	573
Total	$202,908	$178,924

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

	December 31, 2014	September 30, 2014
	(in thousands)	
Total assets:		
United States [(1)]	$22,638,331	$21,469,999
Canada[(2)]	1,532,873	1,773,703
Europe	38,917	39,872
Other	43,125	42,078
Total	$24,253,246	$23,325,652

(1) Includes $262.5 million of goodwill at December 31, 2014 and September 30, 2014.

(2) Includes $33 million of goodwill at December 31, 2014 and September 30, 2014.

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

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

Factors Affecting "Forward-Looking Statements"

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

Executive overview

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

Quarter ended December 31, 2014 compared with the quarter ended December 31, 2013

We achieved net revenues of $1.25 billion for the quarter, a $69 million, or 6%, increase compared to the prior year quarter, but a 3% decrease compared to the preceding quarter. Total client assets under administration were a quarter-end record $483 billion at December 31, 2014, an 8% increase over the prior year level and up nearly 2% compared to the preceding quarter. The increase in assets under administration is attributable to both market appreciation and strong financial advisor retention and recruiting results which combined to result in a net inflow of client assets. Non-interest expenses increased $49 million, or 5%, compared to the prior year quarter, but reflect a decrease of $26 million, or 2%, compared to the preceding quarter. The increase from the prior year quarter primarily results from increases in compensation, commissions and benefits resulting from the increase in revenues and profits, and the bank loan loss provision which increased as a result of significant growth of the loan portfolio, offset by decreases in communications and information processing expense. The decrease from the preceding quarter is primarily due to a decrease in compensation, commissions and benefits expenses due to the decrease in revenues, offset by an increase in the bank loan loss provision.

Our net income of $126 million represents an increase of nearly $10 million, or 8%, compared to the prior year quarter, and a decrease of $10 million, or 7%, compared to the preceding quarter.

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

- Our Private Client Group segment generated net revenues of $845 million, an 8% increase, while pre-tax income increased 30% to $93 million. The increase in revenues is primarily attributable to increased securities commissions and fee revenues, predominately arising from fee-based accounts, as well as an increase in mutual fund and annuity service fee revenues. Commission expenses increased in proportion to the increase in corresponding commission revenues while all other components of non-interest expenses increased in total by approximately 1%. Client assets under administration of the Private Client Group increased 9% over the prior year, to a quarter-end record $459.1 billion at December 31, 2014. Net inflows of client assets have been positively impacted by successful retention and recruiting of financial advisors.

- The Capital Markets segment generated net revenues of $232 million, reflecting a decrease of $6 million, or 3%. Pre-tax income decreased $6 million, or 17%, to $28 million. The primary driver of the decrease in pre-tax income is a $9 million decrease in trading profits, approximately $6 million of which arises from fixed income securities, and a decrease in our tax credit fund syndication revenues, primarily attributable to the timing of revenue recognition and not necessarily resulting from a decrease in activity levels. Despite the sharp decline in oil prices that indirectly impacts our Canadian subsidiaries' equity capital markets activities, our domestic equity capital markets activities reflect an increase in institutional equity commission revenues driven by volatility in the equity markets, and solid levels of both equity underwriting fees and merger and acquisition advisory fees. The institutional fixed income commission revenues continue to be negatively impacted by challenging fixed income market conditions due to economic uncertainty and historically low interest rates which result in decreased customer trading volumes.

- Our Asset Management segment generated a 4% increase in net revenues to a record $100 million and an $8 million, or 25%, increase in pre-tax income. Financial assets under management increased 10% from the prior year, to a quarter-end record $66.7 billion as of December 31, 2014. The current quarter included positive net inflows of client assets, market appreciation, and performance fee revenues.

- RJ Bank generated $64 million in pre-tax income, a $7 million, or 13% increase, resulting from increases in net interest income and other revenues, offset by an increase in the provision for loan losses. Net interest income increased due to growth in the average loans outstanding, as the net interest margin was unchanged from the prior year level. Other revenues increased due to a positive variance in foreign exchange associated with Canadian dollar denominated loans, as a loss incurred in the prior period did not recur in the current period. The credit characteristics of the loan portfolio continued to reflect the positive impact of improved economic conditions. The increase in the provision for loan losses is primarily the result of significant growth of the loan portfolio. We have and will continue to evaluate the impact of the sharp decline in oil prices on the credit quality of the energy sector within our loan portfolio. To date, we do not anticipate a significant negative impact on our portfolio; however, a prolonged period of such declines could negatively impact certain of the credits within our portfolio in the future.

