RAYMOND JAMES FINANCIAL INC
Form 10-Q
February 08, 2013
Index

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

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

For the quarterly period ended December 31, 2012
or
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission File Number: 1-9109

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

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

880 Carillon Parkway, St. Petersburg, Florida 33716
(Address of principal executive offices) (Zip Code)
(727) 567-1000
(Registrant’s telephone number, including area code)
None
(Former name, former address and former fiscal year, if changed since last report)
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or such shorter period that the registrant was required to submit and post such files). Yes x No ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes ¨ No x
Indicate the number of shares outstanding of each of the registrant’s classes of common stock, as of the latest practicable date.

139,456,462 shares of common stock as of February 4, 2013

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

Form 10-Q for the quarter ended December 31, 2012

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PART I FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

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

	December 31, 2012	September 30, 2012
	(in thousands)	
Assets:		
Cash and cash equivalents	$2,187,707	$1,980,020
Assets segregated pursuant to regulations and other segregated assets	3,421,505	2,784,199
Securities purchased under agreements to resell and other collateralized financings	598,579	565,016
Financial instruments, at fair value:		
Trading instruments	826,194	804,272
Available for sale securities	714,911	733,874
Private equity investments	329,767	336,927
Other investments	295,702	310,806
Derivative instruments associated with offsetting matched book positions	431,807	458,265
Receivables:		
Brokerage clients, net	2,037,742	2,067,117
Stock borrowed	173,500	200,160
Bank loans, net	8,459,998	7,991,512
Brokers-dealers and clearing organizations	89,829	225,306
Loans to financial advisors, net	440,365	445,497
Other	368,934	427,641
Deposits with clearing organizations	166,643	163,848
Prepaid expenses and other assets	660,469	605,566
Investments in real estate partnerships held by consolidated variable interest entities	297,535	299,611
Property and equipment, net	235,733	231,195
Deferred income taxes, net	164,541	168,187
Goodwill and identifiable intangible assets, net	374,510	361,246
Total assets	$22,275,971	$21,160,265

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, 2012	September 30, 2012
	($ in thousands)	
Liabilities and equity:		
Trading instruments sold but not yet purchased, at fair value	$202,032	$232,436
Securities sold under agreements to repurchase	373,290	348,036
Derivative instruments associated with offsetting matched book positions, at fair value	431,807	458,265
Payables:		
Brokerage clients	5,553,862	4,584,656
Stock loaned	267,034	423,519
Bank deposits	8,946,665	8,599,713
Brokers-dealers and clearing organizations	124,461	103,164
Trade and other	626,706	628,734
Other borrowings	132,000	—
Accrued compensation, commissions and benefits	537,055	690,654
Loans payable of consolidated variable interest entities	71,387	81,713
Corporate debt	1,200,090	1,329,093
Total liabilities	18,466,389	17,479,983
Commitments and contingencies (see Note 16)		
Equity		
Preferred stock; $.10 par value; authorized 10,000,000 shares; issued and outstanding -0- shares	—	—
Common stock; $.01 par value; authorized 350,000,000 shares; issued 143,635,004 at December 31, 2012 and 142,853,667 at September 30, 2012	1,417	1,404
Additional paid-in capital	1,071,580	1,030,288
Retained earnings	2,412,561	2,346,563
Treasury stock, at cost; 5,098,475 common shares at December 31, 2012 and 5,117,049 common shares at September 30, 2012	(121,656)	(118,762)
Accumulated other comprehensive income	15,899	9,447
Total equity attributable to Raymond James Financial, Inc.	3,379,801	3,268,940
Noncontrolling interests	429,781	411,342
Total equity	3,809,582	3,680,282
Total liabilities and equity	$22,275,971	$21,160,265

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,	
	2012	2011
	(in thousands, except per share amounts)	
Revenues:		
Securities commissions and fees	$738,584	$511,334
Investment banking	84,870	39,336
Investment advisory fees	62,070	53,505
Interest	123,126	102,096
Account and service fees	88,451	74,010
Net trading profits	9,339	9,343
Other	31,069	9,193
Total revenues	1,137,509	798,817
Interest expense	28,021	16,040
Net revenues	1,109,488	782,777
Non-interest expenses:		
Compensation, commissions and benefits	762,548	541,622
Communications and information processing	60,366	37,567
Occupancy and equipment costs	39,478	25,937
Clearance and floor brokerage	10,168	7,454
Business development	30,629	27,839
Investment sub-advisory fees	8,050	6,562
Bank loan loss provision	2,923	7,456
Acquisition related expenses	17,382	—
Other	30,777	23,692
Total non-interest expenses	962,321	678,129
Income including noncontrolling interests and before provision for income taxes	147,167	104,648
Provision for income taxes	53,273	43,526
Net income including noncontrolling interests	93,894	61,122
Net income (loss) attributable to noncontrolling interests	8,020	(6,203)
Net income attributable to Raymond James Financial, Inc.	$85,874	$67,325
Net income per common share – basic	$0.62	$0.53
Net income per common share – diluted	$0.61	$0.53
Weighted-average common shares outstanding – basic	136,524	123,225
Weighted-average common and common equivalent shares outstanding – diluted	138,694	123,712
Net income attributable to Raymond James Financial, Inc.	$85,874	$67,325
Other comprehensive income, net of tax:[1]		
Change in unrealized gain (loss) on available for sale securities and non-credit portion of other-than-temporary impairment losses	10,138	(5,661)
Change in currency translations and net investment hedges	(3,686)	4,820
Total comprehensive income	$92,326	$66,484

Other-than-temporary impairment:		
Total other-than-temporary impairment, net	$3,354	$(4,187)
Portion of (recoveries) losses recognized in other comprehensive income (before taxes)	(3,739)	2,091
Net impairment losses recognized in other revenue	$(385)	$(2,096)

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

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

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

	Three months ended December 31,	
	2012	2011
	(in thousands, except per share amounts)	
Common stock, par value $.01 per share:		
Balance, beginning of year	$1,404	$1,271
Issuances	13	9
Balance, end of period	1,417	1,280
Additional paid-in capital:		
Balance, beginning of year	1,030,288	565,135
Employee stock purchases	3,273	2,215
Exercise of stock options and vesting of restricted stock units, net of forfeitures	18,542	1,270
Restricted stock, stock option and restricted stock unit expense	17,154	16,907
Excess tax benefit from share-based payments	2,071	1,100
Other	252	(125)
Balance, end of period	1,071,580	586,502
Retained earnings:		
Balance, beginning of year	2,346,563	2,125,818
Net income attributable to Raymond James Financial, Inc.	85,874	67,325
Cash dividends declared	(19,466)	(16,399)
Other	(410)	(4,837)
Balance, end of period	2,412,561	2,171,907
Treasury stock:		
Balance, beginning of year	(118,762)	(95,000)
Purchases/surrenders	(6,899)	(16,784)
Exercise of stock options and vesting of restricted stock units, net of forfeitures	4,005	(790)
Balance, end of period	(121,656)	(112,574)
Accumulated other comprehensive income:[1]		
Balance, beginning of year	9,447	(9,605)
Net unrealized gain (loss) on available for sale securities and non-credit portion of other-than-temporary impairment losses [2]	10,138	(5,661)
Net change in currency transactions and net investment hedges [2]	(3,686)	4,820
Balance, end of period	15,899	(10,446)
Total equity attributable to Raymond James Financial, Inc.	$3,379,801	$2,636,669
Noncontrolling interests:		
Balance, beginning of year	$411,342	$324,226
Net income (loss) attributable to noncontrolling interests	8,020	(6,203)
Capital contributions	13,281	21,078
Distributions	(9,972)	(2,493)
Consolidation of acquired entity [3]	7,592	—

Other	(482)	(10,323)
Balance, end of period	429,781	326,285
Total equity	$3,809,582	$2,962,954

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

(2) Net of tax.

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

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

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

	Three months ended December 31,	
	2012	2011
	(in thousands)	
Cash flows from operating activities:		
Net income attributable to Raymond James Financial, Inc.	$85,874	$67,325
Net income (loss) attributable to noncontrolling interests	8,020	(6,203)
Net income including noncontrolling interests	93,894	61,122
Adjustments to reconcile net income including noncontrolling interests to net cash provided by (used in) operating activities:		
Depreciation and amortization	16,418	9,971
Deferred income taxes	2,104	(10,444)
Premium and discount amortization on available for sale securities and unrealized/realized gain on other investments	(4,501)	(1,392)
Provisions for loan losses, legal proceedings, bad debts and other accruals	3,954	6,556
Share-based compensation expense	17,783	17,410
Other	519	827
Net change in:		
Assets segregated pursuant to regulations and other segregated assets	(637,306)	43,490
Securities purchased under agreements to resell and other collateralized financings, net of securities sold under agreements to repurchase	(8,309)	(6,892)
Stock loaned, net of stock borrowed	(129,825)	(150,573)
Repayments of loans (loans provided) to financial advisors	5,132	(15,754)
Brokerage client receivables and other accounts receivable, net	225,982	85,076
Trading instruments, net	(27,780)	(6,712)
Prepaid expenses and other assets	(46,978)	(18,336)
Brokerage client payables and other accounts payable	958,958	141,531
Accrued compensation, commissions and benefits	(154,518)	(161,374)
Purchase and origination of loans held for sale, net of proceeds from sale of securitizations and loans held for sale	(75,467)	(12,822)
Excess tax benefits from share-based payment arrangements	(2,071)	(1,675)
Net cash provided by (used in) operating activities	237,989	(19,991)
Cash flows from investing activities:		
Additions to property and equipment	(18,935)	(13,647)
Increase in bank loans, net	(387,071)	(489,970)
Redemptions of Federal Home Loan Bank/Federal Reserve Bank stock, net	—	20,228
Purchases of private equity and other investments, net	(4,422)	(172)
Purchases of available for sale securities	(26)	(950)
Available for sale securities maturations, repayments and redemptions	35,144	40,029
Investments in real estate partnerships held by consolidated variable interest entities, net of other investing activity	(864)	174
Business acquisition, net of cash acquired	(6,450)	—
Net cash used in investing activities	$(382,624)	$(444,308)

(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,	
	2012	2011
	(in thousands)	
Cash flows from financing activities:		
Proceeds from borrowed funds, net	$132,000	$—
Repayments of borrowed funds, net	(129,150)	(3,848)
Repayments of borrowings by consolidated variable interest entities which are real estate partnerships	(11,344)	(11,599)
Proceeds from capital contributed to and borrowings of consolidated variable interest entities which are real estate partnerships	13,224	21,078
Exercise of stock options and employee stock purchases	26,849	2,642
Increase (decrease) in bank deposits	346,952	(34,426)
Purchase of treasury stock	(8,271)	(17,054)
Dividends on common stock	(17,968)	(16,399)
Excess tax benefits from share-based payment arrangements	2,071	1,675
Net cash provided by (used in) financing activities	354,363	(57,931)
Currency adjustment:		
Effect of exchange rate changes on cash	(2,041)	(511)
Net increase (decrease) in cash and cash equivalents	207,687	(522,741)
Cash and cash equivalents at beginning of year	1,980,020	2,439,695
Cash and cash equivalents at end of period	$2,187,707	$1,916,954
Supplemental disclosures of cash flow information:		
Cash paid for interest	$27,093	$11,215
Cash paid for income taxes	$10,650	$10,137
Non-cash transfers of loans to other real estate owned	$596	$2,651

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, 2012

NOTE 1 – INTRODUCTION AND BASIS OF PRESENTATION

Description of business

Raymond James Financial, Inc. (“RJF”) 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 114 - 117 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, 2012, as filed with the United States (”U.S.”) Securities and Exchange Commission (the “2012 Form 10-K”) and in Note 9 herein. When we do not have a controlling interest in an entity, but we exert significant influence over the entity, we apply the equity method of accounting. All material intercompany balances and transactions have been eliminated in consolidation.

Accounting estimates and assumptions

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

The nature of our business is such that the results of any interim period are not necessarily indicative of results for a full year. These unaudited condensed consolidated financial statements should be read in conjunction with Management’s Discussion and Analysis and the consolidated financial statements and notes thereto included in our 2012 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.

Acquisitions

On December 24, 2012, we completed our acquisition of a 45% interest in ClariVest Asset Management, LLC (“ClariVest”), an acquisition that bolsters our platform in the large-cap strategy space. See Note 3 for additional information.

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”). This acquisition expands both our private client and our capital markets businesses. See Note 3 for further information regarding our acquisition of Morgan Keegan and Note 19 for information regarding the capital position of MK & Co. as of December 31, 2012. The results of operations of Morgan Keegan have been included in our results prospectively from April 2, 2012.

Significant subsidiaries

Our significant subsidiaries, all wholly owned, include: Raymond James & Associates, Inc. (“RJ&A”) and MK & Co., which are domestic broker-dealers carrying client accounts, Raymond James Financial Services, Inc. (“RJFS”) an introducing domestic broker-dealer, Raymond James Ltd. (“RJ Ltd.”) a broker-dealer headquartered in Canada, Eagle Asset Management, Inc., and Raymond James Bank, N.A. (“RJ Bank”), a national bank.

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NOTE 2 – UPDATE OF SIGNIFICANT ACCOUNTING POLICIES

A summary of our significant accounting policies is included in Note 2 on pages 100 - 117 of our 2012 Form 10-K. Other than as discussed below, there have been no significant changes in our significant accounting policies since September 30, 2012.

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

As more fully described in Note 2, page 107, of our 2012 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, 2012 and September 30, 2012, respectively. Of the December 31, 2012 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 $2.5 million.

Reclassifications

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

NOTE 3 – ACQUISITIONS

On December 24, 2012, (the "ClariVest Acquisition Date") we completed our acquisition of a 45% interest in ClariVest, an acquisition that bolsters our platform in the large-cap strategy space. On the ClariVest Acquisition Date, we paid approximately $8.8 million in cash to the sellers for our interest. On the first anniversary of the ClariVest Acquisition Date, a computation based upon the actual earnings of ClariVest during the one year period will be performed and additional consideration may be owed to the sellers within 45 days thereof.