- Activities in our Other segment reflect a pre-tax loss that is $7 million, or 45%, more than the prior year quarter. Net revenues in the segment decreased $10 million, resulting from a gain on the issuer's redemption of certain ARS in the prior year which did not recur in the current year, and a smaller gain on investments in our private equity portfolio.

The volume of possible regulatory changes that impact the businesses in which we operate has not slowed since our September 30, 2014 fiscal year-end. We continue to implement changes resulting from new regulations, as well as monitor the potential impact of various proposed or informally discussed future regulations. We presently do not expect currently enacted legislation to have a significant adverse direct impact on our operations as a whole, however, we continue to evaluate the specific impact of such regulations on certain of our businesses.

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Segments

We currently operate through the following five business segments: Private Client Group (or "PCG"); Capital Markets; Asset Management; RJ Bank; and Other (which consists of our principal capital and private equity activities as well as various corporate overhead costs of RJF including the interest cost on our public debt).

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

	Three months ended December 31,		
	2014	2013	% change
	($ in thousands)		
Total company			
Revenues	$1,279,844	$1,208,774	6 %
Net revenues	1,252,460	1,183,402	6 %
Pre-tax income excluding noncontrolling interests	202,908	178,924	13 %
Private Client Group			
Revenues	849,243	782,749	8 %
Net revenues	845,215	780,222	8 %
Pre-tax income	92,744	71,510	30 %
Capital Markets			
Revenues	235,174	241,440	(3)%
Net revenues	231,802	238,089	(3)%
Pre-tax income	27,653	33,445	(17)%
Asset Management			
Revenues	99,630	96,016	4 %
Net revenues	99,624	96,013	4 %
Pre-tax income	39,796	31,836	25 %
RJ Bank			
Revenues	102,956	83,873	23 %
Net revenues	100,518	81,928	23 %
Pre-tax income	64,356	57,058	13 %
Other			
Revenues	9,766	20,089	(51)%
Net revenues	(9,612)	820	NM
Pre-tax loss	(21,641)	(14,925)	(45)%
Intersegment eliminations			
Revenues	(16,925)	(15,393)	(10)%
Net revenues	(15,087)	(13,670)	(10)%

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Net interest analysis

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

Based upon our latest analysis performed as of September 30, 2014, we estimate that a 100 basis point instantaneous rise in short-term interest rates would result in an increase in our pre-tax income of approximately $150 million over a twelve month period. Approximately half of such an increase would be reflected in account and service fee revenues (resulting from an increase in the fees generated in lieu of interest income from our multi-bank sweep program with unaffiliated banks and the discontinuance of money market fee waivers) which are reported in the PCG segment, and the remaining portion of the increase would be reflected in net interest income reported primarily in our PCG and RJ Bank segments. This estimate is based on static balances as of September 30, 2014 and a conservative assumption related to interest credited to our clients on their cash balances in such an interest rate environment. The actual amount of any increase we would realize in the future will ultimately be based on a number of factors including, but not limited to, the actual change in balances, the rapidity and magnitude of the increase in interest rates, the competitive landscape at such time, and the returns on comparable investments which will factor into the interest rates we pay on client cash balances (our "Client Interest Program"). The vast majority of any incremental benefit to pre-tax income from a rise in short-term interest rates would be expected to arise from the first 100 basis point increase, as we presume that a significant portion of any further incremental increase in short-term interest rates would be passed along to clients through our Client Interest Program, and thus such additional interest revenues and interest sensitive fees would be offset by increases of similar amounts in our interest expense.

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Quarter ended December 31, 2014 compared with the quarter ended December 31, 2013 – Net interest

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

	Three months ended December 31,							
	2014				2013			
	Average balance(1)	Interest inc./exp.	Average yield/cost		Average balance(1)	Interest inc./exp.	Average yield/cost	
	($ in thousands)							
Interest-earning assets:								
Margin balances	$1,820,352	$17,276	3.80	%	$1,756,537	$17,787	4.05	%
Assets segregated pursuant to regulations and other segregated assets	2,374,470	3,610	0.61	%	3,921,450	4,630	0.47	%
Bank loans, net of unearned income(2)	11,509,258	96,758	3.32	%	9,145,365	81,209	3.49	%
Available for sale securities	559,005	1,312	0.94	%	694,538	1,923	1.11	%
Trading instruments(3)	619,729	4,500	2.90	%	544,705	4,528		