ClariVest, manages more than $3 billion in client assets and currently markets its investment advisory services to corporate and public pension plans, foundations, endowments and Taft-Hartley clients worldwide. As a result of certain protective rights we have under the operating agreement with ClariVest, we are consolidating Clarivest in our financial statements as of the Clarivest Acquisition Date. In addition, a put and call agreement was entered into on the Clarivest Acquisition Date that provides our wholly owned Eagle Asset Management, Inc. subsidiary with various paths to majority ownership in ClariVest, the timing of which would depend upon the financial results of ClariVest's business and the tenure of existing ClariVest management. The results of operations of ClariVest have been included in our results prospectively from December 24, 2012. For the purposes of certain acquisition related financial reporting requirements, the Clarivest acquisition is not considered to be material to our overall financial condition.

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

Prior year acquisition of Morgan Keegan

On April 2, 2012 RJF completed its acquisition of Morgan Keegan. For a discussion of the significant terms of this acquisition, see Note 3 on pages 118 - 121 in our 2012 Form 10-K.

Selected Unaudited Pro forma financial information

The following unaudited pro forma financial information assumes the Morgan Keegan acquisition had been completed as of October 1, 2011. Pro forma results have been prepared by adjusting our historical results to include Morgan Keegan's results of operations adjusted for the following: amortization expense related to the identifiable intangible assets arising from the acquisition; interest expense to reflect the impact of senior notes issued in March 2012; incremental bonus expense resulting from the bonus agreements made for retention purposes to certain Morgan Keegan financial advisors, incremental compensation expense related to restricted stock units granted to certain executives and key revenue producers for retention purposes; our acquisition expenses; a $545 million goodwill impairment charge included in Morgan Keegan's pre-Closing Date financial statements directly resulting from the transaction; and the applicable tax effect of each adjustment described above. The weighted average common shares used in the computation of both pro forma basic and pro forma diluted earnings per share were adjusted to reflect that the issuance of additional RJF shares that occurred in February 2012 had been outstanding for the entirety of each respective period presented.

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

Pro forma results (Unaudited):	Three months ended December 31, 2011
	($ in thousands except per share amounts)
Total net revenues	$1,048,562
Net income	$93,359
Net income per share:	
Basic	$0.68
Diluted	$0.68

Acquisition related expenses

Acquisition related expenses are recorded in the Condensed Consolidated Statement of Income and Comprehensive Income and include certain incremental expenses arising from our acquisitions. We incurred the following acquisition related expenses in the three month period ended December 31, 2012:

	Three months ended December 31, 2012
	(in thousands)
Integration costs	$15,536
Financial advisory fees	1,176
Severance	399
Other	271
Total acquisition related expenses	$17,382

We incurred no acquisition related expenses in the three month period ended December 31, 2011.

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

Our cash equivalents include money market funds or highly liquid investments with original maturities of 90 days or less, other than those used for trading purposes. For discussion of our accounting policies regarding assets segregated pursuant to regulations and other segregated assets, see Note 2 on page 101 of our 2012 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, 2012	September 30, 2012
	(in thousands)	
Cash and cash equivalents:		
Cash in banks	$2,183,388	$1,973,897
Money market fund investments	4,319	6,123
Total cash and cash equivalents (1)	2,187,707	1,980,020
Cash segregated pursuant to federal regulations and other segregated assets (2)	3,421,505	2,784,199
Deposits with clearing organizations (3)	166,643	163,848
	$5,775,855	$4,928,067

(1) The total amounts presented include cash and cash equivalents of $581 million and $539 million as of December 31, 2012 and September 30, 2012, respectively, which are either held directly by RJF or are otherwise invested by one of our subsidiaries on behalf of RJF.

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

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

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NOTE 5 – FAIR VALUE

For a discussion of our valuation methodologies for assets, liabilities measured at fair value, and the fair value hierarchy, see Note 2, pages 101 - 107, in our 2012 Form 10-K.

There have been no material changes to our valuation methodologies since our year ended September 30, 2012.

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

December 31, 2012	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 December 31, 2012
Assets at fair value on a recurring basis:					
Trading instruments:					
Municipal and provincial obligations	$7	$222,506	$—	$—	$222,513
Corporate obligations	4,349	43,242	—	—	47,591
Government and agency obligations	7,228	139,610	—	—	146,838
Agency mortgage-backed securities (“MBS”) and collateralized mortgage obligations (“CMOs”)	1,017	266,007	—	—	267,024
Non-agency CMOs and asset-backed securities (“ABS”)	—	15,536	18	—	15,554
Total debt securities	12,601	686,901	18	—	699,520
Derivative contracts	—	135,968	—	(87,413)	48,555
Equity securities	45,326	8,422	19	—	53,767
Other securities	953	16,948	6,451	—	24,352
Total trading instruments	58,880	848,239	6,488	(87,413)	826,194
Available for sale securities:					
Agency MBS and CMOs	—	331,786	—	—	331,786
Non-agency CMOs	—	144,693	125	—	144,818
Other securities	13	—	—	—	13
Auction rate securities (“ARS”):					
Municipals	—	—	133,318 (3)	—	133,318
Preferred securities	—	—	104,976	—	104,976
Total available for sale securities	13	476,479	238,419	—	714,911
Private equity investments	—	—	329,767 (4)	—	329,767
Other investments (5)	290,549	1,030	4,123	—	295,702
Derivative instruments associated with offsetting matched book positions	—	431,807	—	—	431,807
Other assets:					

Derivative contracts	—	2,650	—	—	2,650
Total assets at fair value on a recurring basis	$349,442	$1,760,205	$578,797	$(87,413)	$2,601,031
Assets at fair value on a nonrecurring basis:					
Bank loans, net:					
Impaired loans	$—	$39,991	$55,848	$—	$95,839
Loans held for sale(6)	—	108,253	—	—	108,253
Total bank loans, net	—	148,244	55,848	—	204,092
Other real estate owned (“OREO”)(7)	—	1,660	—	—	1,660
Total assets at fair value on a nonrecurring basis	$—	$149,904	$55,848	$—	$205,752

(continued on next page)

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December 31, 2012	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, 2012
Liabilities at fair value on a recurring basis:					
Trading instruments sold but not yet purchased:					
Municipal and provincial obligations	$—	$6,752	$—	$—	$6,752
Corporate obligations	—	3,696	—	—	3,696
Government obligations	166,911	—	—	—	166,911
Agency MBS and CMOs	16	800	—	—	816
Non-agency MBS and CMOs	—	—	—	—	—
Total debt securities	166,927	11,248	—	—	178,175
Derivative contracts	—	120,803	—	(118,006)	2,797
Equity securities	20,365	48	—	—	20,413
Other securities	—	647	—	—	647
Total trading instruments sold but not yet purchased	187,292	132,746	—	(118,006)	202,032
Derivative instruments associated with offsetting matched book positions	—	431,807	—	—	431,807
Trade and other payables:					
Other	—	—	98	—	98
Total liabilities at fair value on a recurring basis	$187,292	$564,553	$98	$(118,006)	$633,937

(1) We had no transfers of financial instruments from Level 1 to Level 2 during the three months ended December 31, 2012. We had $157 thousand in transfers of financial instruments from Level 2 to Level 1 during the three months ended December 31, 2012. 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.

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

(4) Includes $225 million in private equity investments of which the weighted-average portion we own is approximately 29%. Effectively, the economics associated with the portions of these investments we do not own become a component of noncontrolling interests on our Condensed Consolidated Statements of Financial

Condition, and amounted to approximately $159 million of that total as of December 31, 2012.

(5) Other investments include $187 million of financial instruments we hold that are related to MK & Co.'s obligations to perform under certain of its deferred compensation plans (see Note 2 page 114, and Note 23 page 170, of our 2012 Form 10-K for further information regarding these plans).

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

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

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September 30, 2012	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, 2012
Assets at fair value on a recurring basis:					
Trading instruments:					
Municipal and provincial obligations	$7	$346,030	$553	$—	$346,590
Corporate obligations	15,916	70,815	—	—	86,731
Government and agency obligations	10,907	156,492	—	—	167,399
Agency MBS and CMOs	1,085	104,084	—	—	105,169
Non-agency CMOs and ABS	—	1,986	29	—	2,015
Total debt securities	27,915	679,407	582	—	707,904
Derivative contracts	—	144,259	—	(93,259)	51,000
Equity securities	23,626	2,891	6	—	26,523
Other securities	864	12,131	5,850	—	18,845
Total trading instruments	52,405	838,688	6,438	(93,259)	804,272
Available for sale securities:					
Agency MBS and CMOs	—	352,303	—	—	352,303
Non-agency CMOs	—	147,558	249	—	147,807
Other securities	12	—	—	—	12
ARS:					
Municipals	—	—	123,559 (3)	—	123,559
Preferred securities	—	—	110,193	—	110,193
Total available for sale securities	12	499,861	234,001	—	733,874
Private equity investments	—	—	336,927 (4)	—	336,927
Other investments (5)	303,817	2,897	4,092	—	310,806
Derivative instruments associated with offsetting matched book positions	—	458,265	—	—	458,265
Total assets at fair value on a recurring basis	$356,234	$1,799,711	$581,458	$(93,259)	$2,644,144
Assets at fair value on a nonrecurring basis:					
Bank loans, net					
Impaired loans(6)	—	47,409	46,383	—	93,792
Loans held for sale(7)	—	81,093	—	—	81,093
Total bank loans, net	—	128,502	46,383	—	174,885
OREO(8)	—	6,216	—	—	6,216
Total assets at fair value on a nonrecurring basis	$—	$134,718	$46,383	$—	$181,101

(continued on next page)

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September 30, 2012	Quoted prices in active markets for identical assets (Level 1) (1) (in thousands) (continued from previous page)	Significant other observable inputs (Level 2) (1)	Significant unobservable inputs (Level 3)	Netting adjustments (2)	Balance as of September 30, 2012
Liabilities at fair value on a recurring basis:					
Trading instruments sold but not yet purchased:					
Municipal and provincial obligations	$—	$212	$—	$—	$212
Corporate obligations	33	12,355	—	—	12,388
Government obligations	199,501	587	—	—	200,088
Agency MBS and CMOs	556	—	—	—	556
Non-agency MBS and CMOs	—	121	—	—	121
Total debt securities	200,090	13,275	—	—	213,365
Derivative contracts	—	128,081	—	(124,979)	3,102
Equity securities	9,636	64	—	—	9,700
Other securities	—	6,269	—	—	6,269
Total trading instruments sold but not yet purchased	209,726	147,689	—	(124,979)	232,436
Derivative instruments associated with offsetting matched book positions	—	458,265	—	—	458,265
Trade and other payables:					
Derivative contracts	—	1,370	—	—	1,370
Other liabilities	—	—	98	—	98
Total trade and other payables	—	1,370	98	—	1,468
Total liabilities at fair value on a recurring basis	$209,726	$607,324	$98	$(124,979)	$692,169

(1) We had no transfers of financial instruments from Level 1 to Level 2 during the year ended September 30, 2012. We had $541 thousand in transfers of financial instruments from Level 2 to Level 1 during the year ended September 30, 2012. 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.

(3) Includes $48 million of Jefferson County, Alabama Limited Obligation School Warrants ARS and $22 million of Jefferson County, Alabama Sewer Revenue Refunding Warrants ARS.

(4) Includes $224 million in private equity investments of which the weighted-average portion we own is approximately 28%. Effectively, the economics associated with the portions of these investments we do not own

become a component of noncontrolling interests on our Condensed Consolidated Statements of Financial Condition, and amounted to approximately $161 million of that total as of September 30, 2012.

(5) Other investments include $185 million of financial instruments we hold that are related to MK & Co.'s obligations to perform under certain of its deferred compensation plans (see Note 2 page 114, and Note 23, page 170, of our 2012 Form 10-K for further information regarding these plans).

(6) During the year ended September 30, 2012, we initially transferred $55 million of impaired loans from Level 3 to Level 2. The transfer was a result of the increase in availability and reliability of the observable inputs utilized in the respective instruments' fair value measurement. Our analysis indicates that comparative sales data is a reasonable estimate of fair value, therefore, more consideration was given to this observable input.

(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, 2012 resulted in $1.6 million in additional provision for loan losses and $114 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, 2012
Level 3 assets at fair value
(in thousands)

Financial assets										Financial liabilities
	Trading instruments				Available for sale securities			Private equity and other investments		Payables- trade and other
	Municipal & provincial obligations	Non-agency CMOs & ABS	Equity securities	Other securities	Non-agency CMOs	ARS – municipals	ARS - preferred securities	Private equity investments	Other investments	Other liabilities
Fair value September 30, 2012	$553	$29	$6	$5,850	$249	$123,559	$110,193	$336,927	$4,092	$(98)
Total gains (losses) for the year:										
Included in earnings	—	(8)	5	(31)	(335)	23	1,164	3,388 (1)	36	—
Included in other comprehensive income	—	—	—	—	223	9,961	1,606	—	—	—
Purchases and contributions	—	—	44	1,273	—	—	25	3,593	—	—
Sales	(553)	—	(36)	(3)	—	—	—	—	—	—
Redemptions by issuer	—	—	—	—	—	(225)	(8,012)	—	—	—
Distributions	—	(3)	—	(638)	(12)	—	—	(14,141)	(5)	—
Transfers: (2)										
Into Level 3	—	—	—	—	—	—	—	—	—	—
Out of Level 3	—	—	—	—	—	—	—	—	—	—
Fair value December 31, 2012	$—	$18	$19	$6,451	$125	$133,318	$104,976	$329,767	$4,123	$(98)
	$—	$18	$3	$(31)	$(335)	$9,961	$1,606	$3,388 (1)	$76	$—

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

(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 $1.8 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 $1.6 million.

(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, 2011
Level 3 assets at fair value
(in thousands)

	Financial assets									Financial liabilities
	Trading instruments				Available for sale securities			Private equity and other investments		Payables-trade and other
	Municipal & provincial obligations	Non-agency CMOs & ABS	Equity securities	Other securities	Non-agency CMOs	ARS – municipals	ARS - preferred securities	Private equity investments	Other investments	Other liabilities
Fair value September 30, 2011	$375	$50	$15	$—	$851	$79,524	$116,524	$168,785	$2,087	$ (40)
Total gains (losses) for the year:										
Included in earnings	80	(4)	(4)	(942)	—	(540)	(75)	4	(49)	11
Included in other comprehensive income	—	—	—	—	(93)	(4,670)	(894)	—	—	—
Purchases,and contributions	—	—	16	—	—	475	475	2,367	2	—
Sales	(320)	—	—	—	—	—	—	—	—	—
Redemptions by issuer	—	—	—	—	—	(125)	(17,450)	—	—	—
Distributions	—	(9)	—	—	(17)	—	—	(9,082)	—	—
Transfers:										
Into Level 3	—	—	152	6,577 (1)	—	43	—	—	—	—
Out of Level 3	—	—	—	—	—	—	(43)	—	—	—
Fair value December 31, 2011	$135	$37	$179	$5,635	$741	$74,707	$98,537	$162,074	$2,040	$ (29)
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	$(125)	$214	$—	$(942)	$—	$(5,131)	$(894)	$4	$(52)	$ —

(1) During the three month period ended December 31, 2011, we transferred certain securities which were previously included in Level 2, non-agency CMOs and ABS.

As of December 31, 2012, 11.7% of our assets and 3.4% 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, 2012 represent 22% of our assets measured at fair value. In comparison as of December 31, 2011, 7.4% and 0.9% 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, 2011 represented 26% of our assets measured at fair value. Although the balances of our level 3 assets have increased compared to December 31, 2011, primarily as a result of increases in ARS and private equity investments resulting from our acquisition of Morgan Keegan, level 3 instruments as a percentage of total financial instruments decreased by 4% as compared to December 31, 2011. Total financial instruments, primarily trading instruments, derivative instruments associated with offsetting matched book positions, and other investments which are not level 3 financial instruments increased as a result of our Morgan Keegan acquisition, impacting the calculation of Level 3 assets as a percentage of total financial instruments.

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

For the three months ended December 31, 2012	Net trading profits	Other revenues
	(in thousands)	
Total (losses) gains included in revenues	$(34)	$4,276
Change in unrealized (losses) gains for assets held at the end of the reporting period	$(10)	$14,696

For the three months ended December 31, 2011	Net trading profits	Other revenues
	(in thousands)	
Total losses included in revenues	$(870)	$(649)
Change in unrealized losses for assets held at the end of the reporting period	$(853)	$(6,073)

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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, 2012 (in thousands)	Valuation technique(s)	Unobservable input	Range (weighted-average)
Recurring measurements:				
Available for sale securities:				
ARS:				
Municipals	$54,033	Probability weighted internal scenario model:		
		Scenario 1 - recent trades	Observed trades (in inactive markets) of in-portfolio securities as well as observed trades (in active markets) of other comparable securities	70% of par - 80% of par (78% of par)
		Scenario 2 - scenario of potential outcomes	Par value of scenario based possible outcomes[(a)]	70% of par - 99% of par (88% of par)
			Weighting assigned to weighted average of scenario 1	50% - 50% (50%)
			Weighting assigned to weighted average of scenario 2	40% - 60% (50%)
	$24,889	Recent trades	Observed trades (in inactive markets) of in-portfolio securities as well as observed trades of other comparable securities (in inactive markets)	62% of par - 99% of par (77% of par)
			Comparability adjustments[(b)]	+/- 5% of par (+/- 5% of par)
	$54,396	Discounted cash flow	Average discount rate[(c)]	2.99% of par - 6.88% of par (4.55% of par)
			Average interest rates applicable to future interest income on the securities[(d)]	0.34% of par - 7.09% of par (2.58% of par)
			Prepayment year[(e)]	2014 - 2036 (2021)
Preferred securities	$104,976	Discounted cash flow	Average discount rate[(c)]	3.69% - 5.74% (4.82%)
			Average interest rates applicable to future interest income on the securities[(d)]	1.6% - 2.91% (2.21%)

			Prepayment year[e]	2013 - 2021 (2018)
Private equity investments:	$103,620	Market comparable companies	EBITDA multiple[f]	6.5 - 6.5 (6.5)
			Projected EBITDA growth[g]	5.2% - 5.2% (5.2%)
	$39,194	Discounted cash flow	Discount rate	14% - 15% (14%)
			Terminal growth rate of cash flows	3% - 3% (3%)
			Terminal year	2014 - 2015 (2014)
	$186,953	Transaction price or other investment-specific events[h]	Not meaningful[h]	Not meaningful[h]
Nonrecurring measurements:				
Impaired loans: residential	$33,974	Discounted cash flow	Prepayment rate	0 - 12 yrs. (8.2 yrs)
Impaired loans: corporate	$21,874	Appraisal, discounted cash flow, or distressed enterprise value[i]	Not meaningful[i]	Not meaningful[i]

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

Footnote explanations pertaining to the table on the previous page:

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

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

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

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

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

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

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

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

(i) The valuation techniques used for the impaired corporate loan portfolio as of December 31, 2012 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 imbedded in most of these securities in the event auctions fail to set the security's interest rate, then a penalty rate that is specified in the security increases. These penalty rates are based upon a stated interest rate spread over what is typically a short-term base interest rate index. Management estimates that at some level of increase in short-term interest rates, issuers of the securities will have the economic incentive to refinance (and thus prepay) the securities. Therefore, the short-term interest rate assumption directly impacts the input related to the timing of any projected prepayment. The faster and steeper short-term interest rates rise, the earlier prepayments will likely occur and the higher the fair value of the security.

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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, 2012 , we have elected not to choose the fair value option for any of our financial assets or liabilities not already recorded at fair value.

Other fair value disclosures

Many, but not all, of the financial instruments we hold are recorded at fair value in the Condensed Consolidated Statements of Financial Condition. Refer to Note 5, pages 132 - 133, of our 2012 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, 2012					
Financial assets:					
Bank loans, net[(1)]	$—	$124,508	$8,192,651	$8,317,159	$8,255,905
Financial liabilities:					
Bank deposits	$—	$8,634,384	$324,500	$8,958,884	$8,946,665
Other borrowings	$—	$132,000	$—	$132,000	$132,000
Corporate debt	$381,780	$970,487	$—	$1,352,267	$1,200,090
September 30, 2012					
Financial assets:					
Bank loans, net[(1)]	$—	$80,227	$7,803,328	$7,883,555	$7,816,627
Financial liabilities:					

Bank deposits	$—	$8,280,834	$329,966	$8,610,800	$8,599,713
Corporate debt	$384,440	$962,610	$—	$1,347,050	$1,329,093

(1) Excludes all impaired loans and loans held for sale which have been recorded at fair value in the Condensed Consolidated Statement of Financial Condition at December 31, 2012 and September 30, 2012, respectively.

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

	December 31, 2012		September 30, 2012	
	Trading instruments	Instruments sold but not yet purchased	Trading instruments	Instruments sold but not yet purchased
	(in thousands)			
Municipal and provincial obligations	$222,513	$6,752	$346,590	$212
Corporate obligations	47,591	3,696	86,731	12,388
Government and agency obligations	146,838	166,911	167,399	200,088
Agency MBS and CMOs	267,024	816	105,169	556
Non-agency CMOs and ABS	15,554	—	2,015	121
Total debt securities	699,520	178,175	707,904	213,365
Derivative contracts (1)	48,555	2,797	51,000	3,102
Equity securities	53,767	20,413	26,523	9,700
Other securities	24,352	647	18,845	6,269
Total	$826,194	$202,032	$804,272	$232,436

(1) Represents the derivative contracts held for trading purposes. As of both December 31, 2012 and September 30, 2012, 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 14 for further information regarding all of our derivative transactions.

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

NOTE 7 – AVAILABLE FOR SALE SECURITIES

Available for sale securities are comprised of MBS and CMOs owned by RJ Bank, ARS and certain equity securities owned by our non-broker-dealer subsidiaries. Refer to the discussion of our available for sale securities accounting policies, including the fair value determination process, on Note 2 pages 103 - 105 in our 2012 Form 10-K.

During the three month period ended December 31, 2012, ARS were redeemed by their issuer at par, or sold at amounts approximating their par value pursuant to tender offers, resulting in proceeds of $8.2 million and a gain on sale or redemption of $1.2 million which is recorded in our Condensed Consolidated Statements of Income and Comprehensive Income. During the three month period ended December 31, 2011, ARS with an aggregate par value of approximately $17.6 million were redeemed by their issuer at par; an insignificant gain was recorded in our Condensed Consolidated Statements of Income and Comprehensive Income on the ARS securities which were subject to these redemptions. There were no proceeds from the sale of any other available for sale securities during the three month periods ended December 31, 2012 and 2011.

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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, 2012				
Available for sale securities:				
Agency MBS and CMOs	$329,681	$2,193	$(88)	$331,786
Non-agency CMOs [1]	159,211	29	(14,422)	144,818
Total RJ Bank available for sale securities	488,892	2,222	(14,510)	476,604
Auction rate securities:				
Municipal obligations	131,006	5,573	(3,261)	133,318
Preferred securities	104,898	12,418	(12,340)	104,976
Total auction rate securities	235,904	17,991	(15,601)	238,294
Other securities	3	10	—	13
Total available for sale securities	$724,799	$20,223	$(30,111)	$714,911
September 30, 2012				
Available for sale securities:				
Agency MBS and CMOs	$350,568	$1,938	$(203)	$352,303
Non-agency CMOs [2]	166,339	23	(18,555)	147,807
Total RJ Bank available for sale securities	516,907	1,961	(18,758)	500,110
Auction rate securities:				
Municipal obligations [3]	131,208	813	(8,462)	123,559
Preferred securities [4]	111,721	12,226	(13,754)	110,193
Total auction rate securities	242,929	13,039	(22,216)	233,752
Other securities	3	9	—	12
Total available for sale securities	$759,839	$15,009	$(40,974)	$733,874

(1) As of December 31, 2012, the non-credit portion of other-than-temporary impairment (“OTTI”) recorded in accumulated other comprehensive income (“AOCI”) was $11.7 million (before taxes).

(2) As of September 30, 2012, the non-credit portion of OTTI recorded in AOCI was $15.5 million (before taxes).

(3) As of September 30, 2012, the non-credit portion of OTTI recorded in AOCI was $7.6 million (before taxes).

(4) As of September 30, 2012, the non-credit portion of OTTI recorded in AOCI was $1.5 million (before taxes).

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

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

	December 31, 2012				
	Within one year	After one but within five years	After five but within ten years	After ten years	Total
	($ in thousands)				
Agency MBS & CMOs:					
Amortized cost	$—	$7,448	$71,112	$251,121	$329,681
Carrying value	—	7,479	71,411	252,896	331,786
Weighted-average yield	—	0.32 %	0.38 %	0.84 %	0.73 %
Non-agency CMOs:					
Amortized cost	$—	$—	$—	$159,211	$159,211
Carrying value	—	—	—	144,818	144,818
Weighted-average yield	—	—	—	2.83 %	2.83 %
Sub-total agency MBS & CMOs and non-agency CMOs:					
Amortized cost	$—	$7,448	$71,112	$410,332	$488,892
Carrying value	—	7,479	71,411	397,714	476,604
Weighted-average yield	—	0.32 %	0.38 %	1.57 %	1.37 %
Auction rate securities:					
Municipal obligations					
Amortized cost	$—	$180	$8,711	$122,115	$131,006
Carrying value	—	166	8,022	125,130	133,318
Weighted-average yield	—	0.24 %	0.41 %	0.60 %	0.59 %
Preferred securities:					
Amortized cost	$—	$—	$—	$104,898	$104,898
Carrying value	—	—	—	104,976	104,976
Weighted-average yield	—	—	—	0.26 %	0.26 %
Sub-total auction rate securities:					
Amortized cost	$—	$180	$8,711	$227,013	$235,904
Carrying value	—	166	8,022	230,106	238,294
Weighted-average yield	—	0.24 %	0.41 %	0.45 %	0.45 %
Other securities:					
Amortized cost	$—	$—	$—	$3	$3
Carrying value	—	—	—	13	13
Total available for sale securities:					

Amortized cost	$—	$7,628	$79,823	$637,348	$724,799
Carrying value	—	7,645	79,433	627,833	714,911
Weighted-average yield	—	0.32 %	0.38 %	1.16 %	1.06 %

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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, 2012					
	Less than 12 months		12 months or more		Total	
	Estimated fair value	Unrealized losses	Estimated fair value	Unrealized losses	Estimated fair value	Unrealized losses
	(in thousands)					
Agency MBS and CMOs	$18,861	$(75)	$8,009	$(13)	$26,870	$(88)
Non-agency CMOs	—	—	143,631	(14,422)	143,631	(14,422)
ARS municipal obligations	—	—	37,999	(3,261)	37,999	(3,261)
ARS preferred securities	86,761	(12,340)	—	—	86,761	(12,340)
Total	$105,622	$(12,415)	$189,639	$(17,696)	$295,261	$(30,111)

	September 30, 2012					
	Less than 12 months		12 months or more		Total	
	Estimated fair value	Unrealized losses	Estimated fair value	Unrealized losses	Estimated fair value	Unrealized losses
	(in thousands)					
Agency MBS and CMOs	$43,792	$(193)	$4,362	$(10)	$48,154	$(203)
Non-agency CMOs	—	—	146,591	(18,555)	146,591	(18,555)
ARS municipal obligations	85,526	(8,462)	—	—	85,526	(8,462)
ARS preferred securities	92,439	(13,754)	—	—	92,439	(13,754)
Total	$221,757	$(22,409)	$150,953	$(18,565)	$372,710	$(40,974)

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, 2012, of the 12 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. Eleven 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 is recorded as OTTI.

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

	December 31, 2012	
	Range	Weighted-average (1)
Default rate	0% - 28.1%	11.67%
Loss severity	17.9% - 70%	44.87%
Prepayment rate	0.9% - 28.1%	8.90%

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

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At December 31, 2012, 24 of the 25 non-agency CMOs were in a continuous unrealized loss position and all were in that position for 12 months or more. As of December 31, 2012 and including subsequent ratings changes, $13.9 million of the non-agency CMOs were rated investment grade by at least one rating agency, and $130.9 million were rated less than investment grade, which ranged from B to D. Given the comprehensive analysis process utilized, these ratings are not a significant factor in the overall OTTI evaluation process.

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, 2012 reflect the lack of liquidity and uncertainty in the markets.

ARS

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

Within our municipal ARS holdings, we hold Jefferson County, Alabama Limited Obligation School Warrants ARS ("Jeff Co. Schools ARS") and Jefferson County, Alabama Sewer Revenue Refunding Warrants ARS ("Jeff Co. Sewers ARS"). In the prior fiscal year, Jefferson County, Alabama filed a voluntary petition for relief under Chapter 9 of the U.S. Bankruptcy Code in the U.S. District Court for the Northern District of Alabama; this proceeding is on-going.

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, 2012 and including subsequent ratings changes, all of the ARS preferred securities were rated investment grade by at least one rating agency. Given that these ARS are by their design variable rate securities tied to short-term interest rates, decreases in projected future short-term interest rates have a negative impact on projected cash flows, and potentially a negative impact on the fair value. The unrealized losses at December 31, 2012 were primarily due to a decrease in projected future short-term interest rates as compared to expectations in the period which they were acquired, which have resulted in a lower fair value as compared to the fair value on their date of acquisition. We expect to recover the entire amortized cost basis of the ARS preferred securities we hold. At December 31, 2012, we concluded that none of the impairment within our portfolio of ARS preferred securities related to credit losses and therefore we concluded we have no OTTI on such securities during the current period.

Other-than-temporarily impaired securities

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

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

	Three months ended December 31,	
	2012	2011
	(in thousands)	

Amount related to credit losses on securities we held at the beginning of the year	$27,581	$22,306
Additions to the amount related to credit loss for which an OTTI was not previously recognized	—	462
Additional increases to the amount related to credit loss for which an OTTI was previously recognized	385	1,634
Amount related to credit losses on securities we held at the end of the period	$27,966	$24,402

NOTE 8 – BANK LOANS, NET

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

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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 pages 107 – 112 in our 2012 Form 10-K.

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

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

	December 31, 2012			September 30, 2012		
	Balance	%		Balance	%	
	($ in thousands)					
Loans held for sale, net[1]	$231,890	3	%	$160,515	2	%
Loans held for investment:						
C&I loans	5,227,142	60	%	5,018,831	61	%
CRE construction loans	57,572	1	%	49,474	1	%
CRE loans	1,049,861	12	%	936,450	11	%
Residential mortgage loans	1,693,517	19	%	1,691,986	21	%
Consumer loans	414,069	5	%	352,495	4	%
Total loans held for investment	8,442,161			8,049,236		
Net unearned income and deferred expenses	(66,032	)		(70,698	)	
Total loans held for investment, net[1]	8,376,129			7,978,538		
Total loans held for sale and investment	8,608,019	100	%	8,139,053	100	%
Allowance for loan losses	(148,021	)		(147,541	)	
Bank loans, net	$8,459,998			$7,991,512		

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

RJ Bank originated or purchased $381.7 million and $109.1 million of loans held for sale during the three months ended December 31, 2012 and 2011, respectively. There were proceeds from the sale of held for sale loans of $60.4 million and $20.1 million for the three months ended December 31, 2012 and 2011, respectively, resulting in net gains of $1.2 million and $217 thousand, 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 $114 thousand and $277 thousand for the three months ended December 31, 2012 and 2011, respectively.

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

	Three months ended December 31,			
	2012		2011	
	Purchases	Sales	Purchases	Sales
	(in thousands)			
C&I loans	$39,273	$16,539	$49,752	$5,880
Residential mortgage loans	2,410	—	28,384	—
Total	$41,683	$16,539	$78,136	$5,880

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

	December 31, 2012	September 30, 2012
	($ in thousands)	
Nonaccrual loans:		
C&I loans	$18,995	$19,517
CRE loans	8,168	8,404
Residential mortgage loans:		
First mortgage loans	83,025	78,372
Home equity loans/lines	439	367
Total nonaccrual loans	110,627	106,660
Accruing loans which are 90 days past due:		
CRE loans	—	—
Residential mortgage loans:		
First mortgage loans	—	—
Home equity loans/lines	—	—
Total accruing loans which are 90 days past due	—	—
Total nonperforming loans	110,627	106,660
Real estate owned and other repossessed assets, net:		
CRE	226	4,902
Residential:		
First mortgage	3,440	3,316
Home equity	—	—
Total	3,666	8,218
Total nonperforming assets, net	$114,293	$114,878
Total nonperforming assets, net as a % of RJ Bank total assets	1.13 %	1.18 %

The table of nonperforming assets above excludes $10.5 million and $12.9 million, as of December 31, 2012 and September 30, 2012, respectively, of residential TDRs which were returned to accrual status in accordance with our policy.

As of December 31, 2012 RJ Bank had a commitment to lend an additional $1.7 million on one nonperforming C&I loan. As of September 30, 2012, RJ Bank had no outstanding commitments on nonperforming loans.

The gross interest income related to the nonperforming loans reflected in the previous table, which would have been recorded had these loans been current in accordance with their original terms, totaled $1.2 million and $1.3 million for the three months ended December 31, 2012 and December 31, 2011, respectively. The interest income recognized on nonperforming loans was $424 thousand and $649 thousand for the three months ended December 31, 2012 and 2011, respectively.

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

	30-59 days	60-89 days	90 days or more	Total past due	Current	Total loans held for investment [1]
	(in thousands)					
As of December 31, 2012:						
C&I loans	$—	$186	$—	$186	$5,226,956	$5,227,142
CRE construction loans	—	—	—	—	57,572	57,572
CRE loans	—	—	18	18	1,049,843	1,049,861
Residential mortgage loans:						
First mortgage loans	5,628	4,701	49,928	60,257	1,609,468	1,669,725
Home equity loans/lines	88	—	327	415	23,377	23,792
Consumer loans	—	—	—	—	414,069	414,069
Total loans held for investment, net	$5,716	$4,887	$50,273	$60,876	$8,381,285	$8,442,161
As of September 30, 2012:						
C&I loans	$222	$—	$—	$222	$5,018,609	$5,018,831
CRE construction loans	—	—	—	—	49,474	49,474
CRE loans	—	—	4,960	4,960	931,490	936,450
Residential mortgage loans:						
First mortgage loans	7,239	3,037	49,476	59,752	1,607,156	1,666,908
Home equity loans/lines	88	250	—	338	24,740	25,078
Consumer loans	—	—	—	—	352,495	352,495
Total loans held for investment, net	$7,549	$3,287	$54,436	$65,272	$7,983,964	$8,049,236

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

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

	December 31, 2012			September 30, 2012		
	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	$18,995	$30,297	$5,287	$19,517	$30,314	$5,232
CRE loans	18	26	1	18	26	1
Residential mortgage loans:						
First mortgage loans	63,169	94,263	7,928	70,985	106,384	9,214
Home equity loans/lines	127	127	45	128	128	42
Total	82,309	124,713	13,261	90,648	136,852	14,489
Impaired loans without allowance for loan losses:[2]						
CRE loans	8,149	18,277	—	8,386	18,440	—
Residential - first mortgage loans	18,642	29,309	—	9,247	15,354	—
Total	26,791	47,586	—	17,633	33,794	—

Total impaired loans	$109,100	$172,299	$13,261	$108,281	$170,646	$14,489

(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 TDRs for the following loan classes: $1.4 million C&I, $3.3 million CRE, $36.7 million residential first mortgage and $127 thousand residential home equity at December 31, 2012, and $1.7 million C&I, $3.4 million CRE, $26.7 million residential first mortgage and $128 thousand residential home equity at September 30, 2012.

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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,	
	2012	2011
	(in thousands)	
Average impaired loan balance:		
C&I loans	$19,250	$19,857
CRE loans	8,276	15,825
Residential mortgage loans:		
First mortgage loans	80,991	88,611
Home equity loans/lines	128	128
Total	$108,645	$124,421
Interest income recognized:		
Residential mortgage loans:		
First mortgage loans	$326	$421
Home equity loans/lines	1	1
Total	$327	$422

During the three months ended December 31, 2012 and 2011, RJ Bank granted concessions to borrowers having financial difficulties, for which the resulting modification was deemed a TDR. The concessions granted for first mortgage residential loans were generally interest rate reductions, interest capitalization, principal forbearance, amortization and maturity date extensions and release of liability ordered under Chapter 7 bankruptcy not reaffirmed by the borrower. The table below presents the impact that TDRs which occurred during the respective periods presented had on our condensed consolidated financial statements:

	Number of contracts	Pre-modification outstanding recorded investment	Post-modification outstanding recorded investment
	($ in thousands)		
Three months ended December 31, 2012:			
Residential – first mortgage loans	47	$16,123	$16,071
Three months ended December 31, 2011:			
Residential – first mortgage loans	5	$1,902	$2,010

During the three months ended December 31, 2012 and 2011, there were two and one residential first mortgage TDRs with a recorded investment of $291 thousand and $420 thousand, respectively, for which there was a payment default and for which the respective loan was modified as a TDR within the 12 months prior to the default.

As of December 31, 2012 and September 30, 2012, RJ Bank had no outstanding commitments on TDRs.

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

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

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

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

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

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

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

				Residential mortgage			
	C&I	CRE construction	CRE	First mortgage	Home equity	Consumer	Total
	(in thousands)						
December 31, 2012:							
Pass	$5,027,828	$57,572	$959,549	$1,564,972	$23,225	$414,069	$8,047,215
Special mention (1)	124,545	—	198	21,040	127	—	145,910
Substandard (1)	73,324	—	86,848	83,713	440	—	244,325
Doubtful (1)	1,445	—	3,266	—	—	—	4,711
Total	$5,227,142	$57,572	$1,049,861	$1,669,725	$23,792	$414,069	$8,442,161
September 30, 2012:							
Pass	$4,777,738	$49,474	$806,427	$1,564,257	$24,505	$352,495	$7,574,896
Special mention (1)	179,044	—	59,001	22,606	206	—	260,857
Substandard (1)	60,323	—	67,578	80,045	367	—	208,313
Doubtful (1)	1,726	—	3,444	—	—	—	5,170
Total	$5,018,831	$49,474	$936,450	$1,666,908	$25,078	$352,495	$8,049,236

(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 further segregates all of its performing residential first mortgage loan portfolio with higher reserve percentages allocated to the higher LTV loans. Current LTVs are updated using the most recently available information (generally on a 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 change in the condition of the underlying property, variations in housing price changes within metropolitan statistical areas and other factors.

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

	Balance(1) (in thousands)
LTV range:	
LTV less than 50%	$325,003
LTV greater than 50% but less than 80%	508,907
LTV greater than 80% but less than 100%	255,290
LTV greater than 100%, but less than 120%	221,375
LTV greater than 120% but less than 140%	50,321
LTV greater than 140%	20,974
Total	$1,381,870

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

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

	Loans held for investment					
	C&I	CRE construction	CRE	Residential mortgage	Consumer	Total
	(in thousands)					
Three months ended December 31, 2012:						
Balance at beginning of year:	$92,409	$739	$27,546	$26,138	$709	$147,541
Provision for loan losses	3,736	139	(844)	(226)	118	2,923
Net charge-offs:						
Charge-offs	(90)	—	—	(3,208)	—	(3,298)
Recoveries	—	—	544	369	5	918
Net charge-offs	(90)	—	544	(2,839)	5	(2,380)
Foreign exchange translation adjustment	(45)	(4)	(14)	—	—	(63)
Balance at December 31, 2012	$96,010	$874	$27,232	$23,073	$832	$148,021

		Loans held for investment					
	Loans held for sale	C&I	CRE construction	CRE	Residential mortgage	Consumer	Total
	(in thousands)						
Three months ended December 31, 2011:							
Balance at beginning of year:	$5	$81,267	$490	$30,752	$33,210	$20	$145,744
Provision for loan losses	(5)	5,968	(385)	(755)	2,599	34	7,456
Net charge-offs:							
Charge-offs	—	(3,149)	—	—	(3,257)	(38)	(6,444)
Recoveries	—	—	—	430	312	5	747
Net charge-offs	—	(3,149)	—	430	(2,945)	(33)	(5,697)
Balance at December 31, 2011	$—	$84,086	$105	$30,427	$32,864	$21	$147,503

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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	Residential mortgage	Consumer	Total
	($ in thousands)					
December 31, 2012						
Allowance for loan losses:						
Individually evaluated for impairment	$5,287	$—	$1	$2,827	$—	$8,115
Collectively evaluated for impairment	90,723	874	27,231	20,246	832	139,906
Total allowance for loan losses	$96,010	$874	$27,232	$23,073	$832	$148,021
Loan category as a % of total recorded investment	62 %	1 %	12 %	20 %	5 %	100 %
Recorded investment:(1)						
Individually evaluated for impairment	$18,995	$—	$8,168	$36,801	$—	$63,964
Collectively evaluated for impairment	5,208,147	57,572	1,041,693	1,656,716	414,069	8,378,197
Total recorded investment	$5,227,142	$57,572	$1,049,861	$1,693,517	$414,069	$8,442,161
September 30, 2012						
Allowance for loan losses:						
Individually evaluated for impairment	$5,232	$—	$1	$3,157	$—	$8,390
Collectively evaluated for impairment	87,177	739	27,545	22,981	709	139,151
Total allowance for loan losses	$92,409	$739	$27,546	$26,138	$709	$147,541
Loan category as a % of total recorded investment	62 %	1 %	12 %	21 %	4 %	100 %
Recorded investment:(1)						
Individually evaluated for impairment	$19,517	$—	$8,404	$26,851	$—	$54,772
Collectively evaluated for impairment	4,999,314	49,474	928,046	1,665,135	352,495	7,994,464
Total recorded investment	$5,018,831	$49,474	$936,450	$1,691,986	$352,495	$8,049,236

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

RJ Bank had no recorded investment in loans acquired with deteriorated credit quality as of either December 31, 2012 or September 30, 2012.

The reserve for unfunded lending commitments, included in trade and other payables on our Condensed Consolidated Statements of Financial Condition, was $9.6 million and $9.3 million at December 31, 2012 and September 30, 2012, respectively.

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NOTE 9 – VARIABLE INTEREST ENTITIES

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

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

Refer to Note 2 pages 114 - 117 in our 2012 Form 10-K for a description of our principal involvement with VIEs and the accounting policies regarding the determinations of whether we are deemed to be the primary beneficiary of any VIEs which we hold a variable interest. Other than as described below, as of December 31, 2012 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 2012 Form 10-K.

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 entities we consolidate are provided in the table below.

	Aggregate assets (1)	Aggregate liabilities (1)
	(in thousands)	
December 31, 2012		
LIHTC Funds	$232,505	$88,613
Guaranteed LIHTC Fund (2)	84,446	1,350
Restricted Stock Trust Fund	17,267	10,912
EIF Funds	14,921	—
Total	$349,139	$100,875
September 30, 2012		
LIHTC Funds	$234,592	$97,217
Guaranteed LIHTC Fund (2)	85,332	2,208
Restricted Stock Trust Fund	15,387	7,508
EIF Funds	15,736	—
Total	$351,047	$106,933

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

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

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The following table presents information about the carrying value of the assets, liabilities and equity of the VIEs which we consolidate and 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, 2012	September 30, 2012
	(in thousands)	
Assets:		
Assets segregated pursuant to regulations and other segregated assets	$14,396	$14,230
Receivables, other	6,429	5,273
Investments in real estate partnerships held by consolidated variable interest entities	297,535	299,611
Trust fund investment in RJF common stock (1)	17,267	15,387
Prepaid expenses and other assets	15,670	16,297
Total assets	$351,297	$350,798
Liabilities and equity:		
Trade and other payables	$4,026	$2,804
Intercompany payables	18,969	8,603
Loans payable of consolidated variable interest entities (2)	71,387	81,713
Total liabilities	94,382	93,120
RJF equity	6,136	6,105
Noncontrolling interests	250,779	251,573
Total equity	256,915	257,678
Total liabilities and equity	$351,297	$350,798

(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,	
	2012	2011
	(in thousands)	
Revenues:		
Interest	$3	$1
Other	1,515	333
Total revenues	1,518	334
Interest expense	1,049	1,305
Net revenues (expense)	469	(971)
Non-interest expenses	4,691	4,931
Net loss including noncontrolling interests	(4,222)	(5,902)
Net loss attributable to noncontrolling interests	(4,253)	(6,428)
Net income attributable to RJF	$31	$526

Low-income housing tax credit funds

RJTCF is the managing member or general partner in approximately 81 separate low-income housing tax credit funds having one or more investor members or limited partners, 71 of which are determined to be VIEs and 10 of which are determined not to be VIEs. RJTCF has concluded that it is the primary beneficiary of nine non-guaranteed LIHTC Fund VIEs and the one Guaranteed LIHTC Fund VIE it sponsors (see Note 16 for further discussion of the guarantee obligation as well as other RJTCF commitments) and accordingly consolidates these funds. In addition, RJTCF consolidates five of the funds it determined not to be VIEs.

During the period ended December 31, 2012, RJ Bank invested as an investor member, in a low-income housing tax credit fund in which a subsidiary of RJTCF is the managing member. Although this fund was determined not to be a VIE, RJ Bank is consolidating this fund through the application of other applicable accounting guidance.

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VIEs where we hold a variable interest but we 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

An affiliate of Morgan Keegan is the managing member of seven NMTC Funds and as discussed in Note 2 on page 117 of our 2012 Form 10-K, the affiliate of Morgan Keegan is not deemed to be the primary beneficiary of these NMTC Funds and, therefore, they are 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. In addition, RJ Bank often has a variable interest in LLCs involved in foreclosure or obtaining deeds in lieu of foreclosure, as well as the disposal of the collateral associated with impaired syndicated loans. As discussed in Note 2 on page 117 of our 2012 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 concluded we are not the primary beneficiary, are provided in the table below.

	December 31, 2012			September 30, 2012		
	Aggregate assets	Aggregate liabilities	Our risk of loss	Aggregate assets	Aggregate liabilities	Our risk of loss
	(in thousands)					
LIHTC Funds	$2,239,051	$802,609	$34,423	$2,198,049	$844,597	$22,501
NMTC Funds	140,685	233	13	140,680	209	13
Other Real Estate Limited Partnerships and LLCs	30,240	35,512	262	31,107	35,512	1,145
Total	$2,409,976	$838,354	$34,698	$2,369,836	$880,318	$23,659

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

Managed Funds

As described in Note 2 on page 117 of our 2012 Form 10-K, one of our subsidiaries is the general partner in funds which we determined to be VIEs that we are not required to consolidate.

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

	December 31, 2012			September 30, 2012		
	Aggregate assets	Aggregate liabilities	Our risk of loss	Aggregate assets	Aggregate liabilities	Our risk of loss

	(in thousands)					
Managed Funds	$8,051	$—	$295	$9,700	$1,689	$296

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NOTE 10 - GOODWILL AND IDENTIFIABLE INTANGIBLE ASSETS

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

	December 31, 2012	September 30, 2012
	(in thousands)	
Goodwill	$302,419	$300,111
Identifiable intangible assets, net	72,091	61,135
Total goodwill and identifiable intangible assets, net	$374,510	$361,246

Our goodwill and identified intangible assets result from various acquisitions, see Note 13 on pages 151 - 153 in our 2012 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 2012 Form 10-K.

Goodwill

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

	Segment Private client group (in thousands)	Capital markets	Total
Three months ended December 31, 2012			
Goodwill as of September 30, 2012	$173,317	$126,794	$300,111
Adjustments to prior year additions (1)	1,267	1,041	2,308
Impairment losses	—	—	—
Goodwill as of December 31, 2012	$174,584	$127,835	$302,419
Three months ended December 31, 2011			
Goodwill as of September 30, 2011	$48,097	$23,827	$71,924
Additions	—	—	—
Impairment losses	—	—	—
Goodwill as of December 31, 2011	$48,097	$23,827	$71,924

(1) The goodwill adjustment that arose during the three months ended December 31, 2012 arose from a change in a tax election pertaining to whether assets acquired and liabilities assumed are written-up to fair value for tax purposes. This election is made on an entity-by-entity basis, and during the period indicated, our assumption regarding whether we would make such election changed for one of the Morgan Keegan entities we acquired. The offsetting balance associated with this adjustment to goodwill was the net deferred tax asset.

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Identifiable intangible assets, net

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

	Segment Private client group (in thousands)	Capital markets	Emerging markets	Asset management	Total
Three months ended December 31, 2012					
Net identifiable intangible assets as of September 30, 2012	$9,829	$50,695	$611	$—	$61,135
Additions	—	—	—	13,329 [(1)]	13,329
Amortization expense	(165)	(2,153)	(55)	—	(2,373)
Impairment losses	—	—	—	—	—
Net identifiable intangible assets as of December 31, 2012	$9,664	$48,542	$556	$13,329	$72,091
Three months ended December 31, 2011					
Net identifiable intangible assets as of September 30, 2011	$210	$—	$833	$—	$1,043
Additions	—	—	—	—	—
Amortization expense	(26)	—	(55)	—	(81)
Impairment losses	—	—	—	—	—
Net identifiable intangible assets as of December 31, 2011	$184	$—	$778	$—	$962

(1) Additions during the three months ended December 31, 2012 are directly attributable to the customer list asset associated with our acquisition of a 45% interest in ClariVest (see Note 3 for additional information). Since we are consolidating ClariVest, the amount represents the entire customer relationship intangible asset associated with acquisition transaction; the amount shown is unadjusted by the 55% share of ClariVest attributable to others. The estimated useful life associated with this addition is approximately 10 years.

Identifiable intangible assets by type are presented below:

	December 31, 2012		September 30, 2012	
	Gross carrying value (in thousands)	Accumulated amortization	Gross carrying value	Accumulated amortization
Customer relationships	$65,957	$(4,216)	$52,628	$(3,060)
Trade name	2,000	(1,500)	2,000	(1,000)
Developed technology	11,000	(1,650)	11,000	(1,100)
Non-compete agreements	1,000	(500)	1,000	(333)
Total	$79,957	$(7,866)	$66,628	$(5,493)

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NOTE 11 – BANK DEPOSITS

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

	December 31, 2012		September 30, 2012	
	Balance	Weighted-average rate (1)	Balance	Weighted-average rate (1)
	($ in thousands)			
Bank deposits:				
NOW accounts	$6,437	0.01 %	$4,588	0.01 %
Demand deposits (non-interest-bearing)	13,886	—	44,800	—
Savings and money market accounts	8,614,061	0.04 %	8,231,446	0.04 %
Certificates of deposit	312,281	2.10 %	318,879	2.13 %
Total bank deposits(2)	$8,946,665	0.11 %	$8,599,713	0.12 %

(1) Weighted-average rate calculation is based on the actual deposit balances at December 31, 2012 and September 30, 2012, respectively.

(2) Bank deposits exclude affiliate deposits of approximately $747 thousand and $778 thousand at December 31, 2012 and September 30, 2012, 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, 2012		September 30, 2012	
	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	$6,328	$7,390	$9,069	$7,195
Over three through six months	5,043	8,437	4,587	6,778
Over six through twelve months	14,434	16,262	12,414	16,339
Over one through two years	22,607	25,724	16,989	23,920
Over two through three years	26,823	36,497	32,043	38,074
Over three through four years	45,375	34,175	34,533	28,807
Over four through five years	36,633	26,553	50,647	37,484
Total	$157,243	$155,038	$160,282	$158,597

Interest expense on deposits is summarized as follows:

	Three months ended December 31,	
	2012	2011
	(in thousands)	
Certificates of deposit	$1,663	$1,488
Money market, savings and NOW accounts	813	755

Total interest expense on deposits	$2,476	$2,243

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NOTE 12 – OTHER BORROWINGS

The following table details the components of other borrowings:

	December 31, 2012	September 30, 2012
	(in thousands)	
Other borrowings:		
Borrowings on secured lines of credit [(1)]	$132,000	$—
Borrowings on unsecured lines of credit [(2)]	—	—
Total other borrowings	$132,000	$—

(1) Other than a $5 million borrowing outstanding on the New Regions Credit Agreement (as hereinafter defined) as of December 31, 2012, any borrowings on secured lines of credit are day-to-day and are generally utilized to finance certain fixed income securities.

On November 14, 2012, a subsidiary of RJF (the "Borrower") entered into a Revolving Credit Agreement (the "New Regions Credit Agreement") with Regions Bank, an Alabama banking corporation (the "Lender"). The New Regions Credit Agreement provides for a revolving line of credit available by the Lender to the Borrower and is subject to a guarantee in favor of the Lender provided by RJF. The proceeds from any borrowings under the line will be used for working capital and general corporate purposes. The obligations under the New Regions Credit Agreement 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 New Regions Credit Agreement cannot exceed 70% of the value of the Pledged ARS. The maximum amount available to borrow under the New Regions Credit Agreement was $97 million as of December 31, 2012, the outstanding borrowings were $5 million on such date. The New Regions Credit Agreement bears interest at a variable rate which is 2.75% in excess of LIBOR. The New Regions Credit Agreement expires on April 2, 2015.

Immediately preceding the execution of the New Regions Credit Agreement, all outstanding balances on the credit agreement which had been entered into with Regions on April 2, 2012 as a result of the Morgan Keegan acquisition (the "Initial Regions Credit Agreement") were paid to the Lender by the Borrowers and such agreement was terminated. See Note 13 for further discussion.

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

RJ Bank had no advances outstanding from the Federal Home Loan Bank of Atlanta ("FHLB") as of either December 31, 2012 or September 30, 2012.

As of December 31, 2012, there were other collateralized financings outstanding in the amount of $373 million. As of September 30, 2012, there were other collateralized financings outstanding in the amount of $348 million. These other collateralized financings are included in securities sold under agreements to repurchase on the Condensed Consolidated Statements of Financial Condition. These financings are collateralized by non-customer, RJ&A-owned securities.

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NOTE 13 – CORPORATE DEBT

The following summarizes our corporate debt:

	December 31, 2012	September 30, 2012
	(in thousands)	
Raymond James European Securities, S.A.S. ("RJES") term loan (1)	$2,969	$2,870
Other borrowings from banks (2)	—	128,256
4.25% senior notes, due 2016, net of unamortized discount of $330 thousand and $355 thousand at December 31, 2012 and September 30, 2012, respectively (3)	249,670	249,645
8.60% senior notes, due 2019, net of unamortized discount of $34 thousand and $35 thousand at December 31, 2012 and September 30, 2012, respectively (4)	299,966	299,965
Mortgage notes payable (5)	48,417	49,309
5.625% senior notes, due 2024, net of unamortized discount of $932 thousand and $952 thousand at December 31, 2012 and September 30, 2012, respectively (6)	249,068	249,048
6.90% senior notes, due 2042 (7)	350,000	350,000
Total corporate debt	$1,200,090	$1,329,093

(1) RJES term loan that bears interest at a variable rate indexed to the Euro Interbank Offered Rate and is secured by certain of its assets. The repayment terms include annual principal repayments and a September 2013 maturity.

(2) The outstanding balance as of September 30, 2012, was comprised of the Initial Regions Credit Agreement. On November 14, 2012, the outstanding balance was repaid, the Initial Regions Credit Agreement was terminated and the New Regions Credit Agreement was executed (see Note 12 for additional information on the New Regions Credit Agreement secured line of credit).

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

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

(5) Mortgage notes payable pertain to mortgage loans on our headquarters office complex. These mortgage loans are secured by land, buildings, and improvements with a net book value of $55.7 million at December 31, 2012. These mortgage loans bear interest at 5.7% with repayment terms of monthly interest and principal debt service and have a January 2023 maturity.

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

(7) In March 2012, we sold in a registered underwritten public offering, $350 million in aggregate principal amount of 6.90% senior notes due March 2042. Interest on these senior notes is payable quarterly in arrears. On or after March 15, 2017, we may redeem some or all of the senior notes at any time at the redemption price equal to 100% of the principal amount of the notes being redeemed plus accrued interest thereon to the redemption date.

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Our corporate debt matures as follows, based upon its contractual terms:

	December 31, 2012
	(in thousands)
During the nine months ending September 30, 2013	$5,724
Fiscal 2014	3,860
Fiscal 2015	4,086
Fiscal 2016	253,995
Fiscal 2017	4,578
Fiscal 2018 and thereafter	927,847
Total	$1,200,090

NOTE 14 – DERIVATIVE FINANCIAL INSTRUMENTS

The significant accounting policies governing our derivative financial instruments, including our methodologies for determining fair value, are described in Note 2 on pages 105 - 106 of our 2012 Form 10-K.

Derivatives arising from our fixed income business operations

In our pre-Morgan Keegan acquisition fixed income business, we entered into interest rate swaps and futures contracts either as part of our fixed income business to facilitate customer transactions, to hedge a portion of our trading inventory, or to a limited extent for our own account.   We have continued to conduct this business in a substantially similar fashion since the Closing Date of the Morgan Keegan acquisition and continuing during the period ending December 31, 2012.

The majority of these derivative positions are executed in the over-the-counter market with financial institutions. Cash flows related to these fixed income interest rate contracts are included as operating activities (the “trading instruments, net” line) on the Condensed Consolidated Statements of Cash Flows.

Matched book derivatives arising from Morgan Keegan’s legacy business operations

Morgan Keegan facilitates derivative transactions through non-broker-dealer subsidiaries, either Morgan Keegan Financial Products, LLC or Morgan Keegan Capital Services, LLC (collectively referred to as the Morgan Keegan swaps subsidiaries or “MKSS”). Morgan Keegan does not use derivative instruments for trading or hedging purposes. MKSS enters into derivative transactions (primarily interest rate swaps) with customers of MK & Co. For every derivative transaction MKSS enters into with a customer, MKSS enters into an offsetting transaction with terms that mirror the customer transaction with a credit support provider who is a third party financial institution. Due to this “pass-through” transaction structure, MKSS has completely mitigated the market and credit risk related to these derivative contracts and therefore, the ultimate credit and market risk resides with the third party financial institution. MKSS only has credit risk related to its uncollected derivative transaction fee revenues. As a result of the structure of these transactions, we refer to the derivative contracts we enter into as a result of this process as our offsetting “matched book” derivative operations.

Any collateral required to be exchanged under these matched book derivative contracts is administered directly by the customer and the third party financial institution. MKSS does not hold any collateral, or administer any collateral transactions, related to these instruments. We record the value of each derivative position held 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 MKSS is $9.2 million and $9.3 million at December 31, 2012 and September 30, 2012, respectively, and is included in other receivables on our Condensed Consolidated Statements of Financial Condition.

None of the derivatives described above 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.

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Description of the collateral we hold related to derivative contracts

Where permitted, we elect to net-by-counterparty certain derivative contracts entered into by our fixed income business group and RJ Bank’s U.S. subsidiaries (specifically those derivative contracts which are not arising from our matched book derivatives operations). Certain of these contracts contain a legally enforceable master netting arrangement that allows for netting of all derivative transactions with each counterparty and, therefore, the fair value of those derivative contracts are netted by counterparty in the Condensed Consolidated Statements of Financial Condition. The credit support annex related to the interest rate swaps and certain forward foreign exchange contracts allow parties to the master agreement to mitigate their credit risk by requiring the party which is out of the money to post collateral. We accept collateral in the form of cash, U.S. Treasury securities, or other marketable securities. As we elect to net-by-counterparty the fair value of derivative contracts, we also net-by-counterparty any cash collateral exchanged as part of the derivative agreement.

This cash collateral is recorded net-by-counterparty at the related fair value. The cash collateral included in the net fair value of all open derivative asset positions aggregates to a net liability of $6 million at December 31, 2012 and $18 million at September 30, 2012. The cash collateral included in the net fair value of all open derivative liability positions aggregates to a net asset of $37 million and $50 million at December 31, 2012 and September 30, 2012, respectively. Our maximum loss exposure under these interest rate swap contracts at December 31, 2012 is $49 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. All of RJ Bank’s forward foreign exchange contracts at December 31, 2012 are asset derivatives, therefore we consider there to be no exposure to loss under these contracts as of such date.

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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, 2012			September 30, 2012		
	Balance sheet location (in thousands)	Notional amount	Fair value[(1)]	Balance sheet location	Notional amount	Fair value[(1)]
Derivatives designated as hedging instruments:						
Forward foreign exchange contracts	Prepaid expenses and other assets	$563,089	$2,447	Prepaid expenses and other assets	$—	$—
Derivatives not designated as hedging instruments:						
Interest rate contracts[(2)]	Trading instruments	$2,855,300	$135,968	Trading instruments	$2,376,049	$144,259
Interest rate contracts[(3)]	Derivative instruments associated with offsetting matched book positions	$2,119,138	$431,807	Derivative instruments associated with offsetting matched book positions	$2,110,984	$458,265
Forward foreign exchange contracts	Prepaid expenses and other assets	$43,705	$203	Prepaid expenses and other assets	$—	$—

	Liability derivatives December 31, 2012			September 30, 2012		
	Balance sheet location (in thousands)	Notional amount	Fair value[(1)]	Balance sheet location	Notional amount	Fair value[(1)]
Derivatives designated as hedging instruments:						
Forward foreign exchange contracts	Trade and other payables	$—	$—	Trade and other payables	$569,790	$1,296
Derivatives not designated as hedging instruments:						
Interest rate contracts[(2)]	Trading instruments sold	$2,435,326	$120,803	Trading instruments sold	$2,288,450	$128,081
Interest rate contracts[(3)]	Derivative instruments associated with	$2,119,138	$431,807	Derivative instruments associated with	$2,110,984	$458,265

	offsetting matched book positions			offsetting matched book positions		
Forward foreign exchange contracts	Trade and other payables	$—	$—	Trade and other payables	$44,225	$74

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

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

(3) These are the matched book derivative contracts which arise from the legacy Morgan Keegan fixed income business operations.

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Gains recognized on forward foreign exchange derivatives in AOCI totaled $3 million, net of income taxes, for the three months ended December 31, 2012. There was no hedge ineffectiveness and no components of derivative gains or losses were excluded from the assessment of hedge effectiveness for the three months ended December 31, 2012. We did not enter into any forward foreign exchange derivative contracts during the three months ended December 31, 2011.

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

	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, 2012	 2011
		(in thousands)	
Derivatives not designated as hedging instruments:			
Interest rate contracts[1]	Net trading profits	$194	$(177)
Interest rate contracts	Other revenues	$190 [2]	$—
Forward foreign exchange contracts	Other revenues	$374	$—

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

(2) These revenues arise from the matched book derivative contracts associated with the legacy Morgan Keegan fixed income business operations.

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

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

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

Certain of our derivative instruments 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, 2012 is $35.4 million, for which we have posted collateral of $34.5 million in the normal course of business. If the credit-risk-related contingent features underlying these agreements were triggered on December 31, 2012, we would have been required to post an additional $900 thousand of collateral to our counterparties.

Our only exposure to credit risk in the matched book interest rate derivative positions associated with the Morgan Keegan legacy fixed income 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 15 – INCOME TAXES

For discussion of income tax matters, see Note 2 page 114, and Note 19 pages 161-163, in our 2012 Form 10-K.

As of December 31, 2012 and September 30, 2012, our liability for unrecognized tax benefits was $13.9 million and $12.7 million, respectively. The total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate was $7.1 million and $6.4 million at December 31, 2012 and September 30, 2012, respectively. We anticipate that the unrecognized tax benefits will not change significantly over the next twelve months.

We recognize the accrual of interest and penalties related to income tax matters in interest expense and other expense, respectively. As of December 31, 2012 and September 30, 2012, accrued interest and penalties included in the unrecognized tax benefits liability were approximately $3.7 million and $3.2 million, respectively.

We file U. S. federal income tax returns as well as returns with various state, local and foreign jurisdictions. With few exceptions, we are generally no longer subject to U.S. federal, state and local, or foreign income tax examination by tax authorities for years prior to fiscal year 2012 for federal tax returns, fiscal year 2008 for state and local tax returns and fiscal year 2007 for foreign tax returns. Certain transactions from our fiscal year 2012 and 2013 are currently being examined under the Internal Revenue Service (“IRS”) Compliance Assurance Program. This program accelerates the examination of key issues in an attempt to resolve them before the tax return is filed. Certain state and local returns are also currently under various stages of audit. Various state audits in process are expected to be completed in fiscal year 2013.

NOTE 16 – COMMITMENTS, CONTINGENCIES AND GUARANTEES

Commitments and contingencies

In the normal course of business we enter into underwriting commitments. As of December 31, 2012, neither RJ&A nor MK & Co. had open transactions involving such commitments. Transactions involving such commitments of RJ Ltd. that were recorded and open at December 31, 2012, were approximately $18.7 million in Canadian dollars (“CDN”).

We utilize client marginable securities to satisfy deposits with clearing organizations. At December 31, 2012, we had client margin securities valued at $150.4 million pledged with a clearing organization to meet our requirement of $84.4 million.

As part of our recruiting efforts, we offer loans to prospective financial advisors and certain key revenue producers primarily for recruiting and/or retention purposes (see Note 2 page 107 in our 2012 Form 10-K for a discussion of our accounting policies governing these transactions). These commitments are contingent upon certain events occurring, including, but not limited to, the individual joining us and, in most circumstances, require them to meet certain production requirements. As of December 31, 2012 we had made commitments, to either prospects that have accepted our offer, or recently recruited producers, of approximately $19.7 million that have not yet been funded.

As of December 31, 2012, RJ Bank had not settled purchases of $54.9 million in syndicated loans. These loan purchases are expected to be settled within 90 days.

RJ Bank has committed $2 million to a small business investment company which provides capital and long-term loans to small businesses. As of December 31, 2012, RJ Bank has invested $1.3 million of the committed amount and the distributions received have been insignificant.

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.

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We have committed a total of $129.5 million, in amounts ranging from $200 thousand to $12.5 million, to 53 different independent venture capital or private equity partnerships. As of December 31, 2012, we have invested $96.4 million of the committed amounts and have received $72.3 million in distributions. We also control the general partner in seven internally sponsored private equity limited partnerships to which we have committed $69.6 million. As of December 31, 2012, we have invested $47.4 million of the committed amounts and have received $18.8 million in distributions.

We committed to provide a loan of an amount up to $3 million to one of our internally sponsored private equity limited partnerships for use by its business, to be funded no later than February 9, 2013. As of December 31, 2012, $525 thousand of this commitment has been funded.

RJF has committed to lend to RJTCF, or guarantee obligations in connection with RJTCF's low-income housing development/rehabilitation and syndication activities, amounts aggregating up to $170 million upon request, subject to certain limitations as well as annual review and renewal. At December 31, 2012, RJTCF has $54 million in outstanding cash borrowings and $48.2 million in unfunded commitments outstanding against this aggregate commitment. RJTCF borrows from RJF in order to make investments in, or fund loans or advances to, either partnerships which 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 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, or to LIHTC Funds.

A subsidiary of RJ Bank has committed $14.3 million as an investor member in a low-income housing tax credit fund in which a subsidiary of RJTCF is the managing member. As of December 31, 2012, the RJ Bank subsidiary has invested $1.7 million of the committed amount.

At December 31, 2012, the approximate market values of collateral received that we can repledge were:

	Sources of collateral (in thousands)
Securities purchased under agreements to resell and other collateralized financings	$482,529
Securities received in securities borrowed vs. cash transactions	180,714
Collateral received for margin loans	1,535,391
Securities received as collateral related to derivative contracts	12,343
Total	$2,210,977

Certain collateral was repledged. At December 31, 2012, the approximate market values of this portion of collateral and financial instruments that we own and pledged were:

	Uses of collateral and trading securities (in thousands)
Securities sold under agreements to repurchase	$263,704
Securities delivered in securities loaned vs. cash transactions	259,691
Securities pledged as collateral under secured borrowing arrangements	174,504
Collateral used for cash loans	16,424
Collateral used for deposits at clearing organizations	178,980
Total	$893,303

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

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Guarantees

RJ Bank provides to its affiliate, Raymond James Capital Services, Inc. (“RJ Cap Services”), on behalf of certain corporate borrowers, a guarantee of payment in the event of the borrower’s default for exposure under interest rate swaps entered into with RJ Cap Services. At December 31, 2012, the exposure under these guarantees is $13 million, which was underwritten as part of RJ Bank’s corporate credit relationship with such borrowers. The outstanding interest rate swaps at December 31, 2012 have maturities ranging from July 2013 through May 2019. RJ Bank records an estimated reserve for its credit risk associated with the guarantee of these client swaps, which was insignificant as of December 31, 2012. The estimated total potential exposure under these guarantees is $15.8 million at December 31, 2012.

RJ Bank guarantees the forward foreign exchange contract obligations of its U.S. subsidiaries. See Note 14 for additional information regarding these derivatives.

RJF guarantees interest rate swap obligations of RJ Cap Services. See Note 14 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, 2012, 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 New Regions Credit Agreement. See further discussion of this borrowing in Note 12.

RJF guarantees the existing mortgage debt of RJ&A of approximately $48.4 million. See Notes 12 and 13 for information regarding our financing arrangements.

RJTCF issues certain guarantees to various third parties related to project partnerships whose interests have been sold to one or more of the funds in which RJTCF is the managing member or general partner. In some instances, RJTCF is not the primary guarantor of these obligations which aggregate to a cumulative maximum obligation of approximately $2.4 million as of December 31, 2012.

RJF has guaranteed RJTCF’s performance to various third parties on certain obligations arising from RJTCF’s sale and/or transfer of units in one of its fund offerings (“Fund 34”). Under such arrangements, RJTCF has provided either: (1) certain specific performance guarantees including a provision whereby in certain circumstances, RJTCF will refund a portion of the investors’ capital contribution, or (2) a guaranteed return on their investment. Under the performance guarantees, the conditions which would result in a payment by RJTCF under the guarantees have been satisfied, neither RJF nor RJTCF funded any obligations under such guarantees nor do either have any further obligations under such guarantees. Further, based upon its most recent projections and performance of Fund 34, RJTCF does not anticipate that any payments will be made to any of these third parties under the guarantee of the return on investment. Under the guarantee of returns, should the underlying LIHTC project partnerships held by Fund 34 fail to deliver a certain amount of tax credits and other tax benefits over the next 10 years, RJTCF is obligated to provide the investor with a specified return. A $41.6 million financing asset is included in prepaid expenses and other assets, and a related $41.7 million liability is included in trade and other payables on our Condensed Consolidated

Statements of Financial Condition as of December 31, 2012. The maximum exposure to loss under this guarantee is the undiscounted future payments due to investors for the return on and of their investment, and approximates $49.8 million at December 31, 2012.

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Legal matter contingencies

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

In July 2006, MK & Co. and a former MK & Co. analyst were named as defendants in a lawsuit filed by a Canadian insurance and financial services company, Fairfax Financial Holdings, and its American subsidiary in the Circuit Court of Morris County, New Jersey. Plaintiffs made claims under a civil Racketeer Influenced and Corrupt Organizations ("RICO") statute, for commercial disparagement, tortious interference with contractual relationships, tortious interference with prospective economic advantage and common law conspiracy. Plaintiffs 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. These claims were never considered to be meritorious by MK & Co., but some of the claims survived an extended motion practice and discovery process. On May 11, 2012, the trial court ruled that New York law applied to plaintiff's RICO claims, therefore the claims 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 - 121 of our 2012 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 January 2013, the United States District Court for the Western District of Tennessee preliminarily approved the settlement of the class action and the derivative action regarding the closed end funds for $62 million and $6 million, respectively. No other class has been certified. Certain of the shareholders in the Funds and other interested parties have entered into arbitration proceedings and individual civil claims, in lieu of participating in the class action lawsuits.

In March 2009, MK & Co. received a Wells Notice from the SEC's Atlanta Regional Office related to ARS indicating that the SEC staff intended to recommend that the SEC take civil action against the firm. On July 21, 2009, the SEC filed a complaint in the United States District Court for the Northern District of Georgia (the "Court") against MK & Co. alleging violations of the federal securities laws in connection with ARS that MK & Co. underwrote, marketed and sold. On June 28, 2011, the Court granted MK & Co.'s Motion for Summary Judgment, dismissing the case brought by the SEC. On May 2, 2012, the United States Court of Appeals for the Eleventh Circuit reversed the Court's decision and remanded the case. A bench trial was held the week of November 26, 2012, but a verdict has not been rendered. Beginning in February 2009, MK & Co. commenced a voluntary program to repurchase ARS that it underwrote and sold to MK & Co. customers, and extended that repurchase program on October 1, 2009, to include certain ARS that were sold by MK & Co. to its customers but were underwritten by other firms. On July 21, 2009, the Alabama Securities Commission issued a "Show Cause" order to MK & Co. arising out of the ARS matter that is the subject of the SEC complaint described above. The order requires MK & Co. to show cause why its registration as a broker-dealer should not be suspended or revoked in the State of Alabama and also why it should not be subject to disgorgement, repurchasing all ARS sold to Alabama residents and payment of costs and penalties.

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

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Indemnification from Regions

The terms of the stock purchase agreement governing our acquisition of Morgan Keegan, which closed on April 2, 2012, provide that Regions will indemnify RJF for losses incurred in connection with legal proceedings pending as of the closing date or commenced after the closing date and related to pre-closing matters as well as any cost of defense pertaining thereto (see Note 3 on page 120 of our 2012 Form 10-K for a discussion of the indemnifications provided to RJF by Regions). All of the pre-Closing Date Morgan Keegan matters described above 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 $30 million to $400 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, 2012, a receivable from Regions of approximately $6 million is included in other receivables, an indemnification asset of approximately $190 million is included in other assets, and a liability for potential losses of approximately $193 million is included within trade and other payables, all of which are reflected on our Condensed Consolidated Statements of Financial Condition pertaining to the above matters 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. Through December 31, 2012, Regions has reimbursed approximately $3.6 million for costs we incurred in excess of the accrued liability amounts for legal matters subject to indemnification included in the final Closing Date tangible net book value computation.

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 113 of our 2012 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, 2012, management currently estimates the aggregate range of possible loss is from $0 to an amount of up to $7 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 17 – INTEREST INCOME AND INTEREST EXPENSE

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

	Three months ended December 31,	
	2012	2011
	(in thousands)	
Interest income:		
Margin balances	$16,164	$13,702
Assets segregated pursuant to regulations and other segregated assets	1,960	2,198
Bank loans, net of unearned income	87,310	72,022
Available for sale securities	2,217	2,087
Trading instruments	6,012	4,079
Stock loan	1,391	2,388
Loans to financial advisors	2,125	1,977
Other	5,947	3,643
Total interest income	123,126	102,096
Interest expense:		
Brokerage client liabilities	548	609
Retail bank deposits	2,476	2,243
Trading instruments sold but not yet purchased	798	523
Stock borrow	504	460
Borrowed funds	1,314	970
Senior notes	19,066	9,307
Interest expense of consolidated VIEs	1,049	1,305
Other	2,266	623
Total interest expense	28,021	16,040
Net interest income	95,105	86,056
Less: provision for loan losses	(2,923)	(7,456)
Net interest income after provision for loan losses	$92,182	$78,600

NOTE 18 – SHARE-BASED COMPENSATION

We have 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 2012 Form 10-K, our share-based compensation accounting policies are described in Note 1, page 113. Other information relating to our employee and Board of Director share-based awards including the predecessor plans, are outlined in our 2012 Form 10-K in Note 23, pages 169 – 173, while Note 24, pages 173 – 175, discusses our non-employee share-based awards. For purposes of this report, we have combined our presentation of both our employee and Board of Director share-based awards with our non-employee share-based awards, both of which are described below.

Stock option awards

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

Three months ended December 31,

	2012	2011
	(in thousands)	
Total share-based expense	$3,248	$3,555
Income tax benefits related to share-based expense	394	489

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For the three months ended December 31, 2012, we realized $155 thousand of excess tax benefits related to our stock option awards. During the three months ended December 31, 2012, we granted 828,050 stock options to employees and 47,300 stock options were granted to our independent contractor financial advisors. During the three months ended December 31, 2012, no stock options were granted to outside directors.

Unrecognized pre-tax expense for stock option awards granted to employees, directors and independent contractor financial advisors, net of estimated forfeitures, and the remaining period over which the expense will be recognized as of December 31, 2012 are presented below:

	Unrecognized pre-tax expense	Remaining weighted-average period
	(in thousands)	(in years)
Employees and directors	$22,058	3.4
Independent contractor financial advisors	1,085	3.3

The weighted-average grant-date fair value of stock option awards granted to employees for the three months ended December 31, 2012 is $12.11.

The fair value of each option grant awarded to our independent contractor financial advisors is estimated on the date of grant and periodically revalued using the Black-Scholes option pricing model. The weighted-average fair value for unvested options granted to independent contractor financial advisors as of December 31, 2012 is $15.62.

Restricted stock and stock bonus awards

During the three months ended December 31, 2012, we granted 918,587 restricted stock units to employees and none were granted to outside directors. We granted no restricted stock units to independent contractor financial advisors during the three months ended December 31, 2012.

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

	Three months ended December 31,	
	2012	2011
	(in thousands)	
Total share-based expense	$14,044	$13,522
Income tax benefits related to share-based expense	4,920	5,139

For the three months ended December 31, 2012, we realized $1.9 million of excess tax benefits related to our restricted stock awards.

Unrecognized pre-tax expense for restricted stock shares and restricted stock units granted to employees, directors and independent contractor financial advisors, net of estimated forfeitures, and the remaining period over which the expense will be recognized as of December 31, 2012 are presented below:

	Unrecognized pre-tax expense	Remaining weighted-average period
	(in thousands)	(in years)
Employees and directors	$124,168	3.4
Independent contractor financial advisors	457	1.9

The weighted-average grant-date fair value of restricted stock share and unit awards granted to employees and outside directors for the three months ended December 31, 2012 is $37.55.

The fair value of each restricted stock share awarded to our independent contractor financial advisors is valued on the date of grant and periodically revalued at the current stock price. The weighted-average fair value for unvested restricted stock awards granted to independent contractor financial advisors as of December 31, 2012 is $38.53.

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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 25, pages 176-178, of our 2012 Form 10-K.

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

RJF and RJ Bank are required to maintain minimum amounts and ratios of total and Tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined), and Tier 1 capital to average assets (as defined).

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, 2012:									
Total capital (to risk-weighted assets)	$3,154,335	19.1	%	$1,321,187	8.0	%	$1,651,484	10.0	%
Tier I capital (to risk-weighted assets)	2,993,196	18.1	%	661,480	4.0	%	992,220	6.0	%
Tier I capital (to adjusted assets)	2,993,196	13.9	%	861,351	4.0	%	1,076,689	5.0	%
RJF as of September 30, 2012:									
Total capital (to risk-weighted assets)	3,056,794	18.9	%	1,293,881	8.0	%	1,617,351	10.0	%
Tier I capital (to risk-weighted assets)	2,896,279	17.9	%	647,213	4.0	%	970,820	6.0	%
Tier I capital (to adjusted assets)	2,896,279	14.0	%	827,508	4.0	%	1,034,385	5.0	%

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, 2012:											
Total capital (to risk-weighted assets)	$	1,179,079	13.1	%	$	720,199	8.0	%	$	900,249	10.0	%
Tier I capital (to risk-weighted assets)		1,065,990	11.8	%		360,100	4.0	%		540,149	6.0	%
Tier I capital (to adjusted assets)		1,065,990	10.7	%		397,360	4.0	%		496,700	5.0	%
RJ Bank as of September 30, 2012:											
Total capital (to risk-weighted assets)	$	1,158,139	13.4	%	$	694,275	8.0	%	$	867,844	10.0	%
Tier I capital (to risk-weighted assets)		1,049,060	12.1	%		347,137	4.0	%		520,706	6.0	%
Tier I capital (to adjusted assets)		1,049,060	10.9	%		386,245	4.0	%		482,807	5.0	%

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RJ Bank calculates the Total Capital and Tier I Capital ratios in order to assess its compliance with both regulatory requirements and its internal capital policy in addition to providing a measure of underutilized capital should these ratios become excessive. Capital levels are continually monitored to assess RJ Bank's capital position. At current capital levels, RJ Bank was categorized as "well capitalized" under the regulatory framework for prompt corrective action.

The decrease in all of RJ Bank's capital ratios at December 31, 2012 compared to September 30, 2012 were primarily due to significant corporate loan growth and a $25 million dividend payment made to RJF by RJ Bank during the three month period ended December 31, 2012.

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

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

	As of			
	December 31, 2012		September 30, 2012	
	($ in thousands)			
Raymond James & Associates, Inc.:				
(Alternative Method elected)				
Net capital as a percent of aggregate debit items	19.10	%	17.22	%
Net capital	$291,408		$264,315	
Less: required net capital	(30,514	)	(30,696	)
Excess net capital	$260,894		$233,619	

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

	As of			
	December 31, 2012		September 30, 2012 (As amended[(1)])	
	($ in thousands)			
Morgan Keegan & Company, Inc.:				
(Alternative Method elected)				
Net capital as a percent of aggregate debit items	76.32	%	65.84	%
Net capital	$270,833		$263,366	
Less: required net capital	(7,168	)	(8,432	)
Excess net capital	$263,665		$254,934	

(1) MK & Co.'s net capital position as of September 30, 2012 was amended for insignificant changes to conform to final regulatory filings.

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

	As of			
	December 31, 2012		September 30, 2012	
	(in thousands)			
Raymond James Financial Services, Inc.:				
(Alternative Method elected)				
Net capital	$11,041		$11,689	
Less: required net capital	(250	)	(250	)
Excess net capital	$10,791		$11,439	

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

	As of December 31, 2012	September 30, 2012
	(in thousands)	
Raymond James Ltd.:		
Risk adjusted capital before minimum	$72,258	$77,871
Less: required minimum capital	(250)	(250)
Risk adjusted capital	$72,008	$77,621

At December 31, 2012, 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 26 pages 179 - 180, of our 2012 Form 10-K.

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

	December 31, 2012
	(in thousands)
Standby letters of credit	$140,146
Open end consumer lines of credit	492,177
Commercial lines of credit	1,772,803
Unfunded loan commitments	130,880

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

RJ Ltd. is subject to foreign exchange risk primarily due to financial instruments denominated in U.S. dollars that may be impacted by fluctuation in foreign exchange rates. In order to mitigate this risk, RJ Ltd. enters into forward foreign exchange contracts. The fair value of these contracts is not significant. As of December 31, 2012, forward contracts outstanding to buy and sell U.S. dollars totaled CDN $4.9 million and CDN $250 thousand, respectively. RJ Bank is also subject to foreign exchange risk related to its net investment in a Canadian subsidiary. See Note 14 for information regarding how RJ Bank utilizes net investment hedges to mitigate a significant portion of this risk.

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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,	
	2012	2011
	(in thousands, except per share amounts)	
Income for basic earnings per common share:		
Net income attributable to RJF	$85,874	$67,325
Less allocation of earnings and dividends to participating securities (1)	(1,204)	(1,722)
Net income attributable to RJF common shareholders	$84,670	$65,603
Income for diluted earnings per common share:		
Net income attributable to RJF	$85,874	$67,325
Less allocation of earnings and dividends to participating securities (1)	(1,190)	(1,717)
Net income attributable to RJF common shareholders	$84,684	$65,608
Common shares:		
Average common shares in basic computation	136,524	123,225
Dilutive effect of outstanding stock options and certain restricted stock units	2,170	487
Average common shares used in diluted computation	138,694	123,712
Earnings per common share:		
Basic	$0.62	$0.53
Diluted	$0.61	$0.53
Stock options and certain restricted stock units excluded from weighted-average diluted common shares because their effect would be antidilutive	503	3,645

(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 1.9 million and 3.2 million for the three months ended December 31, 2012 and 2011, respectively. Dividends paid to participating securities amounted to $251 thousand and $420 thousand for the three months ended December 31, 2012 and 2011, respectively. Undistributed earnings are allocated to participating securities based upon their right to share in earnings if all earnings for the period had been distributed.

Dividends per common share declared and paid are as follows:

	Three months ended December 31,	
	2012	2011
Dividends per common share - declared	$0.14	$0.13
Dividends per common share - paid	$0.13	$0.13

NOTE 22 – SEGMENT ANALYSIS

We currently operate through the following eight business segments: “Private Client Group;” “Capital Markets;” “Asset Management;” RJ Bank; “Emerging Markets;” “Securities Lending;” “Proprietary Capital” and various corporate activities combined in the “Other” segment. The business segments are based upon factors such as the services provided and the distribution channels served and are consistent with how we assess performance and determine how to allocate our resources throughout our subsidiaries. For a further discussion of our business segments, see Note 28, pages 182 - 185, of our 2012 Form 10-K.

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

	Three months ended December 31,	
	2012	2011
	(in thousands)	
Revenues:		
Private Client Group	$712,814	$528,618
Capital Markets	247,554	136,165
Asset Management	65,629	56,795
RJ Bank	92,050	77,416
Emerging Markets	5,589	4,652
Securities Lending	1,488	2,442
Proprietary Capital	20,616	473
Other	5,304	2,661
Intersegment eliminations	(13,535)	(10,405)
Total revenues[1]	$1,137,509	$798,817
Income (loss) excluding noncontrolling interests and before provision for income taxes:		
Private Client Group	$52,911	$49,408
Capital Markets	31,607	10,001
Asset Management	20,943	15,813
RJ Bank	67,943	53,003
Emerging Markets	(2,354)	(2,549)
Securities Lending	539	1,206
Proprietary Capital	5,720	(65)
Other	(38,162) [2]	(15,966)
Pre-tax income excluding noncontrolling interests	139,147	110,851
Add: net income (loss) attributable to noncontrolling interests	8,020	(6,203)
Income including noncontrolling interests and before provision for income taxes	$147,167	$104,648

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

(2) The Other segment for the three months ended December 31, 2012 includes $17.4 million in acquisition related expenses pertaining to our acquisitions (see Note 3 for further information regarding our acquisitions).

	Three months ended December 31,	
	2012	2011
	(in thousands)	
Net interest income (expense):		
Private Client Group	$20,675	$17,519
Capital Markets	1,795	1,197
Asset Management	24	16
RJ Bank	87,746	72,729
Emerging Markets	303	108
Securities Lending	887	1,928
Proprietary Capital	350	151
Other	(16,675)	(7,592)
Net interest income	$95,105	$86,056

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

	December 31, 2012	September 30, 2012
	(in thousands)	
Total assets:		
Private Client Group [1]	$7,505,669	$6,484,878
Capital Markets [2]	2,512,280	2,514,527
Asset Management	100,768	81,838
RJ Bank	10,089,759	9,701,996
Emerging Markets	48,067	43,616
Securities Lending	291,315	432,684
Proprietary Capital	355,622	355,350
Other	1,372,491	1,545,376
Total	$22,275,971	$21,160,265

(1) Includes $175 million of goodwill at December 31, 2012, and $173 million of goodwill at September 30, 2012.

(2) Includes $128 million of goodwill at December 31, 2012, and $127 million of goodwill at September 30, 2012.

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,	
	2012	2011
	(in thousands)	
Revenues:		
United States	$1,039,023	$711,921
Canada	72,415	62,810
Europe	20,889	18,542
Other	5,182	5,544
Total	$1,137,509	$798,817
Pre-tax income excluding noncontrolling interests:		
United States	$137,006	$110,372
Canada	4,539	3,039
Europe	(69)	47
Other	(2,329)	(2,607)
Total	$139,147	$110,851

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

	December 31, 2012	September 30, 2012
	(in thousands)	
Total assets:		
United States [1]	$20,503,266	$19,296,197
Canada[2]	1,698,722	1,788,883
Europe[3]	36,747	42,220
Other	37,236	32,965
Total	$22,275,971	$21,160,265

(1) Includes $262 million of goodwill at December 31, 2012, and $260 million of goodwill at September 30, 2012.

(2) Includes $33 million of goodwill at December 31, 2012 and September 30, 2012.

(3) Includes $7 million of goodwill at December 31, 2012 and September 30, 2012.

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ITEM 7. 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. The MD&A is provided as a supplement to, and should be read in conjunction with, our consolidated financial statements and accompanying notes to 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"

From time to time, Raymond James Financial, Inc. ("RJF"), together with its subsidiaries hereinafter collectively referred to as "our," "we" or "us," may publish "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities and Exchange Act of 1934, as amended, or make oral statements that constitute forward-looking statements. These forward-looking statements may relate to such matters as anticipated financial performance, future revenues or earnings, business prospects, allowance for loan loss levels at our wholly owned bank subsidiary Raymond James Bank, N.A. ("RJ Bank"), projected ventures, new products, anticipated market performance, recruiting efforts, regulatory approvals, the integration of Morgan Keegan (as hereinafter defined), and other matters. (On April 2, 2012, 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 Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements. In order to comply with the terms of the safe harbor, we caution readers that a variety of factors could cause our actual results to differ materially from the anticipated results or other expectations expressed in our forward-looking statements. These risks and uncertainties, many of which are beyond our control, are discussed in the section entitled "Risk Factors" of Item 1A of Part I included in our Annual Report on Form 10-K for the year ended September 30, 2012, as filed with the United States of America ("U.S.") Securities and Exchange Commission (the "2012 Form 10-K") and in Item 1A of Part II of this report on Form 10-Q. We do not undertake any obligation to publicly update or revise any forward-looking statements.

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, and the corporate and mortgage lending and credit (both commercial and residential) 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, 2012 compared with the quarter ended December 31, 2011

Despite the event-driven market environment during the quarter, we achieved record net revenues of $1.1 billion, a 4% increase over the preceding quarter and a 42% increase compared to the prior year quarter. All of our segments realized increased revenues over the prior year with the exception of our securities lending segment. Total client assets under administration increased to a record $392 billion, a 45% increase as compared to the prior year. Approximately

$85 billion of the client assets under administration total are associated with legacy Morgan Keegan branches. Non-interest expenses increased $284 million, or 42%, from the prior year primarily due to the addition of Morgan Keegan. Non-interest expenses were consistent with the preceding quarter, increasing $14 million, or 1%. The current year quarter non-interest expenses include $17 million of acquisition and integration related costs which we incurred primarily associated with the Morgan Keegan acquisition. The bank loan loss provision decreased $5 million from the prior year reflecting the overall improvement in the credit markets from that period.

Inclusive of the impact of the acquisition of Morgan Keegan, our pre-tax income increased $28 million, or 26%, compared to the prior year. After the exclusion of the acquisition related expenses we incurred primarily resulting from the Morgan Keegan acquisition, we generated adjusted pre-tax income of $157 million (a non-GAAP measure)[(1)] for the current quarter, a $13 million, or 9%, increase over the preceding quarter and a $46 million, or 41%, increase over the comparable prior year pre-tax income of $111 million.

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

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

- Our Private Client Group segment generated net revenues of $709 million, a 35% increase over the prior year. Pre-tax income of $53 million represents a 7% increase compared to the prior year. The increase in revenues is in large part due to our acquisition of Morgan Keegan and the high levels of retention of the Morgan Keegan financial advisors. Client assets under administration of the Private Client Group increased 39%, to $370 billion at December 31, 2012, as compared to the prior year. The increase is a result of both the $66 billion in assets brought on by Morgan Keegan branches and growth in legacy RJF private client assets.

- The Capital Markets segment realized a $22 million, or 216%, increase to $32 million in pre-tax income, reflecting improved equity capital market revenues net of the impact of weaker fixed income capital markets results. Significant increases in both underwriting and merger and acquisition fee revenues occurred as issuers sought to complete transactions in advance of any anticipated tax law changes associated with the then pending fiscal cliff crisis. The expansion of our fixed income institutional sales business as a result of the Morgan Keegan acquisition drove the increase in our institutional commissions as compared to the prior year. While still a positive overall result and flat as compared to the prior year, our fixed income trading profits declined from the preceding quarter being adversely effected by volatile market conditions which arose late in the current quarter.

- Our Asset Management segment generated $21 million of pre-tax income, a $5 million, or 32%, increase compared to the prior year. Assets under management increased to a record $46.5 billion as of December 31, 2012. Net inflows of client assets, including assets of Morgan Keegan clients, appreciation in the market values of assets, and our December 24, 2012 acquisition of a 45% interest in ClariVest Asset Management, LLC (“ClariVest”) with its $3.1 billion of assets under management, drove the increase. The ClariVest acquisition bolsters our platform in the large-cap strategy space. ClariVest markets its investment services to corporate and public pension plans, foundations, endowments and Taft-Hartley clients worldwide.

- RJ Bank generated $68 million in pre-tax income, a $15 million, or 28%, increase over the prior year. The increase resulted from an increase in net interest revenues resulting from higher average loan balances, an increase in the net interest spread, and a lower loan loss provision resulting from an improved credit environment.

- Our Emerging Markets segment generated a $2 million pre-tax loss, which is flat as compared to the prior year. Pre-tax results for the period include expenses associated with closure of our operations in Brazil.

- A $6 million increase in the pre-tax income (net of noncontrolling interests) generated by our Proprietary Capital segment was primarily the result of dividends and distributions received on certain of our investments during the current period.

- We incurred acquisition and integration related costs of $17 million in the current year, primarily associated with the Morgan Keegan acquisition.

With regard to regulatory changes that could impact our businesses in the future, our view of the potential impact to us of future regulations is substantially unchanged by the regulatory activities that occurred during the most recent period. Based on our review of the Dodd-Frank Act, and because of the nature of our businesses and our business practices, we presently do not expect the legislation to have a significant impact on our operations. However, because many of the regulations will result from further studies and are yet to be adopted by various regulatory agencies, the impact on our businesses remains uncertain.

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Segments

We currently operate through the following eight business segments: Private Client Group ("PCG"); "Capital Markets;" "Asset Management;" RJ Bank; "Emerging Markets;" "Securities Lending;" "Proprietary Capital" and various corporate activities combined in the "Other" segment. The following table presents our consolidated and segment gross revenues and pre-tax income, the latter excluding noncontrolling interests, for the periods indicated:

	Three months ended December 31,		
	2012	2011	% change
	($ in thousands)		
Total company			
Revenues	$1,137,509	$798,817	42%
Pre-tax income excluding noncontrolling interests	139,147	110,851	26%
Private Client Group			
Revenues	712,814	528,618	35%
Pre-tax income	52,911	49,408	7%
Capital Markets			
Revenues	247,554	136,165	82%
Pre-tax income	31,607	10,001	216%
Asset Management			
Revenues	65,629	56,795	16%
Pre-tax income	20,943	15,813	32%
RJ Bank			
Revenues	92,050	77,416	19%
Pre-tax income	67,943	53,003	28%
Emerging Markets			
Revenues	5,589	4,652	20%
Pre-tax loss	(2,354)	(2,549)	(8)%
Securities Lending			
Revenues	1,488	2,442	(39)%
Pre-tax income	539	1,206	(55)%
Proprietary Capital			
Revenues	20,616	473	NM
Pre-tax income (loss)	5,720	(65)	NM
Other			
Revenues	5,304	2,661	99%
Pre-tax loss	(38,162)	(15,966)	139%
Intersegment eliminations			
Revenues	(13,535)	(10,405)	30%

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Reconciliation of the GAAP results to the non-GAAP measures

We believe that the non-GAAP measures provide useful information by excluding those items that may not be indicative of our core operating results and that the GAAP and the non-GAAP measures should be considered together.

The non-GAAP adjustments for the periods indicated are comprised of the one-time acquisition and integration costs incurred which are non-recurring expenses (primarily associated with the Morgan Keegan acquisition), net of applicable taxes.

The following table provides a reconciliation of the GAAP basis to the non-GAAP measures:

	Three months ended				
	December 31, 2012	December 31, 2011	Change vs. prior year	September 30, 2012	Change vs. prior quarter
	(in thousands, except per share amounts)				
Net income attributable to RJF, Inc. - GAAP basis	$85,874	$67,325	28		